



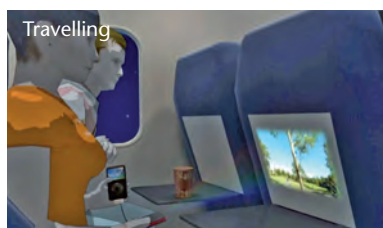
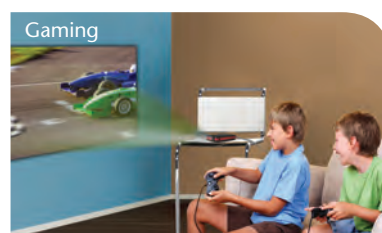
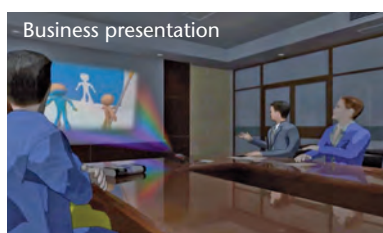
Annual Report 2010



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Using Digislide's Projectors



Watch, share, play, *go!*



In submitting my report for the financial year 2009 /2010 may I commence by acknowledging the sound work and achievement of our previous Chairman Mr Ian Mutton, whose expertise and guidance, successfully surmounted the rigours of the listing process and beyond, and left us in a sound position to advance the Company on all fronts of endeavour.

Over the past year the Board has met frequently to ensure the continuance of our conservative approach in the statement of our financial position along with the oversight of operations and strategic directions; all vital in our planned emergence from the Global Financial Crisis, as a successful commercial enterprise.

Despite the difficulties we have faced, our Financial Statements for the 2009–2010 financial year reflect that we have emerged a much stronger company than in June, 2009.

Early this year we farewelled two of our long serving stalwarts, Chief Marketing Officer Tim English whose remarkable work ethic over 7 years has gained us many awards along with his corporate and product branding expertise which has been globally acknowledged.

Likewise, Mark Gafner during a period of 7 years provided engineering management services as our Chief Technical Officer, establishing sound process and systems management, to our then fledgling Research and Development Team.

Fledgling companies need people of character, with a sound work ethic, loyalty and reliability, and Digislide recognises the considerable contributions made by these men and expresses its gratitude.

Whilst on the subject of people with character and sound work ethics, earlier, we welcomed to our fold, Mr. Jeff King, Chief Financial Officer.

Jeff brings with him significant experience in emerging technology companies; solvency, capital raising and ASX listed companies. His presence has in no small measure, enhanced our latest China involvements and funding in general. Furthermore he has undertaken the duties of Company Secretary to afford considerable savings in this area without having to compromise the compliance issues and ASX demands associated with our developing organisation.

The Global Financial Crisis, and in particular its lasting effects on the American and European economies, have impeded Digislide's market penetration operations throughout the 2009–2010 financial year. With Westfield (US) announcing more than 10% vacancy in their malls, retail figures being consistently down, US unemployment figures throughout the

last 13 months of equal to, or greater than 9.5%, and record mortgage foreclosures through the ongoing uncertain fiscal conditions, American consumers have not been in a position to spend their uncertain incomes on discretionary items.

Despite all these adverse conditions, Digislide has managed to penetrate the market, and have recorded some small volumes of sales, and signed two distribution agreements, one on the East Coast and the other on the West.

Europe generally has fared even worse. Our distributor in Eastern Europe advised it best to put off marketing activities until conditions improve in their territory which includes the deeply affected Hungary, Slovakia and Romania.

Because of the uncharted waters in both these areas of recovery from the Global Financial Crisis, we felt it prudent to focus our resources on the Asian market and nurture our alliance partnerships in both manufacturing and distribution, within China and environs.

We announced at the AGM last November, that Digislide, in conjunction with Workright Centre for Entrepreneurship, had applied for a government grant under the South Australian Innovation Investment Fund (SAIIF).

Digislide was successful, resulting in \$1.2M for capital expenditure items being granted from the Federal and State Governments. This is one for one funding, with Digislide having to buy the capital item to gain the benefit of a 50% rebate from the government.

Whilst Digislide has only been able to convert a small amount of the grant to date, because of working capital pressures, we anticipate full conversion of the \$1.2M within this financial year.

These funds will result in the development of leading edge opto-electronic and clean technology research and development facilities through the acquisition of highly specialised equipment in lens prototyping, sintered prototyping, CAD and mechanical engineering, multi-media equipment and information technology infrastructure.



Founder Kevin Soper and CEO Luceille Outhred at the ASX, Adelaide on listing day



Chairman's Letter

It will also result in decreased costs as we will be able to do a lot of prototyping work in-house instead of relying on external contractors, and will create revenue generating opportunities as we will be able to supply specialist consultancy services, thus moving our R&D Department from a cost centre to a revenue generating centre.

Our Research and Development Department has now designed a 10cc LED based optical engine (prototypes now built) with a light output of 12 ansilumens. They have also been clever enough to design a 2cc optical engine for a laser based projection system (particularly suited to mobile phones).

These tiny optical engines are eminently suitable for embedding in laptops, MP4 players, GPS, PDA, mobile phones and cameras, as covered by our patents.

Over the last year, Digislide brought three products to market.

In addition, three prototypes were demonstrated to markets in USA, Singapore and Australia. However, we elected to have only one enter the market, prudence dictating that we shouldn't spread our resources too thin, given that the expense of marketing is larger than the expense of development.

Therefore, XRay™ has now been upgraded in keeping with the changes Microsoft has made to its Xbox®. The vga prototype with 10 ansilumens output shown at CeBIT has now been upgraded to SVGA with 18 ansilumens. Likewise, StingRay™ is being revamped to suit the new Sony Playstation look, and will appear as a BIG surprise in Q2, 2011.

Earlier this year, Digislide was introduced to a Chinese company with world leading IPTV technologies - and no experience in commercialising or marketing its technologies in western economies.

Digislide is now working in conjunction with that Global Licensor to commercialise its Open Video Delivery Platform technologies. The technologies are known as VSDN (Virtual Streaming Distribution Network) and they enable IPTV and live broadcasting over the internet, to be enjoyed from the TV, a computer or a mobile phone without any annoying buffering. This is an exceptionally exciting technology and much can be expected of it, in contributing to Digislide's anticipated international marketing success in the short term.

In February 2010, Digislide incorporated VSDN Australia Pty Ltd to commercialise the VSDN technologies in Australia and New Zealand. Our lawyers in USA are in the process of incorporating VSDN Americas Inc for commercialising the technologies in the USA, Central and South America.

Similar activities are taking place in Canada, where our strategic alliance partners, Sonora Technologies Inc have incorporated VSDNet Canada Inc, in preparation for commercialising VSDN technologies across Canada, in conjunction with Digislide. It is anticipated that Digislide will enjoy 25% equity in that entity, as well as being able to access various other state of the art technologies through the VSDN network we are establishing.

Yet again, our Managing Director has steered us through the turbulent waters of the past year with her usual remarkable work ethic and business acumen. In acknowledging her ongoing dedication, I would also commend my fellow Non Executive Directors whose input and efforts left little to be desired.

We have been blessed with a loyal, enthusiastic, and generous band of shareholders, employees and other stakeholders, all of whom have given massive support to the continued growth of the Company during the year. For this I proffer my unreserved thanks and gratitude.

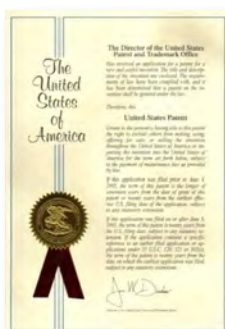
Sincerely,

Mr Leon Milford

Non-Executive Interim Chairman



IPO Due Diligence Team



Digislide has a substantial Intellectual Property portfolio, including 35 Patents, 18 Registered Designs and 69 Trade Marks in various regions and countries



About us

Over the last five years, Digislide has made the transition from a research and development company specialising in opto-electronics and projection technologies producing the MantaRay™ for the Australian market in 2004 to being a winner of national, regional and global industry awards, to a Valuer Added Reseller (VAR¹) in 2008-2009, to a quality Design and Development house in 2010, with licensed manufacturers producing, and licensed distributors selling products on our behalf.

Our goal in the next 12 months is to remove our reliance on investment by becoming a fully commercial enterprise sustained by our marketing, licensing and sales operations.

Digislide is headquartered in Adelaide, South Australia, and has attracted approximately AUD25M in investment and almost \$5M in government grants. This has enabled us to create a substantial Intellectual Property portfolio, including 35 Patents, 18 Registered Designs and 69 Trade Marks in various regions and countries.

Digislide's products have been designed to be companion products to the world's largest brands, iPod™, iPhone™, iPad™, XBOX™, Playstation™ and Wii™.

Once again, in 2010 Digislide was successful in gaining industry recognition. Digislide was a State Finalist for the WeSii®, a projection and audio companion for the Nintendo Wii™ games console, and received a Merit Recognition at the Australian Information Industry Awards' National Awards.



Our Premises



Digislide's Global Office is co-located with our Technical Research and Development facilities at 100-102 Cavan Road, Dry Creek in South Australia.

The premises, customised for Digislide's opto-electronics research and development, have undergone further modification this year to provide for the installation of state of the art, precision optics and mechanical engineering equipment.

The premises are leased for 5 years with an 8 year renewable option.

The facilities consist of three buildings; the main brick building of 750m² is largely taken up by the Research and Development Department, with specialist areas for precision optics, electronics, CAD and prototyping. Executive Management, Commercialisation, Marketing and Finance Departments use the remainder of the facility, with a small warehousing area for goods in transit.

Two colour bond buildings are currently sub-leased, but will allow for further expansion of Digislide operations in the future, and will include facilities for Digislide's subsidiary VSDN Australia Pty Ltd.

Offshore Operations China



In March, 2010 Digislide closed the Singapore Office, as China increasingly became Digislide's major focus.

With three manufacturers serving Digislide and the potential for distribution of Digislide's products in Shenzhen, it has become increasingly important for our Asian office to be located in close proximity

to our manufacturers, and to other manufacturers who may wish to licence and embed technologies into their existing product.

Digislide has leased a section of the 2nd Floor of Advanced MicroDisplay Technologies Co Ltd (AMT), one of its licensees, as the centre of Digislide China Operations.

Digislide's China address is - 2nd Floor, Area B, Building 1, TCL Tower, No 5 Central Nanhai Grand Ave, Nanshan District, Shenzhen, Guangdong, China.

It consists of an office suitable for management and two R&D employees.

United States of America



Digislide Americas Inc was incorporated in 2003 in Delaware, USA, to take advantage of the beneficial corporate and tax laws in that State. The company has its Registered Office in California.

Digislide is located at the Plug and Play Tech Center, Sunnyvale, California. This is an expandable facility, consisting of an office with room for expansion.

*Digislide Americas' address is - Plug and Play Tech Center
440 N. Wolfe Road
Sunnyvale, California*

¹ A value-added reseller (VAR) is a company that adds features to an existing product, then resells it to end-users as an integrated product or complete "turnkey" solution.



The Board

The 2009-2010 Digislide's Board was one which had significant experience in ASX, NYSE and NASDAQ and Global 1000 companies. Thus, Digislide had the benefit of considerable financial and legal expertise throughout the most vulnerable times in the company's history – the Global Financial Crisis and its first 6 months after listing. This depth of experience was largely supplied by Ms Lin Chan, Mr Ian Mutton and Mr Leon Milford, and was invaluable to the company.

Ms Chan retired immediately prior to the Annual General Meeting in November, 2009, and Mr Ian Mutton, former Chairman, retired in February, 2010 due to his increased work load and health issues.

Mr Leon Milford stepped in as Acting Chairman, and he, together with Mr Malcolm Leahy, who has considerable experience in manufacturing within Australia and China, and Ms Luceille Outhred, subsequently invited former senator, Mr Grant Chapman to join the Digislide Board. Mr Chapman brings with him, considerable commercial and government connections from around the world.

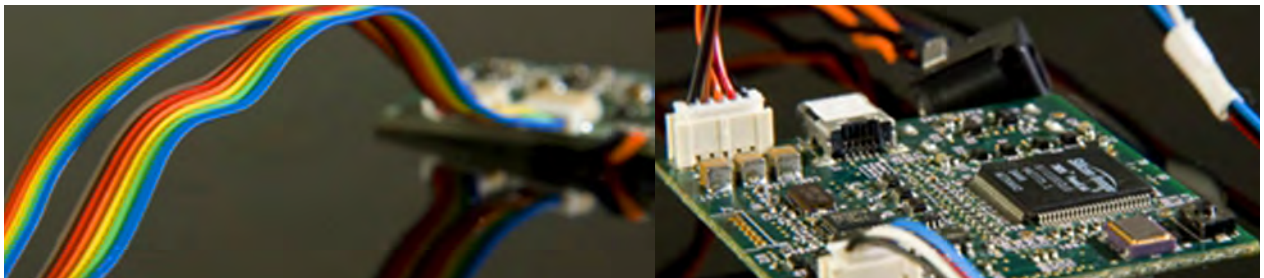
It is anticipated that a further two members will be appointed to the Board in the next six months, further strengthening the company in technology development and commercialisation, corporate law, compliance and international finance.

Market Entry and Expansion

Digislide has now entered global markets with its own branded products, and with the white labelling of some synergistic products.

Whilst we intend to expand our markets through sales of Digislide products, our key objective remains the sale of our core technologies and licensing of our patents.

Digislide also aims to license synergistic technologies from other world class leaders, to undertake joint development activities and to form joint ventures to ensure we maximise the benefits of convergence.



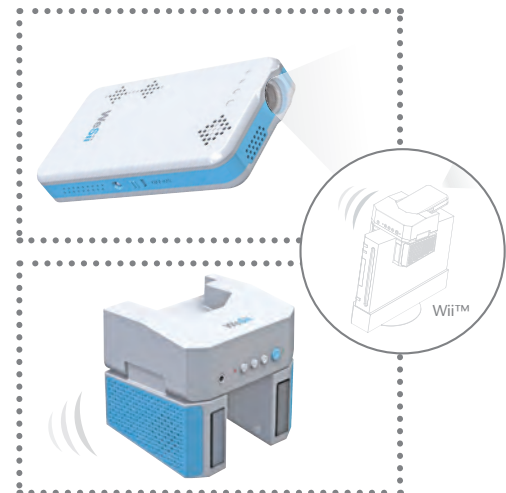
miniPRO™ mini USB Projector

miniprojector.com



Digishow® Projector

digishow.com.au



WeSii™ Projector +
WeSii™ audio dock

wesiiprojector.com



Mission

'to excel in the design and manufacture of innovative digital convergence technologies and capture a significant share of global markets, through the careful management of our inventors' dreams, investors' assets and employees' futures'

Vision

To be the global pioneer of innovative display technologies

Core Values

Respect
Diversity and Unity
Imagination and Creativity
Risk-Taking with Risk Management
Transparency and Integrity
Personal Accountability



CEO's Report

Ms Luceille Outhred



There's no doubt about it, Digislide, its shareholders and employees have experienced the peaks and the troughs over the last financial year.

On August 24th 2009, we listed on the ASX. We had raised **\$3M**, but had incurred enormous costs in doing so. So, whilst it was a milestone that we had aimed for and finally achieved, it was not a cause for relaxation.

The GFC was still raging and no-one could predict what the outcome was going to be, and indeed, the fall out is still being experienced around the world in every major economic region.

Thus, it was particularly sweet, when we were advised of our success in gaining a **\$1.2M grant** under the South Australian Innovation Investment Fund (SAIIF) program in November. This \$1.2M is a grant from which we must gain leverage in the coming 12 months.

In January, 2010 Digislide had its inaugural attendance at CES (Las Vegas) where we demonstrated the market ready Digishow™, and prototypes of digiPRO™, WeSii® and XRAY™.

We demonstrated each of these, and the miniPRO® at CeBIT (Sydney) and Communicasia (Singapore) during the year.

Digislide also introduced WeSii® and Digishow™ to the youth market at the Computer Games Boot Camp run by the Monash University mid year, and the result is that there is now a Digishow™ Facebook Fan Club! Please visit and sign up as a fan!

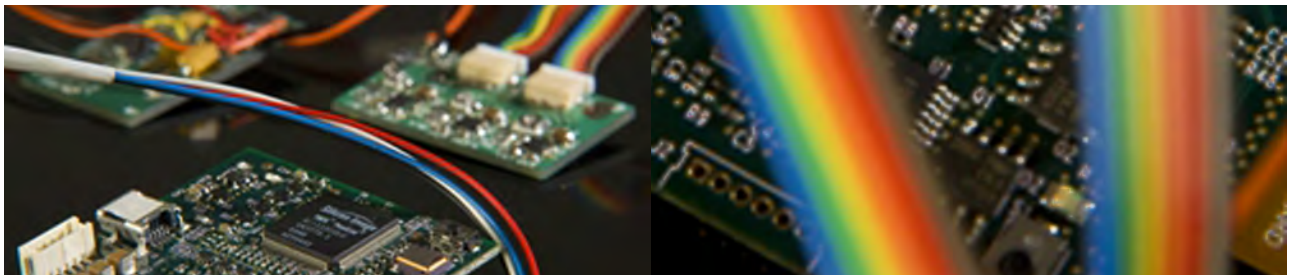
Despite the adverse conditions, Digislide has managed to penetrate markets in Australia, USA, Middle East, Eastern Europe and South Africa. We have recorded small sales volumes and signed two US distribution agreements, one on the East Coast and the other on the West.

Once again I want to thank all staff, shareholders, suppliers, contractors and related parties who have enabled Digislide to keep moving forward throughout the last 12 months. Despite the difficulties we have faced, our Financial Statements for the 2009–2010 financial year reflect Digislide as a much stronger company than in June, 2009.

Aligning 2009-2010 Performance with Stated Goals

In the last Annual Report I set out our future directions and goals for the 2009-2010 financial year.

Following I have set out a table which aligns what I committed to achieve with the outcomes we actually attained. Whilst we have not achieved all of the goals that I set, we have achieved many of them, and in several areas we have exceeded our expectations.



Poised for Global Expansion



CEO's Report

Key Goals Stated in 2009 Annual Report	Results
<i>Appoint a Chief Finance Officer and support staff</i>	Mr Jeff King appointed – significant experience in emerging technology companies, solvency, capital raising, ASX and UK listed companies. Jeff King has been a most valuable addition to the Executive Team.
<i>Appoint additional Marketing and Sales personnel</i>	We have appointed short term project personnel only, focusing on industry exhibitions, and immediate sales opportunities
<i>Secure several retail chains and smaller retail outlets for Digishow™</i>	Strathfield were secured nationally, Next Byte retail chain and over 30 smaller stores signed up for distribution during the 2009FY. Smaller retailers doing better than major chains.
<i>Commercialise miniPro® and utilise existing retail channels</i>	Completed commercialisation of miniPRO™ which entered the market in May.
<i>Finalise development and commercialise XRay™, WeSii®, StingRay™, DigiPro™ projectors and audio docking stations for gaming consoles. Utilise existing retail channels and additional gamers retailers</i>	Prototypes for each of these products were demonstrated at CeBIT and CES (Las Vegas). Financial and market constraints in USA and Europe led to a decision to commercialise WeSii® only. Commercialisation of XRay™ and digiPro™ were put on hold. Now improved to SVGA and 15 ansilumens output, and in pre-production stage. StingRay™ undergoing redesign to complement all Sony Playstation products.
<i>Finalise development of docking station for DigiVision™ - the Portable Media Player being designed under licence with a global brand – goal of 50 ansi-lumens and satisfy all requirements to gain Stage IV of the licence agreement</i>	Prototype of digiVision™ we aim to demonstrate early in 2011. This product has been upgraded from 50 lumens to 150, and will be based around a DLP optical engine. It has been upgraded to SVGA resolution.
<i>Pursue field sequential colour optical engine design for pico and embedded optical engines to satisfactory design of 15-20cc and 8-10cc modules</i>	These designs were completed and then improved. Digislide has now designed and developed a 10cc SVGA optical engine, with an output of 15 lumens, suitable for embedding in laptops, notebooks or similar. We are actively seeking licensing opportunities in 2010-2011. Furthermore, we have designed a 2cc optical engine, using laser technologies which will be ideal for mobile phone and smaller hand held devices.
<i>Finalise embedding optical engines in laptops with joint development partners</i>	Ongoing development and discussions with development partners
<i>Finalise embedding optical engine for Smartphone devices</i>	Ongoing development and discussions with development partners
<i>Generate over \$5M revenues and reflect a break even position</i>	We failed to achieve this revenue result. Our Sales Revenue was \$614,118 and our total Income was \$1,099,282.
<i>Obtain additional financing to enable rapid penetration of global markets</i>	During the FY2010 Digislide attracted further funding through direct and indirect investment: • Direct equity investment of \$6,469,939 (including IPO of \$3,008,000) • Conversion of debt to equity of \$697,494



Additional Achievements

Digislide has, however, achieved results beyond what we had hoped for as set out below:

- **SAIIF Funding**

The Chairman has reported that we were approved for a \$1.2M grant. These funds will result in expansion of our leading edge opto-electronic and clean technology research and development facilities, decreased costs through in-house prototyping and will generate revenues through consultancy services.

- **Optical Engine Designs**

Our new optical designs have led to several new patents being lodged, including one for a 2cc optical engine for use with laser technologies.

- **Expanded Intellectual Property Portfolio**

New patents and trademarks were lodged. The new patents provide solutions to some the technical issues that laser projection devices frequently have. Digislide is now in discussions with regards to future possible joint development activities, cross licensing and cross selling opportunities with a laser development company.

A second new design is suitable for 3D mobile gaming and augmented reality and for defence applications.

- **IPTV and VSDN Australia Pty Ltd**

In February, Digislide was introduced to a Chinese company with world leading IPTV technologies - and no experience in commercialising technologies or marketing in the western economies.

Digislide is now working in conjunction with that Global Licensor to commercialise its *Open Video Delivery Platform* technologies for IPTV.

The technologies are known as VSDN technologies (Virtual Streaming Distribution Network) and they enable IPTV and live broadcasting over the internet, to be enjoyed from the TV, a computer or a mobile phone ... without any annoying buffering.

On 19th February, 2010 Digislide incorporated VSDN Australia Pty Ltd, a wholly owned subsidiary, to commercialise the VSDN technologies in Australia and New Zealand.

We also instructed our US lawyers to incorporate VSDN Americas Inc, as a wholly owned subsidiary, for commercialising the technologies in the USA, Central and South Americas.



Early in March, Digislide's Canadian strategic alliance partner, Sonora Technologies Inc (see ASX Announcements 1/2/2010 and 10/8/2010) incorporated VSDNet Inc, in preparation for commercialising VSDN technologies across Canada. It is anticipated that Digislide will own 25% equity in this company through joint technology licensing arrangements.

Digislide is currently working with the Global Licensor to prepare equipment and



content for trial demonstrations in Australia, to introduce VSDN to governments, industries including telecommunications, media, education and conference facilities, retailers, end consumers and investors.

Similar demonstrations are currently being planned by Digislide and its associates for Canadian and US markets.

If we are successful in each of these, Digislide could be entrusted with spearheading market penetration of VSDN technologies across all Western markets, leaving the Global Licensor to focus on developing China and other Asian markets.

The VSDN network will actively seek strategic industry partners, and private equity funding to assist in the rapid monetisation of these leading IPTV technologies.

Future Directions - Goals for 2010-2011

Our future directions are in line with our rolling 5 year plan, and include corporate, commercial and R&D goals.

- Strengthen the Board with the addition of two new members
- Increase sales revenues through securing additional distribution channels who will open markets in USA, Canada and Western Europe for Digishow™, MiniPro®, WeSii®
- Penetrate global markets with the second set of 3 products to market, XRay® DigiPRO® and DigiVision®
- Expand markets for licensing technologies and patents
- Design, develop and market the leisure consumer hardware for sports enthusiasts and develop strategic alliances with software/gaming houses to create synergistic products for Digismart Swap™
- Attract investment into Digismart Commerce, the Hong Kong Joint Venture
- Develop 2cc optical engine:
 - Undertake joint development activities with laser manufacturers
 - Undertake joint development activities with other Research and Development houses
 - Ongoing development with mobile phone designer and manufacturers
 - Undertake joint development activities with manufacturers of laptops, PDAs, cameras and GPS devices



CEO's Report

Personnel

Digislide must expand its personnel:

- Chief Marketing Officer
- Chief Operations Officer
- Global Sales Manager
- Digislide China – Director of Operations
- Finance Manager
- Additional precision optics engineer (Australia)
- Executive Personal Assistant
- Software and hardware engineers (China) reduced cost to 30% of costs here
- Marketing and Sales personnel

VSDN

- Secure Licensing and commence Product Sales to telcos, broadcasters, conference and convention centres, universities, private colleges
- Licensing distribution channels
- Sell 'space' to media production houses and other content providers
- Undertake demonstrations of VSDN technologies in USA, invite investment, establish management who can commercialise as above
- Undertake demonstrations of VSDN technologies in Canada, invite investment, establish management who can commercialise the above

Sonora Technologies Inc

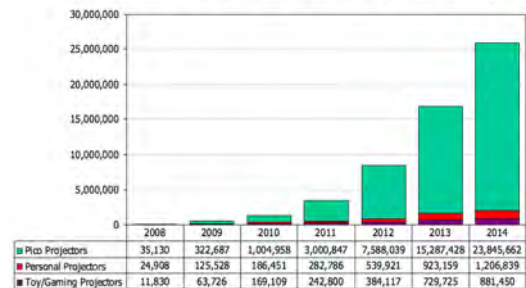
Partial acquisition and access to avatar technologies by way of licence.

Thank you for your continued support as we move through the next phase of Digislide's expansion.

Luceille Outhred
Chief Executive Officer

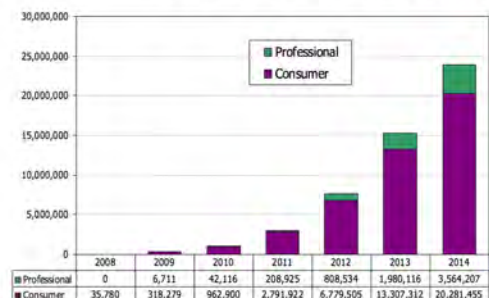
New Era Projectors: By Segment

Worldwide Unit Shipments (Post-2010Q1 Update)



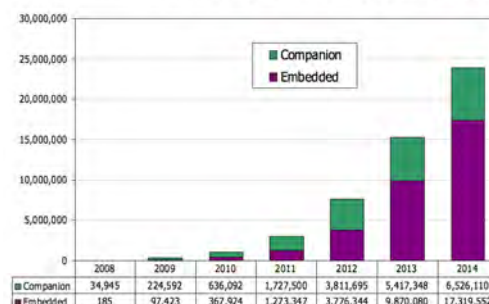
Pico Projectors: Professional vs. Consumer

Worldwide Unit Shipments (Post-2010Q1 Update)



Pico Projectors: Companion vs. Embedded

Worldwide Unit Shipments (Post-2010Q1 Update)



Presentation by Dr. William Coggs, President of Pacific Media Associates, from the '2010: The Year of the Projector Projection Summit'





Digislide's Efficiency Equation
PERFORMANCE = [ABILITYindividual x
EFFORTindividual x POTENTIALindividual]
Team Synergy x SUPPORTorganization



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

General information

Directors

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

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

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 Digishow™, miniPRO® and WeSii®; late stage commercialisation of digiPRO™ and XRAY™ has occurred, and product development of 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



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 Sharksafe Pty Ltd and AU Pacific Ltd

Special Responsibilities

- Approval of Research and Development Plans for AusIndustry
- Member of Rewards and Remuneration Committee
- Member of Audit Committee



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



Directors' Report

Information on Directors



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 Moulding 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 Grant Chapman
Non-Executive Director

Qualifications

- Bachelor of Arts (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 Ltd



Mr Ian Mutton
Non-Executive Chairman (Retired 3/3/2010)

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 (Retired 3/3/2010)
- Member of Audit Committee (Retired 3/3/2010)



Directors' Report

Information on Directors



Ms Lin Chan

Non-Executive Director (Retired 16/11/2009)

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 (Retired November 2009)



Mr Christian Outhred

Digislide Americas - Vice President (Retired 30/6/2010)

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



Directors' Report

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:

	<i>Director' Meetings</i>		<i>Audit Committee Meetings</i>		<i>Rewards \$ remuneration Committee Meetings</i>		<i>Human Resources Committee Meetings</i>	
	<i>Number eligible to attend</i>	<i>Number attended</i>	<i>Number eligible to attend</i>	<i>Number attended</i>	<i>Number eligible to attend</i>	<i>Number attended</i>	<i>Number eligible to attend</i>	<i>Number attended</i>
<i>Ms Luceille Outhred</i>	13	12	1	1	1	1	2	2
<i>Ms Lin Chan</i>	4	3	-	-	-	-	-	-
<i>Mr Malcolm Leahy</i>	13	12	2	2	2	2	2	2
<i>Mr Ian Mutton</i>	10	9	1	1	-	-	-	-
<i>Mr Leon Milford</i>	13	11	2	2	2	2	2	2
<i>Mr Christian Outhred</i> <i>- Digislide Americas</i>	-	-	-	-	-	-	-	-
<i>Mr Grant Chapman</i>	3	3	-	-	-	-	-	-

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.

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.

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.



Directors' Report

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, prototyping 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 this financial year.

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

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 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 was planned for the Shanghai Telecommunications Expo, October 2010, through Digislide's subsidiary VSDN Australia Pty Ltd, but it was subsequently decided to demonstrate within Australia only
- Market entry of digiPRO™ in Q1, 2011
- Market entry of XRAY™ in Q1, 2011
- Market entry of digiVision™ in Q2, 2011.

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.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 20 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



Directors' Report

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.

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 biennially 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.

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 of 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.



Directors' Report

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 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 its 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

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



Directors' Report

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. Total premiums for directors and officers amounted to \$27,813.

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:

<i>Grant Date</i>	<i>Date of Expiry</i>	<i>Exercise Price</i>	<i>Number under Option</i>
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
			6,450,000

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.

Ms Luceille Outhred
CEO (Managing Director)

Mr Leon Milford
Non-Executive Interim Chairman

Dated this 30th day of September 2010

**Auditor's Independence
Declaration**



DIGISLIDE HOLDINGS LIMITED AND CONTROLLED ENTITIES
ABN 75 105 012 066



Auditor's Independence Declaration

**Hayes Knight sa***accountants & business advisors
your partners in success*

Hayes Knight (SA) Pty Ltd
ABN 40 092 012 694
An independent SA company
269 Pulteney Street Adelaide
South Australia 5000
GPO Box 1171 Adelaide
South Australia 5001
• tel 08 8224 3300
• fax 08 8224 3311
• www.hayesknightsa.com.au

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





Corporate Governance Statements

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the period since May 2008.

A copy of the Company's Corporate Governance Policies and its Code of Conduct may be found on the Company's website, at www.digislide.com.au

Board Charter

This Charter sets out the functions and responsibilities of the Board and management of the Company, recognising that it is accountable to shareholders for the performance of the Company. It oversees the strategic direction, policies and practices of the Company, including activities and performance of management and provides an independent and objective view to the Company's decisions.

In addition it is responsible for establishing goals for management and ensuring the business is managed in a manner consistent with the agreed strategic direction, policies and practices. The Board is also responsible for the overall corporate governance of Digislide, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of Digislide as a whole. The Board ensures that Digislide complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of Digislide.

The Board will comprise five Directors. If Digislide's activities increase in size, nature and scope, the size of the Board and the optimum number of Directors required for the Board to properly perform its responsibilities and functions will be reviewed and, if appropriate, enlarged accordingly.

Independent Directors

The majority of Directors of the Company will be independent, non-executive Directors and the Chair shall be an independent, non-executive Director.

The Board may decide that it considers a Director to be independent, notwithstanding the existence of relationships listed above. If the Board does so decide, it will state its reasons in the annual report for making such a decision.

If the independent status of a Director is lost, this will be disclosed to the market immediately.

Directors remuneration

The fees and emoluments paid to Directors will be approved in advance by Shareholders.

Directors' deeds

The Company has entered into a Deed of Indemnity, Insurance and Access with each of the Directors to regulate certain matters between Digislide and each Director, both during the time the Directors hold office and after the Director ceases to be an Officer of Digislide (or wholly owned subsidiaries).

Board Composition

Three of five Directors of the Company are independent to the operations.

The names of the independent and non-executive Directors are:

- *Leon Milford (Interim Chairman)*
- *Malcolm Leahy*
- *Grant Chapman*

and formerly included:

- *Ian Mutton (former Chairman); and*
- *Lin Chan*

When determining whether a non-executive Director is independent the Director must not fail any of the following materiality thresholds:

- Less than 10% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director
- No sales are made to or purchases made from any entity or individual directly or indirectly associated with the Director
- None of the Directors' income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the economic group other than income derived as a Director of the entity

Independent Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense.

Reasonable expenses incurred on behalf of the Company are reimbursed upon production of receipts or similar evidence. Written approval must be obtained from the Chairman prior to incurring any additional expense on behalf of the Company.

The entire policy is set down on Digislide's website, www.digislide.com.au

Securities Trading Policy

The Company's policy regarding Directors and employees trading in its securities is set by the Board.

The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

The entire policy is set down on Digislide's website, www.digislide.com.au



Corporate Governance Statements

Audit Committee

The Company has a separate audit committee, it was comprised of:

- *Leon Milford (Chairman)*
- *Lin Chan*
- *Ian Mutton*

Malcolm Leahy was appointed to the Chair upon Ian Mutton's retirement.

The Board as a whole has responsibility for recommendations coming out of the Audit Committee. The Audit Committee reports to the Board at its monthly Board Meetings, and the Board carries out any necessary functions as required.

Risk Management Committee

The Board has not established a Risk Management Committee as it is envisaged that the Board, as a whole, would undertake the role of such a Committee.

Due Diligence Committee

The Board has not established a Due Diligence Committee, but may, from time to time, establish a Due Diligence Committee if circumstances arise such that this Committee is required.

Nomination Committee

The Company does not have a separate Nomination Committee due to the current size of the Company and its operations. The Board as a whole has responsibility for the functions of a Nomination Committee, and Board composition and skills are considered as part of the annual Board performance evaluation to ascertain whether any additional skills are required.

Performance Evaluation of the Board

An annual performance evaluation of the Board and all Board members will be conducted by the Board. The first such evaluation occurred mid 2009.

Remuneration Policies and Rewards and Remuneration Committee

The Company has a separate Rewards and Remuneration Committee. The Committee shall comprise a majority of independent Directors, be chaired by an independent Director and have at least three members. A quorum shall be two members.

The members are:

- *Malcolm Leahy (Chairman)*
- *Leon Milford*
- *Ian Mutton (resigned March 2010)*

Questions arising at Committee meetings are to be decided by a majority of votes.

The Rewards and Remuneration Committee makes recommendations to the Board regarding honoraria for Directors, recommends the terms and conditions for the CEO and Officers, reviews CEO's performance and sets goals, with the CEO and reviews progress of those goals, and develops and facilitates a process for Board and Director evaluation.

The Board has negotiated a contract with the Executive Director (Chief Executive Officer) which includes a base salary, superannuation, bonuses and Options. This contract allows for annual performance and remuneration reviews. The Executive Director's performance and remuneration was reviewed by the Board in July 2009.

The Executive Director is also entitled to participate in the employee share and option plan, but to date no grants under this scheme have been made.

The amount of remuneration for all Directors and executives, including all monetary and non-monetary components, is detailed in the Directors' report. All remuneration is valued at the cost to the company and expensed. There are no schemes for retirement benefits for non-executive Directors other than statutory superannuation.

The Committee will meet at least twice annually. The entire policy is set down on Digislide's website: www.digislide.com.au

Risk Management Policy

The primary objective of risk management is to ensure that Digislide appropriately manages its business and operating risks. This promotes stakeholder confidence in dealing with or investing in Digislide.

The Board and Officers of Digislide are committed to managing its risks but ultimately it is the responsibility of the Board for risk management and control. The Board is charged with examining and considering areas of significant business risk on an ongoing basis and implement policy to minimise exposure to these risks.

The CEO and the CFO are required to report in writing to the Board that to the best of their knowledge:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board
- Digislide's risk management and internal compliance and control framework is operating efficiently and effectively in all material aspects.



Corporate Governance Statements

Internal compliance and control framework

The objective of Digislide's internal compliance and control framework is to ensure that areas of risk have been identified and that the appropriate internal controls have been implemented and are operating efficiently in all material respects.

Digislide shall:

- manage risks continuously using a step-by-step process involving the identification, analysis, evaluation, treatment, monitoring and review of risks. It shall be applied to decision making through all levels of Digislide and in relation to any function or activity
- apply the process in planning and when making significant decisions in expenditure of large amounts of money, new strategies and procedures, managing projects, introducing significant change and the management of sensitive issues
- all staff members of Digislide shall practice principles of risk management and comply with all policies, procedures and practices relating to risk management

Specifically, the CEO and the CFO are responsible for preparing Digislide's risk profile and the identification of the various risks - what the risks are, why they happen(ed) and how they occur(red) - for assessment by the Board on a periodic basis.

The Risk Management Policy is set down in Digislide's website, www.digislide.com.au

Code of Conduct

The Company expects that the actions of its staff reflect the ethical standards of the Company. Staff members are under an obligation to the Company not to place themselves or allow themselves to be placed directly or indirectly in a position where their private interests conflict or could conflict with their responsibilities to the Company. Accordingly, staff members may not use their positions, the Company's assets or confidential information gained in connection with their employment for personal gain or for the benefit of a family member or any outside party.

The Code sets out Digislide's minimum standards of conduct and integrity to be observed by all staff members. The Code's focus is to ensure that all Directors, executives, and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of Digislide.

Responsibilities of Directors and Staff are set down within this Policy and include observing all applicable laws and regulations, recognising their primary business loyalty is to the Company, ensuring confidentiality is maintained and that any possible conflict of interest is disclosed to the Chief Executive Officer and the Company Secretary.

The Policy sets out the Company's position on gifts, loans and fair trading and may be viewed on the Company's website, www.digislide.com.au



**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)



Statement of Financial Position

30 June 2010

		Consolidated		Parent	
		2010	2009	2010	2009
	Note	\$	\$	\$	\$
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



Statement of Changes in Equity
For the Year Ended 30 June 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

	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

	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

	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

**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.



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 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.



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.

**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.

**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.



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



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.



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;



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).



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).

**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 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

**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



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	-	-
	644,981	806,457	642,877	804,353

7 Inventories

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

8 Other Financial Assets

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

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.



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.



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



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.

**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 (%)*	Percentage Owned (%)*
		2010	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

**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

**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.

**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>

**Notes to the Financial Statements****For the Year Ended 30 June 2010****18 Issued Capital****Ordinary Shares**

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



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.



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)

**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
	770,564	603,077

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
Mr Bruce Newell	100,000	-	100,000
	450,000	-	450,000

**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	-

**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

**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	-



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.



Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 27 to 58, 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





Independent Audit Report



Hayes Knight (SA) Pty Ltd
 ABN 40 002 012 094
 An independent SA company
 268 Fulmeyer Street Adelaide
 South Australia 5000
 GPO Box 1171 Adelaide
 South Australia 5001
 • tel 08 8224 3300
 • fax 08 8224 3311
 • www.hayesknightsa.com.au

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

1 An independent member of
 the Hayes Knight Group
 and Marston International



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



Corporate Directory

Holding Company

Digislide Holdings Limited
ABN 75 105 012 066

Registered Office

100-102 Cavan Road
Dry Creek, SA 5094
Australia
Phone: +61 8 8262 3115
Facsimile +61 8 8262 8490
Email admin@digislide.com.au
Website www.digislide.com.au

ASX Code

DGI

Directors

Leon Milford
Non-Executive Interim Chairman

Luceille Outhred
Chief Executive Officer

Malcolm Leahy
Non-Executive Director

Grant Chapman
Non-Executive Director

Ian Mutton
Chairman
(retired March 2010)

Lin Chan
Non-Executive Director
(retired November 2009)

Christian Outhred
Digislide Americas - Vice president
(retired June 2010)

Company Secretary

Jeff King

Share Registry

Registries Limited
Level 7, 207 Kent Street
Sydney, NSW 2000
Australia
Phone: 02 9290 9600
Facsimile: 02 9279 0664

Auditors

Hayes Knight (SA) Pty Ltd
269 Pulteney Street
Adelaide, SA 5000
Australia

Investigative Accountant

PKF Pty Ltd
Level 2, 139 Frome Street
Adelaide, SA 5000
Australia

Legal Counsel – Corporate (Australia)

HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
Sydney NSW 2000
Australia

Legal Counsel - Corporate and subsidiary (USA)

Mintz, Levin, Cohn, Ferris, Glovsky
and Popeo, P.C.
1400 Pagemill Road
Palo Alto, CA 94304
USA

Patent Attorney (Australia)

Lescar Perrin
49 Wright Street
Adelaide, SA 5000
Australia

Intellectual Property Attorney (Australia)

Julian Gyngell
Solicitor & Attorney
Kepdowrie Chambers
PO Box 881
Wahroonga, NSW 2076
Australia

Intellectual Property Attorney (USA)

Mintz, Levin, Cohn, Ferris, Glovsky
and Popeo, P.C.
5355 Mira Sorrento Place – Suite 600
San Diego, CA 92121
USA

Principal Bankers

National Bank of Australia
48 Greenhill Road
Wayville SA 5034
Australia

Glossary

ASIC

Australian Securities & Investments Commission

Auditor

Hayes Knight (SA) Pty Ltd

Board or Board of Directors

the Board of Directors of Digislide for the time being

CEO

Chief Executive Officer

Chairman

the Chairman of the Board

Corporations Act

the Corporations Act 2001 (Cwlth)

Constitution

the constitution of Digislide dated 24 August 2007

CTO

Chief Technical Officer

Inventor

the person named on a patent as being the inventor, or one of the inventors, responsible for the idea generation and/or technology development of a novel and inventive concept

Digislide or the Company

Digislide Holdings Limited ABN 75 105 012 066

Dollar, \$

all monetary amounts stated in the Annual Report are in Australian Dollars, the legal currency of Australia, unless otherwise stated

Director

a Director of Digislide

Existing Shareholders

Shareholders who were listed on the Register as at 30th September 2008

GPS

Global Positioning System

Investigating Accountant

PKF Pty Ltd

Intellectual Property or IP

Intellectual Property relating to a range of core technologies in video projection and projection peripheral products owned by Digislide, including patents, trademarks, registered designs, software codes, drawings, specifications etc

NASDAQ

National Association of Securities Dealers Automated Quotations' system (an alternative US stock exchange)

NYSE

New York Stock Exchange

OEM

Original Equipment Manufacturer

PDA

Personal Digital Assistant

PMP

Portable Media Player

Register

the register of Shareholders of Digislide

Option

a Series 1 Option, Series 2 Option, Series 3 Option, Series 4 Option or Series 5 Option, as the case may be

Share

an ordinary fully paid share in the capital of Digislide

Shareholder

a shareholder of Digislide from time to time

UMPC

Ultra Mobile Personal Computer

VGA

640 x 480 pixels

SVGA

800 x 600 resolution, or 480,000 pixels