

Co. Reg. No. 200004950W

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**Matrixview Limited and Subsidiary Companies**

Annual Financial Statements  
30 June 2008

## MatrixView Limited and its Subsidiary Companies

### General Information

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#### Directors

Anand Thyagarajan  
Arvind Thiagarajan  
Noel Francis Robertson  
Kim Suk Jin  
Bruce Arthur Hauptman (Appointed on 31 August 2007)

#### Company Secretary

Chiang Chai Foong

#### Registered office

35 Selegie Road  
#09-17 Parklane Mall  
Singapore 188307

#### Auditors

Ernst & Young LLP  
Partner in charge: Vincent Toong Weng Sum (since financial year ended 30 June 2007)

#### Bankers

Commonwealth Bank of Australia  
The Bank of East Asia Limited, Singapore  
The Hongkong and Shanghai Banking Corporation Limited

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## MatrixView Limited and its Subsidiary Companies

### Directors' Report

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The Directors present their report to the members together with the audited consolidated financial statements of MatrixView Limited (the "Company") and its subsidiary companies (collectively, the "Group") for the financial year ended 30 June 2008 and balance sheet of the Company as at 30 June 2008.

#### Directors

The Directors of the Company in office at the date of this report are:

Anand Thyagarajan	
Arvind Thiagarajan	
Noel Francis Robertson	(Non Executive Director)
Kim Suk Jin	(Non Executive Director)
Bruce Arthur Hauptman	(Appointed on 31 August 2007)

#### Arrangement to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

#### Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholding required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company as stated below:

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
<b>MatrixView Limited</b>				
Anand Thyagarajan	2,422,628	22,628	19,190,075	19,190,075
Arvind Thiagarajan	2,467,628	2,467,628	19,190,075	19,190,075
Kim Suk Jin	10,163,897	10,163,897	6,029,785	6,029,785
Noel Francis Robertson	136,857	136,857	–	–
Bruce Arthur Hauptman	–	–	8,747,500	8,747,500

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, stock options, warrants or debentures of the Company, or of related corporations, either at the beginning or end of the financial year.

**MatrixView Limited and its Subsidiary Companies**

**Directors' Report**

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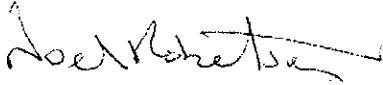
**Directors' contractual benefits**

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.


**Auditors**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,



Noel Francis Robertson  
Director



Anand Thyagarajan  
Director

Singapore  
25 September 2008

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**MatrixView Limited and its Subsidiary Companies**

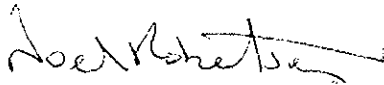
**Statement by Directors**

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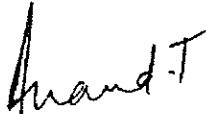
We, Noel Francis Robertson and Anand Thyagarajan, being two of the Directors of MatrixView Limited (the "Company"), do hereby state that, in the opinion of the Directors,

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and the Company and its subsidiary companies (collectively, the "Group") as at 30 June 2008 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,



Noel Francis Robertson  
Director



Anand Thyagarajan  
Director

Singapore  
25 September 2008

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**MatrixView Limited and its Subsidiary Companies**

**Independent Auditors' Report  
To the members of MatrixView Limited**

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We have audited the accompanying financial statements of MatrixView Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 30 June 2008, the consolidated profit and loss account, the consolidated statement of changes in equity, and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

MatrixView Limited and its Subsidiary Companies

Independent Auditors' Report

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Opinion

In our opinion,

- (i) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2008 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Note 2 to the financial statements. The Group incurred a net loss of \$5,306,366 and negative operating cashflow of \$5,123,735 during the year ended 30 June 2008. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As discussed more fully in Note 2, the ability of the Group to continue as a going concern depends on its ability to secure sufficient funding through sales and borrowings. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.



Ernst & Young LLP  
Public Accountants and  
Certified Public Accountants  
Singapore

25 September 2008

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**MatrixView Limited and its Subsidiary Companies**

**Consolidated Profit and Loss Account for the financial year ended 30 June 2008**

	Note	Group	
		2008 \$	2007 \$
<b>Revenue</b>			
Sales revenue		133,796	155,385
<b>Costs and expenses</b>			
Marketing and sales		874,687	1,033,711
Corporate administration		1,657,880	2,291,263
Research and development		2,626,585	2,927,413
Patent and trademark		139,571	79,253
Other operating expenses		99,287	102,996
<b>Total costs and expenses</b>		<b>5,398,010</b>	<b>6,434,636</b>
<b>Net operating loss</b>	4	<b>(5,264,214)</b>	<b>(6,279,251)</b>
Interest income		44,522	40,474
Interest expense		–	(15,820)
Foreign exchange loss		(63,378)	(34,944)
		<b>(18,856)</b>	<b>(10,290)</b>
<b>Loss before taxation</b>		<b>(5,283,070)</b>	<b>(6,289,541)</b>
Taxation	5	(23,296)	(9,776)
<b>Loss for the year</b>		<b>(5,306,366)</b>	<b>(6,299,317)</b>
<b>Attributable to:</b>			
Equity holders of the Company		(5,293,910)	(6,286,257)
Minority interests		(12,456)	(13,060)
		<b>(5,306,366)</b>	<b>(6,299,317)</b>
<b>Loss per share :</b>			
<b>- Basic</b>	6	<b>(4.31 cents)</b>	<b>(5.88 cents)</b>
<b>- Diluted</b>		<b>(4.31 cents)</b>	<b>(5.88 cents)</b>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

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MatrixView Limited and its Subsidiary Companies

Balance Sheets as at 30 June 2008

	Note	Group		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Non-current assets</b>					
Property, plant and equipment	7	359,985	674,958	3,329	33,844
Intangible assets	8	646,254	112,301	–	–
Subsidiary companies	9	–	–	–	–
Deferred tax assets	5	2,919	4,720	–	–
<b>Current assets</b>					
Trade receivables	10	1,390,867	39,054	–	–
Other receivables	10	333,912	361,879	38,865	40,603
Cash and cash equivalents	11	994,817	3,529,320	753,325	3,204,721
		<u>2,719,596</u>	<u>3,930,253</u>	<u>792,190</u>	<u>3,245,324</u>
<b>Current liabilities</b>					
Trade payables		89,840	187,536	65,614	135,180
Other payables and accruals	12	667,048	940,308	153,787	421,868
Advance from customer		1,463,139	–	–	–
Amounts due to subsidiary companies	13	–	–	287,952	486,432
Provision for taxation		82,180	136,251	–	–
		<u>2,302,207</u>	<u>1,264,095</u>	<u>507,353</u>	<u>1,043,480</u>
<b>Net current assets</b>		417,389	2,666,158	284,837	2,201,844
<b>Non-current liability</b>					
Deferred tax liabilities	5	(4,106)	(4,106)	(192)	(192)
<b>Net assets</b>		<u>1,422,441</u>	<u>3,454,031</u>	<u>287,974</u>	<u>2,235,496</u>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	14	30,360,403	27,082,203	30,360,403	27,082,203
Employee stock option reserve	15	592,752	407,517	30,192	407,517
Accumulated losses	16	(29,335,800)	(24,041,890)	(30,102,621)	(25,254,224)
Exchange translation reserve		(194,914)	(6,255)	–	–
		<u>1,422,441</u>	<u>3,441,575</u>	<u>287,974</u>	<u>2,235,496</u>
Minority interests		–	12,456	–	–
<b>Total equity</b>		<u>1,422,441</u>	<u>3,454,031</u>	<u>287,974</u>	<u>2,235,496</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

MatrixView Limited and its Subsidiary Companies

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2008

	Note	Group		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Issued share capital <sup>(1)</sup></b>	14				
Balance at beginning of year		27,082,203	22,261,675	27,082,203	22,261,675
Issuance of shares during the year		3,278,200	4,820,528	3,278,200	4,820,528
Balance at end of year		30,360,403	27,082,203	30,360,403	27,082,203
<b>Employee stock option reserve</b>	15				
Balance at beginning of year		407,517	126,037	407,517	126,037
Grant of employee stock options		185,235	281,480	(377,325)	281,480
Balance at end of year		592,752	407,517	30,192	407,517
<b>Accumulated losses</b>					
Balance at beginning of year		(24,041,890)	(17,755,633)	(25,254,224)	(18,213,448)
Net loss for the year		(5,293,910)	(6,286,257)	(4,848,397)	(7,040,776)
Balance at end of year		(29,335,800)	(24,041,890)	(30,102,621)	(25,254,224)
<b>Exchange translation reserve</b>					
Balance at beginning of year		(6,255)	4,712	-	-
Foreign currency translation adjustment		(193,577)	(10,967)	-	-
Balance at end of year		(199,832)	(6,255)	-	-

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MatrixView Limited and its Subsidiary Companies

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2008

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Minority interests</b>				
Balance at beginning	12,456	71,850	-	-
Share of loss for the year	(12,456)	(13,060)	-	-
Increase in share holding in a subsidiary company	-	(45,657)	-	-
Foreign currency translation adjustment	-	(677)	-	-
Balance at end	-	12,456	-	-
<b>Total equity</b>	<b>1,422,441</b>	<b>3,454,031</b>	<b>287,974</b>	<b>2,235,496</b>

- (1) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

MatrixView Limited and its Subsidiary Companies

Consolidated Cash Flow Statement for the year ended 30 June 2008

	2008 \$	2007 \$
<b>Cash flow from operating activities :</b>		
Loss before taxation	(5,278,152)	(6,289,541)
Adjustments for :-		
Depreciation of property, plant and equipment	267,147	327,598
Loss on disposal of property, plant and equipment	27,993	318
Interest income	(44,522)	(40,474)
Interest expense	-	15,820
Write off of /impairment loss on intangible assets	112,301	20,529
Employee stock option expense	185,235	281,480
Currency re-alignment	(126,112)	(110,985)
<b>Operating loss before changes in working capital</b>	<b>(4,861,028)</b>	<b>(5,795,255)</b>
Increase in receivables	(1,323,846)	(82,366)
(Decrease)/increase in payables and accruals	(370,956)	281,847
Increase/(decrease) in advance from customer	1,463,139	(8,299)
<b>Cash used in operations</b>	<b>(5,092,691)</b>	<b>(5,604,073)</b>
Interest received	44,522	42,478
Interest paid	-	(15,820)
Income tax paid	(75,566)	(60,784)
<b>Net cash used in operating activities</b>	<b>(5,123,735)</b>	<b>(5,638,199)</b>
<b>Cash flow from investing activities:</b>		
Purchase of property, plant and equipment	(47,208)	(153,846)
Proceeds from disposal of property, plant and equipment	4,494	1,018
Additions to intangible asset	(646,254)	-
Additional investment in a subsidiary	-	(25,128)
<b>Net cash used in investing activities</b>	<b>(688,968)</b>	<b>(177,956)</b>
<b>Cash flow from financing activities :</b>		
Net proceeds from issuance of new shares	3,278,200	4,820,528
<b>Net cash provided by financing activities</b>	<b>3,278,200</b>	<b>4,820,528</b>
Net decrease in cash and cash equivalents	(2,534,503)	(995,627)
Cash and cash equivalents at beginning of year (Note 11)	3,529,320	4,524,947
<b>Cash and cash equivalents at end of year (Note 11)</b>	<b>994,817</b>	<b>3,529,320</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**1. Corporate information**

MatrixView Limited ("the Company") is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on Australian Securities Exchange.

The registered office and principal place of business of the Company is located at 35 Selegie Road, #09-17 Parklane Mall, Singapore 188307.

The principal activities of the Company are to carry out research and development and marketing of proprietary compression software technology for application in various industries. The principal activities of the subsidiary companies are set out in Note 9 of the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**2. Fundamental accounting concept**

The Group incurred a net loss of \$5,306,366 (2007: \$6,299,317) and negative operating cashflow of \$5,123,735 (2007: \$5,638,199) during the year ended 30 June 2008. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern in its current structure.

The Group is in the process of securing sales and to meet their short term funding requirements. Thus, the ability of the Group to continue as a going concern depends on the ability to secure sufficient funding through sales, new capital and borrowings. If the Group is unable to secure sufficient funding through the aforementioned activities in order to continue operation in its present structure, the Group may have to adopt measures to downsize its operations.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

**3. Summary of significant accounting policies**

**3.1 Basis of preparation**

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Singapore Dollars ("SGD or S\$").

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

## 3. Summary of significant accounting policies (cont'd)

## 3.2 FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

	<i>Effective date (Annual periods beginning on or after)</i>
FRS 1 : Amendment to FRS 1 ( <i>revised</i> ), Presentation of Financial Statements (Capital Disclosures)	1 January 2008
FRS 1 : FRS 1 ( <i>revised</i> ) Presentation of Financial Statements	1 January 2009
FRS 23 : Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 102 : Share-based Payment: Vesting Conditions and Cancellation	1 January 2009
FRS 107 : Financial Instruments: Disclosures	1 January 2008
FRS 108 : Operating Segments	1 January 2009
INT FRS 112 : Service Concession Arrangements	1 January 2008
INT FRS 113 : Customer Loyalty Programme	1 July 2008
INT FRS 114 : The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction	1 January 2008

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107, FRS 108 and the amendment to FRS 1 as indicated below.

(a) **FRS 107, Financial Instruments: Disclosures and Amendment to FRS 1 (*revised*), Presentation of financial statements (Capital Disclosures)**

FRS 107 introduces new disclosures to improve the information on financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from the annual period beginning 1 January 2008.

(b) **FRS 108, Operating segments**

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this Standard on the other segment disclosures is still to be determined. As this is a disclosure Standard, it will have no impact on the financial position or financial performance of the group when implemented in 2009.

3. **Summary of significant accounting policies (cont'd)**

3.3 **Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flow from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of the cash flow. The carrying amount of the Group's goodwill at 30 June 2008 was \$Nil (2007: \$112,301). More details are given in Notes 3.8 and 8.

(b) **Depreciation of property, plant and equipment**

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives of 2 - 7 years. The carrying amount of plant, property and equipment as at 30 June 2008 was \$359,985 (2007: \$674,958). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3.4 **Functional and foreign currency**

(a) **Functional currency**

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Revenue and major operating expenses are primarily influenced by fluctuations in SGD.

(b) **Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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3. **Summary of significant accounting policies (cont'd)**

3.4 **Functional and foreign currency (cont'd)**

(b) **Foreign currency transactions (cont'd)**

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in a separate component of equity as exchange translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their profit and loss account are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as exchange translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit and loss account.

3.5 **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the holding company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Acquisitions of subsidiary companies are accounted for using the purchase method. Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

3.6 **Subsidiaries**

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

**3. Summary of significant accounting policies (cont'd)**

**3.7 Property, plant and equipment**

All items of property, plant and equipment are initially recognised at cost. The cost of an item of property, plant and equipment is recognised as an asset is, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measure reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Office renovation	-	5 – 6 years
Furniture and fittings	-	5 – 6 years
Office equipment	-	5 – 7 years
Computers	-	2 – 3 years
Vehicles	-	5 – 6 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

**3.8 Intangible asset**

**(a) Goodwill**

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, or by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit and loss account. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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3. Summary of significant accounting policies (cont'd)

3.8 *Intangible asset (cont'd)*

(a) *Goodwill (cont'd)*

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.3.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

(b) *Research and development costs*

Research costs are expensed as incurred. Deferred development costs arising from development expenditure on an individual project is recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

3.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

3. **Summary of significant accounting policies (cont'd)**

3.9 ***Impairment of non-financial assets (cont'd)***

Impairment losses are recognised in the profit and loss account except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the profit and loss account unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.10 ***Financial assets***

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) ***Loans and receivables***

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group has not classified any financial assets as held-to-maturity investments, available-for-sale financial assets and financial assets at fair value through profit and loss.

**3. Summary of significant accounting policies (cont'd)**

**3.11 *Impairment of financial assets***

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit and loss account.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit and loss account.

The Group has not classified any financial assets as assets carried at cost and available-for-sale financial assets.

**3.12 *Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and in bank and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**3.13 *Financial liabilities***

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised or impaired, and through the amortisation process.

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**3. Summary of significant accounting policies (cont'd)**

**3.14 Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

**3.15 Income taxes**

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the profit and loss account except for tax relating to items recognised directly in equity is recognised directly in equity.

*Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

**3. Summary of significant accounting policies (cont'd)**

**3.15 Income taxes (cont'd)**

*Deferred tax (cont'd)*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**3.16 Leases**

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

**3.17 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) **Sales of licences**

Revenue from sale of licences is recognised upon the acceptance of the software by the customers, or per otherwise stated in the agreements.

(b) **Interest income**

Interest income is recognised using the effective interest method.

**3.18 Employee benefits**

(a) **Defined contribution plan**

The Group participates in the national pension schemes, such as the Central Provident Fund, as defined by the laws of the countries in which it has operations. Contributions to the national pension scheme are recognised as an expense in the period in which the related service is performed.

(b) **Employee leave entitlement**

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

3. Summary of significant accounting policies (cont'd)

3.18 *Employee benefits (cont'd)*

(c) *Employee stock option plan*

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in the profit and loss account, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

3.19 *Segment reporting*

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

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MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

4. Net operating loss

Net operating loss is arrived at after charging the following:

	Group	
	2008	2007
	\$	\$
Depreciation of property, plant and equipment	267,147	327,598
Employee stock option expense	185,235	281,480
Loss on disposal of property, plant and equipment	27,993	318
Staff costs (including Executive Directors)		
- Salaries, bonus and other emoluments	2,898,720	2,916,507
- Defined contributions	38,331	58,632
Bad debts written off	-	35,355

Directors' remuneration and related benefits are disclosed in Note 16(b) to the financial statements.

5. Taxation

Major components of income tax expense for the year ended 30 June were :

	Group	
	2008	2007
	\$	\$
- Current tax		
Singapore	14,409	6,444
Foreign	(1,062)	(582)
- Deferred tax		
Singapore	-	(19,554)
Foreign	9,949	23,468
Tax expense	23,296	9,776

MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

5. Taxation (cont'd)

A reconciliation of the tax benefit computed based on tax rates applicable to loss before taxation for the years ended 30 June is as follows:

	Group	
	2008 \$	2007 \$
Loss before taxation	(5,283,070)	(6,289,541)
Tax benefit at the domestic rates applicable to losses in the countries concerned	(803,383)	(1,002,585)
Adjustments:		
Expenses not deductible for tax purposes	100,907	111,457
Deferred tax assets not recognized	750,799	903,883
Income not subject to tax	(33,914)	–
Others	8,887	(4,467)
Effect of changes in tax rates	–	1,488
Tax expense	23,296	9,776

The Group and Company have tax losses of \$22,059,000 (2007: \$17,098,000) and \$17,849,000 (2007: \$13,855,000) respectively and capital allowances of \$77,000 (2007: \$81,000) and \$Nil (2007: \$3,070) respectively, that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

**Deferred tax assets and liabilities**

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Deferred tax liabilities</b>				
Differences in depreciation	(3,914)	(4,106)	–	–
Others	(192)	–	(192)	(192)
	(4,106)	(4,106)	(192)	(192)

	Group	
	2008 \$	2007 \$
<b>Deferred tax assets</b>		
Provision for unutilised leave	2,919	2,919
Others	–	1,801
	2,919	4,720

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MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

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6. Loss per share

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following table reflects the net loss and share data used in the computation of basic and diluted loss per share for the years ended 30 June :

	Group	
	2008 \$	2007 \$
Net loss attributable to ordinary equity holders of the Company used in the computation of basic earnings per share	(5,293,910)	(6,286,257)
Weighted average number of ordinary shares on issue applicable to basic and diluted loss per share computation	122,886,325	106,821,302

There has been no transaction involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

1,345,500 (2007: 1,407,500) of stock options granted to employees have not been included in the calculation of diluted earnings per share because these options are not considered to be dilutive as the Group is in a loss position.

MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

7. Property, plant and equipment

Group	Office renovation \$	Furniture & fittings \$	Office equipment \$	Computers \$	Vehicles \$	Total \$
<b>Cost</b>						
At 1 July 2006	282,074	125,201	132,467	643,175	26,040	1,208,957
Additions	367	12,901	20,417	120,161	–	153,846
Disposals	–	(1,117)	(838)	–	–	(1,955)
Net exchange differences	20,305	9,782	7,370	30,033	2,224	69,714
At 30 June 2007 and 1 July 2007	302,746	146,767	159,416	793,369	28,264	1,430,562
Additions	19,662	409	2,247	24,890	–	47,208
Disposals	(51,948)	(13,340)	(22,409)	(89,486)	–	(177,183)
Net exchange differences	(37,262)	(19,081)	(15,791)	(69,208)	(4,201)	(145,543)
At 30 June 2008	233,198	114,755	123,463	659,565	24,063	1,155,044
<b>Accumulated depreciation</b>						
At 1 July 2006	46,250	49,839	26,075	307,002	6,553	435,719
Charge during the year	79,044	19,536	25,036	198,803	5,179	327,598
Disposals	–	(405)	(214)	–	–	(619)
Net exchange differences	5,587	(18,369)	(685)	8,864	(2,491)	(7,094)
At 30 June 2007 and 1 July 2007	130,881	50,601	50,212	514,669	9,241	755,604
Charge during the year	60,191	27,510	19,964	154,994	4,488	267,147
Disposals	(44,219)	(11,592)	(16,316)	(72,569)	–	(144,696)
Net exchange differences	(18,822)	(7,888)	(3,622)	(50,837)	(1,827)	(82,996)
At 30 June 2008	128,031	58,631	50,238	546,257	11,902	795,059
<b>Net carrying amount</b>						
At 30 June 2007	171,865	96,166	109,204	278,700	19,023	674,958
At 30 June 2008	105,167	56,124	73,225	113,308	12,161	359,985

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MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

7. Property, plant and equipment (cont'd)

Company	Office renovation \$	Furniture & fittings \$	Office equipment \$	Computers \$	Total \$
<b>Cost</b>					
At 1 July 2006	51,948	14,109	23,990	64,854	154,901
Additions	–	–	–	2,769	2,769
Disposals	–	–	–	(3,070)	(3,070)
At 30 June 2007 and 1 July 2007	51,948	14,109	23,990	64,553	154,600
Additions	–	–	–	3,568	3,568
Disposals	(51,948)	(13,107)	(19,089)	(54,833)	(138,977)
At 30 June 2008	–	1,002	4,901	13,288	19,191
<b>Accumulated depreciation</b>					
At 1 July 2006	29,500	8,339	12,342	41,730	91,911
Charge during the year	10,390	2,822	4,797	13,906	31,915
Disposals	–	–	–	(3,070)	(3,070)
At 30 June 2007 and 1 July 2007	39,890	11,161	17,139	52,566	120,756
Charge during the year	4,329	1,273	2,570	4,141	12,313
Disposals	(44,219)	(11,432)	(15,464)	(46,092)	(117,207)
At 30 June 2008	–	1,002	4,245	10,615	15,862
<b>Net carrying amount</b>					
At 30 June 2007	12,058	2,948	6,851	11,987	33,844
At 30 June 2008	–	–	656	2,673	3,329

8. Intangible assets

Group	Deferred expenditure \$	Goodwill \$	Total \$
<b>Cost</b>			
Balance at 1 July 2006	–	132,830	132,830
Impairment loss during the year	–	(20,529)	(20,529)
Balance at 30 June 2007 and 1 July 2007	–	112,301	112,301
Additions during the year	646,254	–	646,254
Written-off/impairment loss during the year	–	(112,301)	(112,301)
Balance at 30 June 2008	646,254	–	646,254

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**MatrixView Limited and its Subsidiary Companies**

**Notes to the Financial Statements – 30 June 2008**

**9. Subsidiary companies**

	Company	
	2008	2007
	\$	\$
Unquoted equity shares, at cost	723,875	1,101,208
Impairment losses	(723,875)	(1,101,208)
Carrying amount of investments	—	—

Details of the subsidiary companies are as follow :

Name of subsidiary companies	Principal activities	Country of incorporation/ principal place of business	Equity interest		Cost	
			2008 %	2007 %	2008 \$	2007 \$
(2) MatrixView Solutions (S) Pte. Ltd.	Dormant (Struck off during the year)	Singapore/ Singapore	—	100	—	4
(2) MatrixView Healthcare Pte. Ltd.	Dormant	Singapore/ Singapore	100	100	3	3
(1) MatrixView Technologies (Singapore) Pte. Ltd. (Formerly known as MatrixView Management Services Pte. Ltd.)	Provision of general management and administrative support services to related companies	Singapore/ Singapore	100	100	30,194	20,759
(2) MatrixView Data Solutions Pte. Ltd.	Dormant	Singapore/ Singapore	100	100	651,405	651,405
(3) MatrixView Integrated Solutions Pvt. Ltd.	Sales and marketing of medical and data solutions	India/ India	100	100	3,807	14,778
(3) MatrixView Technologies (India) Private Limited	Research & development and marketing of proprietary image compression technology	India/ India	100	100	38,461	414,250

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MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

9. Subsidiary companies (cont'd)

Details of the subsidiary companies are as follow:

Name of subsidiary companies	Principal activities	Country of incorporation/ principal place of business	Equity interest		Cost	
			2008 %	2007 %	2008 \$	2007 \$
(1) MatrixView USA Inc	Research and development, sales and marketing	The United States of America/ The United States of America	100	100	2	2
(2) MatrixView Communications Pte. Ltd. (Formerly known as DigiView Pte. Ltd.)	Dormant (Struck off during the year)	Singapore/ Singapore	–	100	–	3
(2) MatrixView Investment Holdings Pte. Ltd.	Dormant	Singapore/ Singapore	100	100	2	2
(4) MatrixView Inc.	Dormant (Struck off during the year)	The United States of America/ The United States of America	–	100	–	2
(4) MatrixView Inc	Research and development, sales and marketing	The United States of America/ The United States of America	100	100	1	–
					723,875	1,101,208

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MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

9. Subsidiary companies (cont'd)

*Subsidiary of MatrixView Investment Holdings Pte. Ltd.*

Name of subsidiary company	Principal activities	Country of incorporation/ principal place of business	Equity interest	
			2008 %	2007 %
<sup>(3)</sup> Cimar Medical Networks Pvt. Ltd.	Developing and marketing of high performance teleradiology network systems	India/ India	87	87

<sup>(1)</sup> Audited by Ernst & Young (Singapore).

<sup>(2)</sup> Audited by Sim, Teo & Associates (Singapore).

<sup>(3)</sup> Audited by S.R. Batliboi & Associates.

<sup>(4)</sup> Not required to be audited by law in its country of incorporation.

10. Trade and other receivables

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade receivables	1,390,867	39,054	–	–

As at 30 June 2008, the following amounts are included in trade receivables for the Group:

- \$161,308 (2007: \$Nil) denominated in Euros.
- \$1,229,400 (2007: \$Nil) denominated in USD.

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their face value on initial recognition. Bad debts written off directly to profit and loss account amounted to \$ Nil (2007: \$35,355).

Other receivables as at 30 June were:

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Deposits	280,810	326,949	33,015	23,826
Interest receivable	–	1,542	–	10
Sundry receivables	53,102	33,388	5,850	16,767
	<u>333,912</u>	<u>361,879</u>	<u>38,865</u>	<u>40,603</u>

As at 30 June 2008, the following amounts are included in other receivables for the Group:

- \$263,992 (2007: \$293,804) denominated in Indian Rupees.
- \$4,055 (2007: \$12,892) denominated in USD.
- \$1,632 (2007: \$1,632) denominated in other foreign currencies.

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MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

11. Cash and cash equivalents

	Group	
	2008 \$	2007 \$
Cash and bank balances	994,817	3,425,662
Fixed deposits	–	103,658
	994,817	3,529,320

Fixed deposits are made for varying periods of between 14 days to 1 month depending on the immediate cash requirements of the Group, and earn interest rate at the respective short-term deposit rates.

The interest rate of fixed deposits ranged from 2.0100% to 5.2500% (2007: 1.0600% to 6.2400%) per annum.

12. Other payables and accruals

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Accrued operating expenses	348,660	361,163	50,715	352,585
Accrued payroll and related expenses	318,373	579,048	103,070	69,280
Others	15	97	2	3
	667,048	940,308	153,787	421,868

13. Amounts due from/(to) subsidiary companies

	Company	
	2008 \$	2007 \$
Amounts due from subsidiary companies		
- Trade	86,919	41,135
- Non-trade	5,969,189	4,742,398
Amounts due to subsidiary companies		
- Trade	(317,827)	(486,432)
	5,738,281	4,297,101
Less: Impairment losses	(6,026,233)	(4,783,533)
	(287,952)	(486,432)

**MatrixView Limited and its Subsidiary Companies**

**Notes to the Financial Statements – 30 June 2008**

**13. Amounts due from/(to) subsidiary companies (cont'd)**

Non-trade amounts due from subsidiary companies are unsecured, interest free, repayable on demand and are to be settled in cash.

The Company recognised an impairment loss of \$1,655,053 (2007: \$2,042,643) in respect of amounts owing from subsidiary companies due to their current financial positions.

**14. Share capital**

	Number of shares		Amount	
	2008	2007	2008 \$	2007 \$
<b>Issued and fully paid:</b>				
Ordinary shares at beginning of year	119,018,705	106,510,500	27,082,203	22,261,675
Ordinary shares of: (2007: 598,205 shares issued on Share purchase plan at A\$0.28 per share)	-	598,205	-	200,829
Ordinary shares of: 3,106,667 at A\$0.30 and 4,749,443 at A\$0.359 issued on private placements. (2007: 11,910,000 issued on private placement at A\$0.30 per share)	7,856,110	11,910,000	3,278,200	4,619,699
Ordinary shares at end of year	<u>126,874,815</u>	<u>119,018,705</u>	<u>30,360,403</u>	<u>27,082,203</u>

**15. Employee stock option reserve**

Employee stock option reserve represents the equity-settled stock options granted to employees (Note 18a). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled stock options.

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MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

16. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

(a) **Sale and purchase of goods and services**

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties of the Group took place during the year at terms agreed between the parties:

	Company	
	2008	2007
	\$	\$
<i>Subsidiary companies</i>		
Management fees	138,030	293,203
Development fees	2,808,546	2,544,747
Licence fees/Royalties	86,919	41,135

(b) **Compensation of key management personnel**

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Director related individual *</i>				
- Consultancy fees	50,881	35,842	-	-
<i>Directors of the Company</i>				
- Remuneration	424,727	869,875	56,427	609,800
- Other benefits	12,908	74,335	3,161	64,627
- Defined contribution	-	-	-	-
- Directors' fees	102,015	64,860	102,015	64,860
- Consultancy fees	36,000	36,000	36,000	36,000
<i>Directors of subsidiary companies</i>				
- Remuneration	385,803	417,231	-	-
- Other benefits	-	-	-	-
- Defined contribution	-	-	-	-
- Consultancy fees	-	-	-	-
<i>Other key executives' remuneration</i>				
- Remuneration	395,981	432,124	-	-
- Housing and other benefits	42,000	23,469	-	-
- Defined contribution	17,049	74,335	-	-

\* This relates to consultancy fees paid to the spouse of a Director.

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MatrixView Limited and its Subsidiary Companies

Notes to the Financial Statements – 30 June 2008

17. Operating lease commitments

Rental expense (principally for office and office equipment) for the years ended 30 June are as follows:-

	Group	
	2008	2007
	\$	\$
Operating rental expense	304,338	394,318
Future minimum lease payments payable under non-cancellable operating leases are as follows as at 30 June :		
Within one year	99,950	121,858
After one year but not more than five years	52,000	22,303
	<u>151,950</u>	<u>144,161</u>

The above operating leases do not contain any escalation clauses and do not provide for contingent rent. Lease terms do not contain restrictions on the Group and Company activities concerning dividends, additional debt or entering into other leasing agreements.

Certain leases include renewal options for additional lease period of 1 year at rental rates to be based on negotiations and prevailing market rates.

18. Employee benefits

	Group	
	2008	2007
	\$	\$
<b>Employee benefits expenses (including executive Directors):</b>		
Salaries and bonuses	2,614,115	2,824,713
Defined contributions	38,331	58,632
Expenses on employee stock option plan (Note 18a)	185,235	281,480
Other emoluments	48,862	113,558
	<u>2,886,543</u>	<u>3,278,383</u>

**Employee stock option plan**

An Employee Stock Option Plan ("ESOP") was approved by shareholders in an Extraordinary General Meeting held on 17 November 2005. Under the ESOP, all executives and staff of the Group are eligible to be issued with options to subscribe for the ordinary shares of MatrixView Limited. The ESOP is administered by the Nomination and Remuneration Committee.

## 18. Employee benefits (cont'd)

*Employee stock option plan (cont'd)*

The main features of the ESOP are summarized as follows:

1. The exercise price of the option was set on the average closing price of the Company's shares for twenty working days prior to 16 September 2005, at the Australian Stock Exchange ("ASX").
2. The options vest on the 2<sup>nd</sup> anniversary of the grant date i.e. 17 February 2008.
3. The options expire five years from the date the grants are vested.
4. The options cannot be transferred and are not quoted on the ASX.
5. Employees must remain employed by MatrixView Limited throughout the vesting period.

The fair value of services received in return for stock options granted is measured by reference to the fair value of stock options granted. The estimate of the fair value of the services is measured based on the Black Scholes option valuation model.

The fair value of the stock options and the assumptions used are as follows:

Date of Grant	16 February 2006
Exercise price	A\$1.42
Expected life of options	3.5 years from date of grant
Expected volatility	38.48%
Expected dividend yield	0%
Risk free interest rate	5.26%
Vesting date	16 February 2008

The expected life used in the model has been adjusted, based on expectation that employees will exercise mid-way and the risk free interest rate is based on the yield of the five year Australian Government Bonds as at date of grant.

The expected volatility is based on statistical analysis of monthly share prices since listing date to 30 June 2006. It reflects the assumption that the historical volatility is indicative of future trends but may not be necessarily the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The following table sets out the movement of the options issued under the ESOP:

	2008 \$	2007 \$
Balance as at beginning of year	1,407,500	1,837,000
Movements during year		
- Granted	-	-
- Forfeited *	(62,000)	(429,500)
Balance as at end of year	<u>1,345,500</u>	<u>1,407,500</u>
Outstanding options exercisable at end of year	1,345,500	Nil

\* The forfeiture is due to employees leaving the Group during the year.

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19. Segment reporting

*Analysis by geographical segments*

	Singapore		India and others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Revenue from external customers	77,209	32,540	56,586	122,845	—	—	133,795	155,385
Inter-segment revenue	27,648	58,027	2,823,068	2,560,545	(2,850,716)	(2,618,572)	—	—
Segment revenue	104,857	90,567	2,879,654	2,683,390	(2,850,716)	(2,618,572)	133,795	155,385
<b>Segment result</b>	(4,673,677)	(5,711,118)	(653,915)	(603,077)	—	—	(5,327,592)	(6,314,195)
Interest income							44,522	40,474
Interest expense							—	(15,820)
Loss before taxation							(5,283,070)	(6,289,541)
Taxation							(23,296)	(9,776)
Loss for the year							(5,306,366)	(6,299,317)
Segment assets	4,984,081	5,080,345	926,761	1,218,327	(2,185,007)	(1,581,160)	3,725,835	4,717,512
Unallocated assets							2,919	4,720
Total assets							3,728,754	4,722,232
Segment liabilities	2,025,185	633,329	2,379,849	2,064,628	(2,185,007)	(1,570,113)	2,220,027	1,127,844
Unallocated liabilities							86,286	140,357
Total liabilities							2,306,313	1,268,201
Capital Expenditure	23,230	15,198	23,978	138,648	—	—	47,208	153,846
Depreciation of property, plant and equipment	41,275	101,546	225,872	226,052	—	—	267,147	327,598
Loss on disposal of property, plant and equipment							27,993	318

**20. Financial risk management objectives and policies**

The Group's principal financial instruments comprise fixed deposits as well as cash and bank balances. The Group raises its funding needs mainly through issuance of shares. Funds raised are placed in fixed deposits until needed. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board of Directors through the Audit and Risk Committee reviews and agrees on the risk management policies for each of these risks and they are summarised below :-

*Foreign currency risk*

The Group's surplus funds are held largely in its functional currency and foreign currency cash requirements are projected and purchased not more than three months ahead of requirements.

The Group does not use derivative financial instruments to protect against the volatility associated with its foreign currency investments, transactions and other financial assets and liabilities created in the ordinary course of business.

*Credit risk*

It is the Group's policy to place surplus funds with reputable banks.

Credit worthiness of trade receivables is checked and exposure is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There is no significant concentration of credit risk within the Group or the Company.

*Liquidity risk*

The Group forecast its financial performance and cash requirements on a quarterly basis, taking into account the operating and capital expenditure and inflow from sales secured. One of the critical factors in the next financial year would be the attainment of such sales. Where the cash position is expected to fall below minimum operating requirements, plans for equity calls or issue of placements shares would be activated.

**21. Fair values of financial instruments**

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

*Cash and bank balances, fixed deposits, trade and other receivables, trade payables, other payables and accruals, amounts due from/to subsidiary companies*

The carrying amounts of these balances approximate their fair values due to the short-term maturity of these financial instruments.

**22. Authorisation of financial statements for issue**

The financial statements of the Company for the financial year ended 30 June 2008 were authorised for issue in accordance with a resolution of the Directors on 25 September 2008.

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