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Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Financial Statements

For the Year Ended 30 June 2010

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

For the Year Ended 30 June 2010

CONTENTS

	<u>Page</u>
Financial Statements	
Independent Audit Report	1
Directors' Report	3
Directors' Declaration	15
Statement of Comprehensive Income	16
Statement of Financial Position	17
Statement of Changes in Equity	18
Cash Flow Statement	19
Notes to the Financial Statements	20
Auditors Independence Declaration under Section 307C of the Corporations Act 2001	48

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Independent Audit Report to the members of Digislide Holdings Limited and Controlled Entities

Report on the Financial Report

We have audited the accompanying financial report of Digislide Holdings Limited and Controlled Entities, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

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

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

• business growth and improvement planning
• accounting and taxation advice
• audit and assurance services
• business valuations and appraisals
• information technology and systems reviews
• marketing services
• business recovery and insolvency

Associated Offices

NSW Sydney
VIC Melbourne
QLD Brisbane
WA Perth
NT Darwin
NZ Auckland

Liability limited by a scheme approved
under Professional Standards Legislation

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Independent Audit Report to the members of Digislide Holdings Limited and Controlled Entities

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the directors of Digislide Holdings Limited and Controlled Entities on 30 September 2010, the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial report of Digislide Holdings Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1(p) to the financial statements, the business operated by Digislide Holdings is not yet selling sufficient volumes of products to cover costs, and as such the going concern assumption is significantly uncertain due to the following factors:

- the business currently does not generate sufficient trading revenues to meet its current cost structure and is reliant on capital injections and loans from shareholders; and
- the current liabilities exceed the current assets by \$1,067,491; and
- the Group has a cash position of only \$2,949

The going concern basis has been adopted on the basis that there is a reasonable expectation that the Group will be able to raise sufficient funds from shareholders until the Group is in a position of generating sufficient cash from the commercialisation of its products going forward.

Hayes Knight (SA)



Alan Green
Director

269 Pulteney Street
Adelaide SA 5000

30 September 2010

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2010.

1. General information

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Position	Appointed/Resigned
Ms Luceille Outhred	Chief Executive Officer	6 June 2003
Ms Lin Chan	Non-Executive Director	1 September 2007/16 November 2009
Mr Malcolm Leahy	Non-Executive Director	1 July 2007
Mr Ian Mutton	Non-Executive Chairman	11 May 2008/3 March 2010
Mr Leon Milford	Non-Executive Director Interim Chairman	18 August 2008
Mr Christian Outhred - Digislide Americas	Vice President	6 February 2006/30 June 2010
Mr Grant Chapman	Non- Executive Director	25 March 2010

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Jeff King, Chartered Accountant; Dip Bus Accounting

Controlled Entities with Ownership Interest of 50% or Less

The principal activities of the Group during the financial year were:

- Research and development of precision optics for projection technologies;
- The design and development of miniature projection technologies;
- Design and development of consumer electronic products (pico projectors); and
- Marketing and sale of projection products.

Whilst research in the fields of precision optics, electronics, heat dissipation and use of laser technologies have continued, there has been a significant change in the Group's principal activities during the year, as the Group has now brought several products to market. Thus, the Group has been effectively transitioning from a pure Research and Development Group to a commercial operation trading in consumer electronic and projection products.

Principal activities of the consolidated entity thus were Ongoing Research and Development of Miniaturised Projection Technologies; further development of relationships with synergistic developers, product launch of

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

1. General information continued

Controlled Entities with Ownership Interest of 50% or Less continued

Digishow™, miniPRO® and WeSii®. Late stage of commercialisation of digiPRO™ and XRAY™ has occurred, and product development on the digiVision™ has commenced.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

Information on Directors

Ms Luceille Outhred	Chief Executive Officer
Qualifications	Master of Educational Studies Advanced Diploma of Business Development Advanced Diploma of Human Resources Development Management Diploma of Teaching (Sec Comm) Diploma of Training and Assessment Certificate of Teaching English as a Foreign Language
Experience	Co-founder of Digislide Holdings and one of its key inventors Strategic leadership – evaluation of acquisition targets Experienced in start up and business development Corporate Leader of the Workright Group for 17 years Finalist in the Telstra Business Woman of the Year (SA) in 2000 and 2007 The Global Leaders Group; The Global Leaders – Business Leaders All Women Global Leaders; Global Leaders in Education; Telstra Business Women's Alumni; Member of Global Leadership
Special Responsibilities	CEO; Responsible Officer under the OHSW Act (1986). Responsible for contractual issues, human resources, Intellectual Property management, capital raising and investor relations. Management of commercialisation of Digislide's core technologies Management of relationship with AusIndustry and Austrade Applying for Government Grants
Ms Lin Chan	Non-Executive Director
Qualifications	Master of Business Administration Bachelor of Commerce (Accounting and Finance) Certified Practising Accountant
Experience	25 years corporate finance experience spanning early stage start-ups to Global 1000 companies Industry experience includes semi-conductor, internet, manufacturing, storage, communications, nano-technology and consumer sectors
Special Responsibilities	Member of Audit Committee

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

Mr Malcolm Leahy	Non-Executive Director
Qualifications	Diploma of Business (Frontline Management)
Experience	Significant manufacturing experience for and on behalf of major brand owners and has business relationships with engineering firms and plastic manufacturers in China Member of the TEC Group and holds directorships with Creative Molding Pty Ltd, Arkidelo Pty Ltd, The Fitness & Leisure Business Pty Ltd, Sharksafe Pty Ltd and Is That So Pty Ltd
Special Responsibilities	Advice on international manufacturing Member of Rewards and Remuneration Committee Member of Audit Committee
Mr Ian Mutton	Non-Executive Chairman
Experience	Considerable experience in corporate governance Sits on numerous boards of emerging listed and un-listed Australian and UK companies Lawyer with a background in competition and product liability laws 10 years experience with the Commonwealth Crown Solicitor 15 years experience with CSR Limited devising and implementing product liability defence and asset protection strategies in Australia, New Zealand and USA Managed relations for a Northern Ireland based energy start-up company for 5 years. 10 years spent devising and implementing competition law and product liability related governance and training programs for companies in Australia, New Zealand and Europe
Special Responsibilities	Chairman Member of Audit Committee
Mr Leon Milford	Non-Executive Director, Interim Chairman
Qualifications	Diploma of Business (Frontline Management) Advanced Diploma in Business Management Advanced Diploma in Business Recordkeeping
Experience	Held the position of Victorian Secretary and Accountant for global organisation, Hills Industries Ltd Held management positions in finance and sales, combined with directorships held in the automotive, real estate and aged care industries Director of International Retirement Communities Pty Ltd, Health Investments Pty Ltd, International Equities Pty Ltd, ATH Holdings Pty Ltd, Sharksafe Pty Ltd and AU Pacific Ltd
Special Responsibilities	Signing off on Research and Development Plans for AusIndustry Member of Rewards and Remuneration Committee Member of Audit Committee

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

Mr Christian Outhred - Digislide Americas	Vice President
Qualifications	Bachelor of International Business Advanced Diploma Business Development Management Diploma Business (Frontline Management) Certified Practicing Manager
Experience	Over 10 years experience in international business development in Australia, UK, USA, Asia and Europe Involved with Digislide Group since incorporation, representing the company in trade and investment forums in Sydney (Aust), Xian (China), Singapore and USA Associate Director Asia Pacific for Brewer Morris (Global Taxation Recruitment firm) Former associate of Michael Page Recruitment (UK) – gaining awards for business development in UK and USA Business Development with Pure Recruitment Group (London) Awarded first prize by the Financial Times in a highly competitive UK wide B2B business development contest Early stage commercialisation of Digislide products towards market entry in Europe and USA Chairman of the Board Workright Group
Special Responsibilities	Discrete Governance Advice on Global Recruitment
Mr Grant Chapman	Non- Executive Director
Qualifications	B. Arts with Honours
Experience	Former Senator 1987 - 2008 President of the Australian Liberal Party Federal Member for Kingston 1975 - 1983 Member of the United Nations Panel of Eminent Persons to Combat Desertification Australian Government representative on the Inter-Parliamentary Union (world body of parliament) Council 2002 - 2005 Awarded the Grand Cross, Orden Bernardo O'Higgins for his contribution to international relations Founding Chairman of MyATM Pty Ltd

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

Meetings of Directors

During the financial year, 13 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee Meetings		Rewards & Remuneration Committee Meetings		Human Resources Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Ms Luceille Outhred	13	12	1	1	1	1	2	2
Ms Lin Chan	4	3	-	-	-	-	-	-
Mr Malcolm Leahy	13	12	2	2	2	2	2	2
Mr Ian Mutton	10	9	1	1	-	-	-	-
Mr Leon Milford	13	11	2	2	2	2	2	2
Mr Christian Outhred - Digislide Americas	-	-	-	-	-	-	-	-
Mr Grant Chapman	3	3	-	-	-	-	-	-

2. Business review

Operating Results

The consolidated profit of the Group for the financial year after providing for income tax amounted to \$ (4,738,131).

Further discussion on the Group's operations now follows.

Review of operations

A review of the operations of the Group during the financial year and the results of those operations found that the Group had been moving through a transition from being a Research and Development technology company to being one which developed, branded, commercialised marketed and sold products.

3. Financial review

Financial position

The net assets of the Group have increased by \$ 2,429,303 from 30 June 2009 to \$ 4,050,643 in 2010. The increase has largely resulted from the following factors:

Commencement of Revenue Streams

The Company has moved from being a Research and Development company to one commercialising its products, through to domestic and international export channels. This change in status was reflected in sales growth from \$42,000 in 2009 to \$614,000 in 2010.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

3. Financial review continued

Financial position continued

Investment in Inventories

Over the past 12 months the Company has invested significantly into Inventories supplying product for sale as above, and increasing stock on hand from \$334,024 to \$1,009,804 to ensure supply for domestic and international markets.

Non-Current Assets

In November 2009, the Company was approved by the Australian and South Australian Governments for a SAIIF grant of \$1.2M. This is a one for one grant receivable over two financial years.

In the 2009-2010 financial year, the Company invested \$677,625 into Property, plant and equipment leading to a net increase after depreciation, from \$236,074 in 2009 to \$831,148.

Total Current Liabilities

The Company has reduced its Total Current Liabilities from \$4,073,463 to \$3,126,541.

Total Net Assets

The Company is also significantly strengthened with an increase in Total Net Assets from \$1,621,340 to \$4,050,643.

Additional Investments

Over the past 12 months the Company raised significant investment funds for the provision of working capital whilst revenues are growing. The quantum of these funds is as follows:-

- Equity subscriptions \$6,469,939
- Conversion of debt to equity \$697,494

Since the close of the financial year the Group has received further commitments for funding to take the Group through to break even.

4. Other items

Significant Changes in State of Affairs

During the financial year the Group significantly changed its status from a research and Development company to a company commercialising its products both domestically and overseas.

During the year the Company invested a further \$740,902 into Intellectual Property being investment into design, prototypes and the registration of commercial legal rights through the registration of patents, trademarks and designs. This expenditure relates to the Wesii™, the XRay™, the digiPRO™ and the digiVision™ products all of which have either now being introduced into the market or will enter the market during the next financial year.

The Company also introduced formal accounting for its IP in line with Australian Accounting Standards

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

4. Other items continued

Significant Changes in State of Affairs continued

AASB 138 and commenced amortisation of the remaining IP over the useful life of the IP with a charge to the profit and loss for the year \$164,662.

Dividends Paid or Recommended

No dividends were paid or declared during the financial year.

After balance date events

Since the end of the financial year the Company was served with a Notice for Winding Up by the Commonwealth Bank of Australia Ltd (CBA). A mutually agreeable settlement was negotiated and a notice for withdrawal of the application has been made to the court by the lawyers for the CBA. The residual owing on the amount claimed is due for settlement by the end of the year.

Since the end of the financial year, the Group has received funding commitments of \$961,000.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Ongoing discussions with investors for the injection of further funding into the Company for the provision of working capital through to breakeven is achieved continue. As and when these funding injections are finalised they will be formally announced to the market.

Future Developments, Prospects and Business Strategies

To further improve the the Group's profit and maximise shareholder wealth, the following developments are intended for implementation in the near future:

Market entry of WeSii® companion audio and projection companion for the Nintendo Wii™, with nomination for the Asia Pacific Information Communications Association Awards

Joint Exhibition with leading Chinese IPTV technology provider at Shanghai Telecommunications- Expo, October, 2010, through subsidiary VSDN Australia Pty Ltd.

Market entry of digiPRO™ in Q1, 2011

Market entry of XRAY™ in Q1, 2011

Market entry of DigiVision™ in Q2, 2011

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

4. Other items continued

Environmental Issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Auditors Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2010 has been received and can be found on page 48 of the financial report.

Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2010:

	2010	2009
	\$	\$
Taxation services	5,900	-
Other services	5,800	10,150
	11,700	10,150

5. Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

Remuneration Report

Remuneration Policy

The remuneration policy of Digislide Holdings Limited and Controlled Entities has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Digislide Holdings Limited and Controlled Entities believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board after professional advice is sought from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and the company with those of the shareholders.
- The remuneration committee reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.
- Performance bonuses are paid in BBX trade dollars

The performance of key management personnel is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation - and some have done so by taking additional equity in the Group.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Key management personnel have 5 year contracts of employment. Employees bearing the title "Chief" are eligible for bonuses ranging from 20% - 33.3% against set performance criteria.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

Remuneration Report continued

Remuneration Policy continued

Chief Executive Officer and Chief Finance Officer are paid a Motor Vehicle Allowance to offset the considerable amount of travel they are required to undertake in the course of their duties.

In the event of redundancy employees will receive a severance payment as determined by the Redundancy Policy. This policy presently provides a severance formula of two (2) weeks salary for each completed year of service, to a maximum of 26 weeks, at the then current salary rate.

In the event of termination without cause employees receive a range 2 week's notice for junior personnel, one month for engineers, 3 months for the Chief Finance Officer and Chief Technologist and 12 months in the case of the Founder, who is the Chief Innovator.

The Chief Executive Officer has a 5 year contract which has rolled over each subsequent year, retaining all conditions each year since commencement.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Key management personnel are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or financial report has been disclosed to the public and is valued using the Black-Scholes methodology.

Key management personnel who are subject to the arrangement are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, ie put options, on unvested shares and options which form part of their remuneration package. Terms of employment signed by such personnel contain details of such restrictions.

Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each individual is involved in and has a level of control over.

The Board sets the KPI's for the Chief Executive Officer. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The Chief Executive Officer sets all KPI's for all other employees. the level set for each KPI is based on budgeted figures for the Group, respective industry standards and each discrete Department.

Performance of employees in relation to the KPIs is assessed half yearly by the Chief Executive Officer and annually by the Rewards and Remuneration Committee, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, a Report is prepared by the Chief Executive Officer, on each employee, outlining the KPIs and submitted to the Rewards and

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

Remuneration Report continued

Performance-based Remuneration continued

Remuneration committee together with a recommended bonus (or not). These are considered in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before bonuses are determined, and KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Rewards and Remuneration Committee base is assessment on Patents Granted; Registered Designs Granted; Revenues; and/or audited figures and so on.

Remuneration Details for the Year Ended 30 June 2010

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group and, to the extent different, the five Group executives and five company executives receiving the highest remuneration:

Table of Benefits and Payments for the Year Ended 30 June 2010

		Short-term benefits	Post-employment benefits	
		Salary, fees and leave	Pension and superannuation	Total
		\$	\$	\$
Key Management Personnel				
L Outhred	2010	164,596	14,814	179,410
	2009	170,000	14,400	184,400
J King	2010	69,951	6,296	76,247
	2009	-	-	-
P Rubinstein	2010	105,923	9,533	115,456
	2009	91,385	8,225	99,610
K Soper	2010	95,913	8,632	104,545
	2009	90,385	8,135	98,520
M Gafner	2010	146,647	-	146,647
	2009	122,851	-	122,851
T English	2010	136,360	11,899	148,259
	2009	89,615	8,081	97,696
Total Key Management Personnel	2010	719,390	51,174	770,564
	2009	564,236	38,841	603,077

6. Indemnifying Officers or Auditors

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The premiums for each director amounted to \$ 27,813.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Report

30 June 2010

6. Indemnifying Officers or Auditors continued

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

Options

At the date of this report, the unissued ordinary shares of Digislide Holdings Limited and Controlled Entities under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
24 August 2009	24 August 2013	1.25	3,500,000
24 August 2009	24 August 2013	1.25	2,500,000
1 May 2007	1 May 2017	1.00	100,000
1 January 2008	24 August 2014	1.00	350,000
			<u>6,450,000</u>

Option holders do not have any rights to participate in any issues of shares or other interests in the company or a controlled entity.

There have been no unissued shares or interests under option in the company or a controlled entity during or since reporting date.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report. During the year ended 30 June 2010, no ordinary shares of Digislide Holdings Limited and Controlled Entities were issued on the exercise of options granted.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director:
Ms Luceille Outhred

Director:
Mr Leon Milford

Dated 30 September 2010

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 16 to 47, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and consolidated group.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Ms Luceille Outhred

Director

Mr Leon Milford

Dated 30 September 2010

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Statement of Comprehensive Income

For the Year Ended 30 June 2010

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sales revenue	614,118	42,869	614,118	42,869
Cost of sales	(493,040)	(34,503)	(493,040)	(34,503)
Gross profit	121,078	8,366	121,078	8,366
Other income	485,164	1,690,657	485,164	1,690,657
Distribution costs	(36,719)	(3,879)	(36,719)	(3,879)
Marketing costs	(645,678)	(144,771)	(645,678)	(144,771)
Occupancy costs	(111,551)	(63,656)	(111,551)	(63,656)
Administrative costs	(592,237)	(393,190)	(593,531)	(403,190)
Employment expenses	(1,113,553)	(671,959)	(1,034,803)	(609,458)
Consultancy and professional fees	(1,501,393)	(273,329)	(1,501,393)	(273,329)
Other expenses	(919,443)	(204,562)	(1,000,046)	(382,586)
Finance costs	(423,799)	(203,719)	(423,799)	(203,719)
Profit before income tax	(4,738,131)	(260,042)	(4,741,278)	(385,565)
Income tax expense	-	-	-	-
Profit from continuing operations	(4,738,131)	(260,042)	(4,741,278)	(385,565)
Profit for the period	(4,738,131)	(260,042)	(4,741,278)	(385,565)
Total comprehensive income for the period	(4,738,131)	(260,042)	(4,741,278)	(385,565)
Profit attributable to:				
Members of the parent entity	(4,738,131)	(260,042)	(4,741,278)	(385,565)
	(4,738,131)	(260,042)	(4,741,278)	(385,565)
Total comprehensive income attributable to:				
Members of the parent entity	(4,738,131)	(260,042)	(4,741,278)	(385,565)
	(4,738,131)	(260,042)	(4,741,278)	(385,565)
Earnings per share				
From continuing operations:				
Basic earnings per share (cents)	(0.10)	(0.01)	(0.10)	(0.01)

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Statement of Financial Position

30 June 2010

		Consolidated		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	5	2,949	441,704	2,949	434,850
Trade and other receivables	6	644,981	806,457	642,877	804,353
Inventories	7	1,009,804	334,024	1,009,804	334,024
Financial assets	8	100,456	-	100,456	-
Other current assets	11	300,860	364,519	300,860	364,519
Total current assets		2,059,050	1,946,704	2,056,946	1,937,746
Non-current assets					
Financial assets	8	292,500	292,500	292,500	292,500
Property, plant and equipment	9	831,148	236,074	831,148	236,074
Intangible assets	10	3,077,844	2,501,604	3,204,259	2,638,020
Other non-current assets	11	1,371,746	917,921	1,371,746	917,921
Total non-current assets		5,573,238	3,948,099	5,699,653	4,084,515
TOTAL ASSETS		7,632,288	5,894,803	7,756,599	6,022,261
LIABILITIES					
Current liabilities					
Trade and other payables	15	1,705,858	2,025,270	1,875,369	2,194,781
Borrowings	16	1,353,116	1,894,898	1,293,116	1,834,898
Short-term provisions	17	67,567	153,295	67,567	153,295
Total current liabilities		3,126,541	4,073,463	3,236,052	4,182,974
Non-current liabilities					
Borrowings	16	455,104	200,000	455,104	200,000
Total non-current liabilities		455,104	200,000	455,104	200,000
TOTAL LIABILITIES		3,581,645	4,273,463	3,691,156	4,382,974
NET ASSETS		4,050,643	1,621,340	4,065,443	1,639,287
EQUITY					
Share capital	18	22,845,413	15,677,980	22,845,413	15,677,980
Retained earnings		(18,794,770)	(14,056,640)	(18,779,970)	(14,038,693)
TOTAL EQUITY		4,050,643	1,621,340	4,065,443	1,639,287

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Statement of Changes in Equity

For the Year Ended 30 June 2010

2010	Parent		
	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2009	15,677,980	(14,038,693)	1,639,287
Profit or loss attributable to members of the parent entity	-	(4,741,278)	(4,741,278)
Shares issued during the year	7,167,433	-	7,167,433
Sub-total	7,167,433	(4,741,278)	2,426,155
Balance at 30 June 2010	22,845,413	(18,779,971)	4,065,442

2009	Parent		
	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2008	14,064,436	(13,653,129)	411,307
Profit or loss attributable to members of the parent entity	-	(385,568)	(385,568)
Shares issued during the year	2,138,222	-	2,138,222
Transaction costs	(524,678)	-	(524,678)
Sub-total	1,613,544	(385,568)	1,227,976
Balance at 30 June 2009	15,677,980	(14,038,697)	1,639,283

2010	Consolidated		
	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2009	15,677,980	(14,056,640)	1,621,340
Profit attributable to members of the parent entity	-	(4,738,131)	(4,738,131)
Shares issued during the year	7,167,433	-	7,167,433
Sub-total	7,167,433	(4,738,131)	2,429,302
Balance at 30 June 2010	22,845,413	(18,794,771)	4,050,642

2009	Consolidated		
	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2008	14,064,436	(13,796,596)	267,840
Profit attributable to members of the parent entity	-	(260,044)	(260,044)
Shares issued during the year	2,138,222	-	2,138,222
Transaction costs	(524,678)	-	(524,678)
Sub-total	1,613,544	(260,044)	1,353,500
Balance at 30 June 2009	15,677,980	(14,056,640)	1,621,340

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Cash Flow Statement

For the Year Ended 30 June 2010

		Consolidated		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,260,758	975,617	1,260,758	1,215,008
Payments to suppliers and employees		(6,630,696)	(759,336)	(6,633,851)	(744,817)
Interest paid		(395,769)	(163,135)	(395,769)	(163,135)
Finance costs		(135,277)	(50,615)	(135,277)	(50,615)
Net cash provided by (used in) operating activities	25(a)	(5,900,984)	2,531	(5,904,139)	256,441
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(677,626)	(27,315)	(677,626)	(27,315)
Acquisition of other investments		-	(292,500)	-	(292,500)
Expenditure on intangible assets		(740,901)	(2,501,605)	(730,901)	(2,638,020)
Net cash provided by (used in) investing activities		(1,418,527)	(2,821,420)	(1,408,527)	(2,957,835)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		7,167,433	1,613,544	7,167,433	1,613,544
Proceeds from (repayment of) borrowings		(286,677)	1,628,735	(286,668)	1,530,709
Net cash provided by (used in) financing activities		6,880,756	3,242,279	6,880,765	3,144,253
OTHER ACTIVITIES					
Net increase (decrease) in cash held		(438,755)	423,390	(431,901)	442,859
Cash and cash equivalents at beginning of financial year		441,704	18,315	434,850	(8,018)
Cash and cash equivalents at end of financial year	5	2,949	441,705	2,949	434,841

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies

(a) General information

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of Digislide Holdings Limited and Controlled Entities, and Digislide Holdings Limited as an individual parent entity. Digislide Holdings Limited and Controlled Entities is a listed public company, incorporated and domiciled in Australia

The financial report of Digislide Holdings Limited and Controlled Entities, and Digislide Holdings Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of preparation

The financial report is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Digislide Holdings Limited and Controlled Entities at the end of the reporting period. A controlled entity is any entity over which Digislide Holdings Limited and Controlled Entities has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(c) Principles of Consolidation continued

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(d) Income taxes

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials and direct labour.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

Subsequent costs are included in the property, plant and equipment's carrying value or recognised as a separate asset when it is probable that future economic benefits associated with the item will be realised and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

Plant and Equipment	7.5 - 40%
Leased plant and equipment	2.5 - 20%
Tooling	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(g) Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information including, dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(h) Intangible assets

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Research expenditures are recognised as an expense when incurred. Intangible assets arising from internal development are recognised if the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible assets;
- how the intangible asset will generate future economic benefits by showing the existence of a market or the usefulness, if used internally;
- the availability of adequate technical, financial, and other resources to complete development; and
- the ability to reliably measure the expenditures attributable to the intangible asset.

The expenses capitalised as intangible assets include all directly attributable costs necessary to create, produce, and prepare the asset.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(i) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Revenue recognition relating to the provision of services is recognised upon delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(m) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(n) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates - Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The directors have impaired the carrying value of trade dollars held in BBX and Empire from face value to reflect the lack of liquidity of these assets and the expected period over which the assets will be realised. Impairment of trade dollars totaled \$463,139 (2009: \$494,388) at balance date.

The directors have also impaired inventory to reflect the reasonable value of components on hand at balance date.

(o) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Going Concern

The business operated by Digislide Holdings Limited is transitioning into the commercialisation of its products and does not yet produce sufficient trading revenue to cover its on-going costs and as such there is some material uncertainty regarding the Group's status as a going concern.

The going concern assumption is affected by:

- The business currently does not generate sufficient trading revenue to meet its current cost structure and is reliant on shareholder loans and capital raising to fund cash flow; and
- The current liabilities exceed the current assets; and

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(p) Going Concern continued

- The nature of the liquidity of the company is limited by the ability of the trade dollars and stock to be readily converted to cash within a reasonable time to assist in repayment of debts as they fall due.

However, there are certain factors which mitigate the above as follows:

- Currently the Group's cash flow is being met by funds from investors (\$7,167,433 share capital raised in the 12 months to 30 June 2010) and various R&D grants which have been sufficient to meet essential outgoings; and
- The Group is able to draw down on a \$2.4M commitment from its largest shareholder by way of converting note when required; and
- There is an increased range of products ready for sale; and
- The Group is also in discussions for lucrative contracts which are expected to enable the Group to increase sales sufficiently to cover its costs and operate as a going concern.

The financial statements have been prepared on a going concern basis on the understanding that sufficient proceeds from shareholders will be forthcoming until revenues are strong enough to meet ongoing expenditure.

(q) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Digislide Holdings Limited and Controlled Entities.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(q) Adoption of New and Revised Accounting Standards continued

AASB 101: Presentation of Financial Statements continued

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(r) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. the Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- ♦ simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- ♦ simplifying the requirements for embedded derivatives;

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(r) New Accounting Standards for Application in Future Periods continued

- ♦ removing the tainting rules associated with held-to-maturity assets;
- ♦ removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- ♦ allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- ♦ reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

- (a) the objective of the entity's business model for managing the financial assets; and
- (b) the characteristics of the contractual cash flows.

- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(r) New Accounting Standards for Application in Future Periods continued

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Accounting policies continued

(r) New Accounting Standards for Application in Future Periods continued

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate early adoption of any of the above accounting standards.

2 Revenue

Revenue from Continuing Operations

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sales revenue				
- Sale of goods	614,118	42,869	614,118	42,869
	614,118	42,869	614,118	42,869
Other revenue				
- Interest income	3,219	-	3,219	-
- grants received	464,007	1,610,056	464,007	1,610,056
- Other income	17,938	80,601	17,938	80,601
	485,164	1,690,657	485,164	1,690,657
Total Revenue	1,099,282	1,733,526	1,099,282	1,733,526

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

3 Profit for the Year

(a) Expenses

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Interest expense on financial liabilities not at fair value through profit or loss:				
external	397,599	203,719	397,599	203,719
other related parties	26,200	-	26,200	-
Total interest expense	423,799	203,719	423,799	203,719
Other Expenses:				
Depreciation, amortisation and impairment	423,549	104,819	423,549	104,819
Rental expenses on operating leases	82,975	38,875	82,975	38,875
Bad debts	34,316	1,600	34,316	1,600

4 Operating Segments

The group has no material operations outside Australia and operates wholly in the market for the development and commercialisation of miniature projection technologies.

5 Cash and cash equivalents

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash at bank	2,949	16,541	2,949	9,687
Shareholder deposits held in trust	-	425,163	-	425,163
	2,949	441,704	2,949	434,850

Reconciliation of Cash

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	2,949	441,704	2,949	434,850
Bank overdraft	(10)	(10)	(10)	(10)
	2,939	441,694	2,939	434,840

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Trade and other receivables

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Trade receivables	112,877	7,770	112,877	7,770
Government subsidies receivable	530,000	796,583	530,000	796,583
Other receivables	2,104	2,104	-	-
	<u>644,981</u>	<u>806,457</u>	<u>642,877</u>	<u>804,353</u>

7 Inventories

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Work in progress	137,067	-	137,067	-
Finished goods	586,641	-	586,641	-
	<u>723,708</u>	<u>-</u>	<u>723,708</u>	<u>-</u>
At net realisable value				
Componentry stock on hand	286,096	334,024	286,096	334,024
	<u>1,009,804</u>	<u>334,024</u>	<u>1,009,804</u>	<u>334,024</u>

8 Other Financial Assets

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Loans and receivables	100,456	-	100,456	-
Total Current Assets	<u>100,456</u>	<u>-</u>	<u>100,456</u>	<u>-</u>
NON-CURRENT				
Available for sale financial assets	292,500	292,500	292,500	292,500
Total Non Current Assets	<u>292,500</u>	<u>292,500</u>	<u>292,500</u>	<u>292,500</u>

Included within the figure of loans and receivables, is the amount of \$100,000 owed to the Group by Australia Live TV Pty Ltd ("ALTV") following the proposed acquisition of ALTV by the Group announced to the market in ASX announcements dated 19 and 21 April 2010. Under the terms of the Acquisition Agreement, from the initial tranche of funds, the Group was required to transfer \$100,000 to ALTV as working capital facility, the agreement to acquire ALTV (subject to due diligence) was formally terminated by the Group and announced to the market in ASX announcements dated 17 May 2010 following the outcome of the due diligence.

The Group has commenced action for recovery of the loan and the matter has been passed to the Group's lawyer for full recovery. The directors are of the opinion that the loan will be recovered in full.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

9 Property plant and equipment

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Plant and equipment at directors' valuation	58,749	58,749	58,749	58,749
At cost	27,315	27,315	27,315	27,315
Accumulated depreciation	(62,550)	(52,533)	(62,550)	(52,533)
Total plant and equipment	23,514	33,531	23,514	33,531
Office equipment at directors' valuation	44,002	44,002	44,002	44,002
At cost	40,677	-	40,677	-
Accumulated depreciation	(28,271)	(12,335)	(28,271)	(12,335)
Total office equipment	56,408	31,667	56,408	31,667
Computer software At cost	7,191	-	7,191	-
Accumulated depreciation	(315)	-	(315)	-
Total computer software	6,876	-	6,876	-
Leasehold improvements At cost	170,094	3,337	170,094	3,337
Accumulated amortisation	(1,149)	(1,001)	(1,149)	(1,001)
Total leasehold improvements	168,945	2,336	168,945	2,336
Manufacturing plant at directors' valuation	147,775	147,775	147,775	147,775
At cost	463,000	-	463,000	-
Accumulated depreciation	(112,372)	(60,569)	(112,372)	(60,569)
Total manufacturing plant	498,403	87,206	498,403	87,206
Tooling at directors' valuation	104,278	104,278	104,278	104,278
Accumulated depreciation	(63,985)	(59,652)	(63,985)	(59,652)
Total tooling	40,293	44,626	40,293	44,626
Artwork At cost	36,709	36,709	36,709	36,709
Total artwork	36,709	36,709	36,709	36,709
Total property, plant and equipment	831,148	236,075	831,148	236,075

The Group's plant and equipment were revalued at 30 June 2008 by the directors. The revaluation deficit was debited to an expense account.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

9 Property plant and equipment continued

(a) Movements in Carrying Amounts

Parent

	Plant and Equipment	Tooling	Computer Software	Improvements	Artwork	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	152,404	44,626	-	2,336	36,709	236,075
Additions	503,677	-	7,191	170,094	-	680,962
Transfers	2,336	-	-	(2,336)	-	-
Depreciation expense	(80,092)	(4,333)	(315)	(1,149)	-	(85,889)
Carrying amount at the end of year	578,325	40,293	6,876	168,945	36,709	831,148

Consolidated

	Plant and Equipment	Tooling	Computer Software	Improvements	Artwork	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	152,404	44,626	-	2,336	36,709	236,075
Additions	503,677	-	7,191	170,094	-	680,962
Transfers	2,336	-	-	(2,336)	-	-
Depreciation expense	(80,092)	(4,333)	(315)	(1,149)	-	(85,889)
Carrying amount at the end of year	578,325	40,293	6,876	168,945	36,709	831,148

10 Intangible assets

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Intellectual property				
Cost	3,242,506	2,501,604	3,368,921	2,638,020
Accumulated amortisation	(164,662)	-	(164,662)	-
Net carrying amount	3,077,844	2,501,604	3,204,259	2,638,020
Total Intangibles	3,077,844	2,501,604	3,204,259	2,638,020

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

10 Intangible assets continued (a) Reconciliation

	Parent	
	Intellectual property	Total
	\$	\$
Year ended 30 June 2009		
Opening balance	-	-
Additions	2,638,020	2,638,020
Balance at 30 June 2009	2,638,020	2,638,020
Year ended 30 June 2010		
Opening balance	2,638,020	2,638,020
Additions	730,902	730,902
Amortisation	(164,662)	(164,662)
Balance at 30 June 2010	\$ 3,204,260	\$ 3,204,260

	Consolidated	
	Intellectual property	Total
	\$	\$
Year ended 30 June 2009		
Opening balance	-	-
Additions	2,501,604	2,501,604
Balance at 30 June 2009	2,501,604	2,501,604
Year ended 30 June 2010		
Opening balance	2,501,604	2,501,604
Additions	740,902	740,902
Amortisation	(164,662)	(164,662)
Balance at 30 June 2010	\$ 3,077,844	\$ 3,077,844

Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Because the group has commenced commercial production of its key products, costs of development have been capitalised since 1 July 2008. These costs are capitalised net of any AusIndustry Grants.

The value of the patents and trademarks have been recognised at cost subject to the going concern criteria that the recoverable amounts of these intangible assets, as determined by value in use exceed their carrying amount.

The recoverability of the intangible assets is dependent on the successful development and exploitation of the intellectual property and no impairment losses have been brought to account.

Amortisation of development costs has now commenced as development has reached final completion and sales are reaching commercial quantities.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

11 Other Assets

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Prepayments	20,860	4,519	20,860	4,519
Trade dollars	350,000	450,000	350,000	450,000
Provision for impairment	(70,000)	(90,000)	(70,000)	(90,000)
	300,860	364,519	300,860	364,519
	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
NON-CURRENT				
Trade dollars	1,764,885	1,322,309	1,764,885	1,322,309
Provision for impairment	(393,139)	(404,388)	(393,139)	(404,388)
	1,371,746	917,921	1,371,746	917,921

The recoverable amount of the trade dollars has been determined based on value-in-use calculations. The value-in-use has been calculated based on the present value of cash flow projections over the time to recovery. The cashflows are discounted using the estimated borrowing rate at balance date. The calculations take into account the 5% cost of commission on the Empire trade dollars.

12 Controlled Entities

(a) Controlled Entities Consolidated

Name	Country of Incorporation	Percentage Owned (%) [*] 2010	Percentage Owned (%) [*] 2009
Parent Entity:			
Digislide Holdings Limited	Australia		
Subsidiaries of parent entity:			
Electronics Extraordinaire	Australia	100	100
Digislide Americas	USA	100	100
VSDN Australia Pty Ltd	Australia	100	0

* Percentage of voting power is in proportion to ownership

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

13 Joint Venture

(a) Interest in Joint Ventures

The Group has a 50 percent interest in Digismart Commerce Limited, whose principal activity is acquiring, holding and developing the various rights and licensed intellectual property vended into it by the parties.

Since its incorporation this entity has not traded.

14 Contingent Liabilities and Contingent Assets

In November 2009 the Group and associated parties to the application were offered funding by the South Australian Innovation and Investment Fund ("SAIIF") to establish a technology innovation centre, the centrepiece of which would be an advanced opto-electronics facility. Funding of up to \$1.2M was approved being a composite of State and Federal funding. The Group under the terms of the deed was granted \$1.2M funding over two financial years being 2009-10 and 2010-11. During the 2009-10 financial year, the Group successfully claimed \$89,007 against this grant facility and expects to exhaust the facility during 2010-11. The directors appreciate the interest in the development of the opto-electronics facility shown by the Australian Government's Department of Innovation, Industry, Science and Research.

15 Trade and other payables

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	1,277,134	802,828	1,277,134	741,516
GST Liability	(72,719)	(105,575)	(72,719)	(105,575)
Accrued employee entitlements	111,130	164,867	77,313	101,543
Sundry payables and accrued expenses	186,205	414,572	186,900	415,267
PAYG withholding tax	37,401	126,082	37,401	126,082
Other related parties	(485)	-	202,148	293,452
Shareholders deposits held in trust	-	476,250	-	476,250
Honorariums	167,192	146,250	167,192	146,250
	1,705,858	2,025,274	1,875,369	2,194,785

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

16 Borrowings

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Bank overdraft	10	10	10	10
Bill of exchange	-	16,000	-	16,000
Bank borrowing	283,406	-	283,406	-
Other loans	999,682	1,640,540	939,682	1,580,540
Convertible notes	65,971	238,348	65,971	238,348
	<u>1,349,069</u>	<u>1,894,898</u>	<u>1,289,069</u>	<u>1,834,898</u>
Secured liabilities				
Finance lease obligation	4,047	-	4,047	-
	<u>1,353,116</u>	<u>1,894,898</u>	<u>1,293,116</u>	<u>1,834,898</u>
	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
NON-CURRENT				
Unsecured liabilities				
Convertible notes	433,000	200,000	433,000	200,000
	<u>433,000</u>	<u>200,000</u>	<u>433,000</u>	<u>200,000</u>
Secured liabilities				
Finance lease obligation	22,104	-	22,104	-
	<u>22,104</u>	<u>-</u>	<u>22,104</u>	<u>-</u>
	<u>455,104</u>	<u>200,000</u>	<u>455,104</u>	<u>200,000</u>

(a) Bank Overdrafts

The Group has reached a formal agreement with CBA for the settlement of the unsecured borrowing being a rolling overdraft facility provided to the Group in January 2010 and which expired at the end of June 2010. Under the terms of the settlement, \$150,000 was payable on agreement of the settlement terms with three further payments of \$50,000 to be made over the period to 31 December 2010. The initial \$150,000 was paid in accordance with the settlement arrangements on 21 September 2010. The directors have no reason to believe the settlement will not complete.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

17 Provisions

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Annual leave	42,967	57,695	42,967	57,695
Long service leave	24,600	95,600	24,600	95,600
	<u>67,567</u>	<u>153,295</u>	<u>67,567</u>	<u>153,295</u>

Movement in carrying amounts

Consolidated

	Employee entitlements	Total
	\$	\$
Opening balance at 1 July 2009	153,295	153,295
Additional provisions	35,725	35,725
Amounts used	(121,453)	(121,453)
Balance at 30 June 2010	<u>67,567</u>	<u>67,567</u>

Parent

	Employee entitlements	Total
	\$	\$
Opening balance at 1 July 2009	153,295	153,295
Additional provisions	35,725	35,725
Amounts used	(121,453)	(121,453)
Balance at 30 June 2010	<u>67,567</u>	<u>67,567</u>

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

18 Issued Capital

Ordinary Shares

	Consolidated		Parent	
	2010 No.	2009 No.	2010 No.	2009 No.
At the beginning of the reporting period	42,011,199	40,311,222	42,011,199	40,311,222
Shares issued during the year	10,930,218	1,699,977	10,930,218	1,699,977
At reporting date	52,941,417	42,011,199	52,941,417	42,011,199

Summary Table

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
52,941,417 (2009: 42,011,199) Ordinary	23,370,091	16,202,658	23,370,091	16,202,658
Share issue costs written off against share premium	(524,678)	(524,678)	(524,678)	(524,678)
Total	22,845,413	15,677,980	22,845,413	15,677,980

19 Earnings per Share

(a) Reconciliation of earnings to profit or loss

	Consolidated	
	2010 \$	2009 \$
Profit	(4,738,131)	(260,044)
Earnings used to calculate basic EPS	(4,738,131)	(260,044)

(b) Reconciliation of earnings to profit or loss from continuing operations

	Consolidated	
	2010 \$	2009 \$
Profit from continuing operations	(4,738,131)	(260,044)
Earnings used to calculate basic EPS from continuing operations	(4,738,131)	(260,044)

(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	Consolidated	
	2010 No.	2009 No.
Weighted average number of ordinary shares outstanding during the year - No. used in calculating basic EPS	47,965,561	41,018,225

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

20 Capital and Leasing Commitments

(a) Operating Lease Commitments

Non-cancelable operating leases contracted for but not capitalised in the financial statements:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Payable - minimum lease payments:				
- not later than 12 months	49,840	74,760	4,840	74,760
- between 12 months and 5 years	-	49,840	-	49,840
	<u>49,840</u>	<u>124,600</u>	<u>4,840</u>	<u>124,600</u>

The only lease commitment relates to the rental of the property at Cavan at an annual rate of \$74,760 expiring in February 2011 payable monthly in advance.

21 Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, unlisted investments and loans from related parties.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

(a) Market risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The group is also exposed to earnings volatility due to its level of relatively short borrowings from various parties.

ii. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The group is not exposed to any material fluctuations in foreign currencies.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Financial Risk Management continued

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- obtaining funding from a variety of sources; and
- raising additional share capital

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

Consolidated	Within 1 Year		1 to 5 Years		Over 5 Years		Total Contractual Cash Flow	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Bills of exchange	-	16,000	-	-	-	-	-	16,000
Convertible notes	65,971	238,348	433,000	200,000	-	-	498,971	438,348
Trade and other payables	1,993,321	2,349,578	-	-	-	-	1,993,321	2,349,578
Amounts payable to related parties	999,682	1,316,236	-	-	-	-	999,682	1,316,236
Finance lease liabilities	4,047	-	22,104	-	-	-	26,151	-
Total contractual outflows	3,063,021	3,920,162	455,104	200,000	-	-	3,518,125	4,120,162
Total expected outflows	3,063,021	3,920,162	455,104	200,000	-	-	3,518,125	4,120,162
Financial assets - cash flows realisable								
Cash and cash equivalents	2,949	441,694	-	-	-	-	2,949	441,694
Trade and loans receivables	745,437	806,457	-	-	-	-	745,437	806,457
Trade dollars	280,000	360,000	1,371,746	917,921	-	-	1,651,746	1,277,921
Total anticipated inflows	1,028,386	1,608,151	1,371,746	917,921	-	-	2,400,132	2,526,072
Net (outflow)/inflow on financial instruments	(2,034,635)	(2,312,011)	916,642	717,921	-	-	(1,117,993)	(1,594,090)

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Financial Risk Management continued

Net Fair Values

Fair value estimation

The directors consider that the net fair values of financial assets and liabilities are the same as the amounts shown as their carrying values as presented in the statement of financial position and as outlined in the table above.

Most of the borrowings and financial liabilities are based on agreed interest rates to maturity and therefore not sensitive to movements in interest rates.

22 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2010.

The totals of remuneration paid to key management personnel of the Company and the Group during the year are as follows:

	2010	2009
	\$	\$
Short-term employee benefits	719,390	564,236
Post-employment benefits	51,174	38,841
	<u>770,564</u>	<u>603,077</u>

Key Management Personnel Options and Rights Holdings

The number of options over ordinary shares held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year	Other changes during the year	Balance at end of year
30 June 2010			
Ms Luceille Outhred	350,000	-	350,000
	<u>100,000</u>	<u>-</u>	<u>100,000</u>
	<u>450,000</u>	<u>-</u>	<u>450,000</u>

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

22 Key Management Personnel Compensation continued Key Management Personnel Shareholdings

The number of ordinary shares in Digislide Holdings Limited and Controlled Entities held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as Directors' fees during the year	Other changes during the year	Balance at end of year
30 June 2010				
Ms Luceille Outhred	7,231,499	-	819,040	8,050,539
Mr Malcolm Leahy	662,378	24,000	182,011	868,389
Mr Grant Chapman	-	-	-	-
Mr Leon Milford	61,600	40,000	-	101,600
Mr Kevin Soper	3,580,872	-	165,332	3,746,204
Mr Peter Rubinshtein	100,000	-	-	100,000
Mr Jeff King	-	-	4,250	4,250
Mr Steve Eisenberg	155,557	-	-	155,557
	11,791,906	64,000	1,170,633	13,026,539

23 Income Tax

Because of the large tax losses and the limited likelihood of realising the benefits of these losses in the short term, the group has not recognised the benefit of any deferred tax assets as at 30 June 2010. The benefits of these losses and any temporary differences between accounting and taxable income will only arise if sufficient taxable income is earned by the group in future years.

24 Auditors' Remuneration

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Remuneration of the auditor for:				
- Auditing or reviewing the financial report	62,450	44,000	62,450	44,000
- Taxation services provided by related practice or auditor	5,700	-	5,700	-
- Other services	5,800	10,150	5,800	-

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

25 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net loss for the period	(4,738,131)	(260,041)	(4,741,279)	(385,564)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Amortisation	164,662	-	164,662	-
Depreciation	82,552	41,241	82,552	41,241
Impairment loss	-	(63,578)	-	10,000
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	161,476	(757,899)	161,476	(513,988)
(Increase)/decrease in other assets	(490,622)	618,175	(490,622)	554,597
(Increase)/decrease in inventories	(675,780)	(34,024)	(675,780)	(34,024)
Increase/(decrease) in trade payables and accruals	(319,413)	568,347	(319,416)	693,870
Increase/(decrease) in provisions	(85,728)	(109,670)	(85,732)	(109,691)
Cashflow from operations	(5,900,984)	2,551	(5,904,139)	256,441

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

26 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Companies directed by Luceille Outhred provided financial assistance by way of interest free loans. Balance outstanding as at balance date	1,728	83,078	1,728	83,078
Companies and Superannuation Funds associated with Luceille Outhred provided funding by way of borrowings and convertible notes at rates between 15% and 20%. Balance outstanding as at balance date	684,577	1,244,442	684,577	1,244,442

Key Management Personnel

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Kevin Soper provided financial assistance to Digislide by way of a loan at 20% interest. Balance outstanding at balance date	42,550	261,864	42,550	261,864
Luceille Outhred provided financial assistance by way of an interest free loan. Balance outstanding at balance date	21,000	-	21,000	-
Malcolm Leahy provided financial assistance in the form of an interest free loan. Balance outstanding as at balance date	5,000	-	5,000	-
Leon Milford provided financial assistance in the form of an interest free loan. Balance outstanding as at balance date	5,000	-	5,000	-
Grant Chapman provided financial assistance in the form of an interest free loan. Balance outstanding as at balance date	4,000	-	4,000	-

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Year Ended 30 June 2010

27 Events After the End of the Reporting Period

Since the end of the financial year the Company was served with a Notice for Winding Up by the Commonwealth Bank of Australia Ltd (CBA). A mutually agreeable settlement was negotiated and a notice for withdrawal of the application has been made to the court by the lawyers for the CBA. The residual owing on the amount claimed is due for settlement by the end of the year.

Since the end of the financial year, the Group has received funding commitments of \$961,000.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Ongoing discussions with investors for the injection of further funding into the Company for the provision of working capital through to breakeven is achieved continue. As and when these funding injections are finalised they will be formally announced to the market.

28 Company Details

Registered office

The principal place of business is:

100-102 Cavan Road

Dry Creek SA 5094

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hayes Knight (SA)



Alan Green
Director

30 September 2010

• business growth and improvement planning
• accounting and taxation advice
• audit and assurance services
• business valuations and appraisals
• information technology and systems reviews
• marketing services
• business recovery and insolvency

Associated Offices

NSW Sydney
VIC Melbourne
QLD Brisbane
WA Perth
NT Darwin
NZ Auckland

Liability limited by a scheme approved
under Professional Standards Legislation