



digislide

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Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Consolidated Financial Statements

For the Period Ended 31 December 2010

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

For the Period Ended 31 December 2010

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Digislide Holdings Limited and Controlled Entities

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Independent Auditor's Review Report to the members of Digislide Holdings Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Digislide Holdings Limited and Controlled Entities, which comprises the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Digislide Holdings Limited are responsible for the preparation of the half-year consolidated financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year consolidated financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Digislide Holdings Limited and Controlled Entities' financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Digislide Holdings Limited and Controlled Entities, ASRE 2410 requires that we comply with all ethical requirements relevant to the audit of the annual financial report.

A review of a half-year consolidated financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Digislide Holdings Limited and Controlled Entities on 28 February 2011.

Digislide Holdings Limited and Controlled Entities

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Independent Auditor's Review Report to the members of Digislide Holdings Limited and Controlled Entities

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year consolidated financial report of Digislide Holdings Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of company and controlled entities' financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Inherent Uncertainty Regarding Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter.

As indicated in note 1(b) 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 of the company exceed the current assets by \$1,880,829; and
- the Group has a cash position of only \$5,453

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)



Graeme Rodda
Director

28 February 2011

Adelaide

Digislide Holdings Limited and Controlled Entities

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Directors' Report

31 December 2010

Your directors present their report on the company and its controlled entities for the financial half year ended 31 December 2010.

1. General information

Directors

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

Names	Position
Mr Leon Milford	Chairman
Ms Luceille Outhred	CEO
Mr Malcolm Leahy	Non-Executive Director
Mr Grant Chapman	Non-Executive Director

2. Business review

Review of operations

Over the past six months Digislide has continued its investment into research and development and early stage commercialisation of several new products.

For the period ahead to 30 June 2011, the company looks to the licensing of new distribution channels for products to be released to global markets in the next two quarters, ie

- enhanced digishow™ - with a new ergonomic form, SD card interface and a 50% increase in light output
- WeSii™ composite and WeSii™ audio docking station and projector
- digiPRO™ SVGA pocket projector - with ergonomic and aesthetic form and 20 lumens
- XRay™ composite and XRay™ audio docking station and projector

Digislide is also undertaking the commercialisation of StingRay™ and Sii®, which are 150 lumens projectors, suitable for gamers and home theatre enthusiasts.

The addition of the above products to the Digislide suite, coupled with new distribution channels should generate considerable improvements in revenues from new markets whilst existing distributors can offer a wider range of products, expanding the awareness in other regions, and increasing revenue streams.

Digislide has opened up additional distribution channels into the massive USA and Indian markets as announced previously to the ASX and continues negotiation with additional parties in China and USA.

The completion of a number of major technology developments, coupled with tightly managed costs over this period has reduced the quarterly cash burn rate significantly. The loss for the half-year to 31 December 2010 is \$1.6M against that reported for the corresponding period in 2009 of \$3.9M reflecting the non-repetitive nature of numerous costs associated with the IPO and tight cost management.

Digislide Holdings Limited and Controlled Entities

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Directors' Report

31 December 2010

2. Business review continued

Review of operations continued

Digislide continues to work with potential partners towards securing a licence for Digismart Miniature Projection Technologies™ and Digislide Inside®, embedding of the miniature projection technologies within other hand held devices, including mobile phones and laptops.

Mid year, Digismart Commerce was incorporated in Hong Kong as a Joint Venture with Allied Animation Technologies Pty Ltd, long term partner for the development of Digismart Swap™ technologies. The Joint Venture partners will actively seek investment over the next 12 months, to ensure commercialisation of the finalisation of design and commercialisation of the Digismart Swap™ products.

Digislide has been successful in securing a licence agreement with a Global Licensor of IPTV technologies. It has incorporated a new entity, VSDN Australia Pty Ltd for the commercialisation of the Virtual Streaming Distribution Network technologies. VSDN Australia Pty Ltd is working to commercial leading Open Video Delivery Platform technologies. The VSDN network will monetize the technologies within their discrete markets through forming strategic alliances with the telecommunications and broadcasting industries, content providers, investment partners, licensees and retailers.

VSDN Australia Pty Ltd will commence actively seeking strategic industry partners, and investment partners to assist in the rapid monetization of these leading IPTV technologies over the next 12 months.

3. Other items

After balance date events

Austrade Appeal

In 2008-2009 Financial Year, Digislide expended over \$500,000 in international market development, and claimed Export Market Development Grants against those expenditures. Austrade denied the Company's claim based on the "size of the commercial return received or receivable in the grant year", "the company's financial position" at the time, its "resources to maintain its international business" and the "net economic benefits for Australia" that the Company offered.

Digislide is rigorously appealing this decision arguing that Austrade must take into account the effects of the Global Financial Crisis (on companies and countries) and the considerable funds injected since 30th June 2008, and additional commitments received since that time for international marketing. A Conciliation Meeting is set aside for May.

Fortrend \$5M Agreement

On the 25th February 2011 the company announced to the market the formalisation of a Standby Subscription Agreement for \$5.0M with Fortrend Securities Pty Ltd a boutique Melbourne based broking house. This facility will enable the company to access cash flows for the company whilst substantial amounts are still owed to the company by the Australian Government being the ATO and Austrade.

Digislide Holdings Limited and Controlled Entities

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Directors' Report

31 December 2010

3. Other items continued

After balance date events continued

Rights Commerce Ltd

In February 2011 the company received a Notice for Winding-up of the company that was promptly settled. A supporting creditor, Rights Commerce Ltd (UK), applied to join the action and the matter has been set down for hearing on the 1 March 2011. Digislide has always disputed the debt to Rights Commerce Ltd, and when they attempted the same process in Melbourne last year the matter was dismissed by the Court with costs awarded in Digislides' favour "with indemnity". The company is vigorously defending its rights and will seek redress regarding the disputed debt claims, and losses the company alleges were caused through Rights Commerce breaching its contract with Digislide.

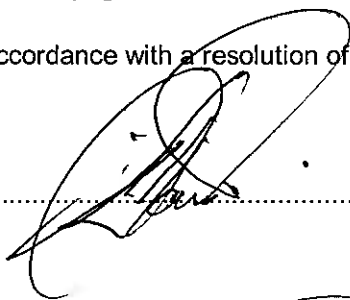
Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 20.

Signed in accordance with a resolution of the Board of Directors:

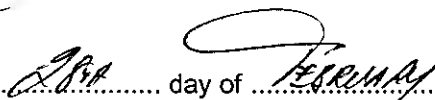
Director:



Director:



Dated this day of 2011



Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 19, are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date;
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

Director

Dated this day of 2011

Digislide Holdings Limited and Controlled Entities

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Consolidated Statement of Comprehensive Income

For the Period Ended 31 December 2010

	31 December 2010	31 December 2009
	\$	\$
Sales revenue	76,170	135,440
Cost of sales	(39,624)	(187,173)
Gross profit	36,546	(51,733)
Other income	320,255	8,218
Marketing costs	(390,028)	(138,055)
Occupancy costs	(46,595)	(43,999)
Administrative costs	(831,895)	(1,939,254)
Other expenses	(576,227)	(1,618,422)
Finance costs	(153,279)	(146,911)
Profit/(Loss) before income tax	(1,641,223)	(3,930,156)
Taxation	-	-
Profit/(Loss) from continuing operations	(1,641,223)	(3,930,156)
Profit/(Loss) for the period	(1,641,223)	(3,930,156)
Total comprehensive income for the period	(1,641,223)	(3,930,156)
Profit/(Loss) attributable to:		
Members of the parent entity	(1,641,223)	(3,930,156)
	<u>(1,641,223)</u>	<u>(3,930,156)</u>
Total comprehensive income attributable to:		
Members of the parent entity	(1,641,223)	(3,930,156)
	<u>(1,641,223)</u>	<u>(3,930,156)</u>
Earnings per share		
From continuing and discontinued operations:		
Basic earnings per share (cents)	(0.03)	(0.09)
Diluted earnings per share (cents)	(0.03)	(0.09)
From continuing operations:		
Basic earnings per share (cents)	(0.03)	(0.09)
Diluted earnings per share (cents)	(0.03)	(0.09)

The accompanying notes form part of these financial statements.

Digislide Holdings Limited and Controlled Entities

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Consolidated Statement of Financial Position

As At 31 December 2010

		31 December 2010	30 June 2010
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	5,453	2,939
Trade and other receivables	6	962,033	644,981
Inventories	7	835,262	1,009,804
Other financial assets	8	100,456	100,456
Other assets	11	346,849	300,860
TOTAL CURRENT ASSETS		2,250,053	2,059,040
NON-CURRENT ASSETS			
Investments accounted for using the equity method		25,000	-
Other financial assets	8	292,500	292,500
Property, plant and equipment	9	824,814	831,148
Intangible assets	10	2,954,348	3,077,844
Other assets	11	930,771	1,371,746
TOTAL NON-CURRENT ASSETS		5,027,433	5,573,238
TOTAL ASSETS		7,277,486	7,632,278
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	2,655,213	2,778,259
Financial liabilities	13	1,510,572	353,424
Current tax payable	4	(102,470)	(72,719)
Provisions	14	67,567	67,567
TOTAL CURRENT LIABILITIES		4,130,882	3,126,531
NON-CURRENT LIABILITIES			
Financial liabilities	13	21,672	455,104
TOTAL NON-CURRENT LIABILITIES		21,672	455,104
TOTAL LIABILITIES		4,152,554	3,581,635
NET ASSETS		3,124,932	4,050,643
EQUITY			
Issued capital	15	23,560,925	22,845,413
Distributable reserve		(20,435,993)	(18,794,770)
TOTAL EQUITY		3,124,932	4,050,643

The accompanying notes form part of these financial statements.

Digislide Holdings Limited and Controlled Entities

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Consolidated Statement of Changes in Equity

For the Period Ended 31 December 2010

**31 December
2010**

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2010	22,845,413	(18,794,770)	4,050,643
Shares issued during the year	715,512	-	715,512
Profit attributable to members of the entity	-	(1,641,223)	(1,641,223)
Sub-total	715,512	(1,641,223)	(925,711)
Balance at 31 December 2010	23,560,925	(20,435,993)	3,124,932

**31 December
2009**

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2009	15,677,980	(14,056,643)	1,621,337
Shares issued during the year	5,848,002	-	5,848,002
Profit attributable to members of the entity	-	(3,930,156)	(3,930,156)
Sub-total	5,848,002	(3,930,156)	1,917,846
Balance at 31 December 2009	21,525,982	(17,986,799)	3,539,183

The accompanying notes form part of these financial statements.

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Consolidated Cash Flow Statement

For the Period Ended 31 December 2010

	31 December 2010	31 December 2009
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	22,760	141,737
Payments to suppliers and employees	(673,733)	(4,497,317)
Grants received	27,726	-
Interest paid	(49,716)	(75,357)
Net cash provided by (used in) operating activities	<u>(672,963)</u>	<u>(4,430,937)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(47,294)	-
Net cash provided by (used in) investing activities	<u>(47,294)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	4,050,316
Proceeds from borrowings	1,039,613	400,000
Repayment of borrowings	(107,600)	(65,000)
Net cash provided by (used in) financing activities	<u>932,013</u>	<u>4,385,316</u>
OTHER ACTIVITIES		
Net increase (decrease) in cash held	211,756	(45,621)
Cash and cash equivalents at beginning of financial year	<u>(280,467)</u>	<u>47,780</u>
Cash and cash equivalents at end of financial year	5 <u><u>(68,711)</u></u>	<u><u>2,159</u></u>

The accompanying notes form part of these financial statements.

Digislide Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2010

1 Basis of Preparation

(a) Introduction

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Digislide Holdings Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(b) 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 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
- the nature of the liquidity of the Group 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 which have been sufficient to meet essential outgoings; and
- the Group is able to draw down on a \$2.3M commitment from its largest shareholder by way of a converting note when required; and
- the Group has subsequently established a \$5M standby equity facility available for three years; and
- there is an increased range of products ready for sale; and

Digislide Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2010

1 Basis of Preparation continued

(b) Going Concern continued

- the Group is also in discussion 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 there is reasonable expectation sufficient share proceeds and borrowings will continue to be forthcoming until trading revenues are strong enough to meet ongoing expenditure.

2 Profit for the Year

Significant Revenue and Expenses

	31 December 2010 \$	31 December 2009 \$
The following significant revenue and expense items are relevant in explaining the financial performance:		
Consulting and professional fees	163,078	470,345
Employee costs	668,731	871,039
Depreciation, amortisation and impairments	177,124	359,965
	<u>1,008,933</u>	<u>1,701,349</u>

3 Segment information

The Group operates predominately in one business and geographical segment being the development and distribution of electronic devices..

4 Tax

	31 December 2010 \$	30 June 2010 \$
CURRENT		
GST	(102,470)	(72,719)
	<u>(102,470)</u>	<u>(72,719)</u>

Digislide Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2010

5 Cash and cash equivalents

	31 December 2010	30 June 2010
	\$	\$
Cash on hand	624	(10)
Cash at bank	4,829	2,949
	<u>5,453</u>	<u>2,939</u>

Reconciliation of cash

	31 December 2010	30 June 2010
	\$	\$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	5,453	2,939
Bank overdraft	(74,164)	(283,406)
	<u>(68,711)</u>	<u>(280,467)</u>

6 Trade and other receivables

	31 December 2010	30 June 2010
	\$	\$
CURRENT		
Trade receivables	125,881	112,877
Government subsidies receivable	815,639	530,000
Other receivables	20,513	2,104
	<u>962,033</u>	<u>644,981</u>

Digislide Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2010

7 Inventories

	31 December 2010 \$	30 June 2010 \$
CURRENT		
At Cost		
Work in progress	34,508	137,067
Finished goods	499,040	571,023
	<u>533,548</u>	<u>708,090</u>
At net realisable value		
Componentry stock on hand	301,714	301,714
	<u>835,262</u>	<u>1,009,804</u>

8 Other Financial Assets

	31 December 2010 \$	30 June 2010 \$
CURRENT		
Loans and receivables	100,456	100,456
Total Current Assets	<u>100,456</u>	<u>100,456</u>
NON-CURRENT		
Available for sale financial assets	292,500	292,500
Total Non Current Assets	<u>292,500</u>	<u>292,500</u>

Included in the figure of loans and receivables, is the amount of \$100,000 owed to the Group by Australia Live TV ("ALTV") as reported in the 2010 annual financial report. The Group has continued action to recovery of the loan. The directors continue to be of the opinion that the loan will be recovered in full.

Digislide Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2010

9 Property, plant and equipment

	31 December 2010 \$	30 June 2010 \$
PLANT AND EQUIPMENT		
Plant and equipment		
At directors' valuation	58,749	58,749
At cost	27,315	27,315
Accumulated depreciation	(66,171)	(62,550)
Total plant and equipment	19,893	23,514
Office equipment		
At directors' valuation	44,002	40,677
At cost	47,706	44,002
Accumulated depreciation	(38,478)	(28,271)
Total office equipment	53,230	56,408
Computer software		
At cost	47,456	7,191
Accumulated depreciation	(3,677)	(315)
Total computer software	43,779	6,876
Leasehold improvements		
At cost	170,094	170,094
Accumulated amortisation	(10,652)	(1,149)
Total leasehold improvements	159,442	168,945
Manufacturing plant		
At directors' valuation	147,775	147,775
At cost	463,000	463,000
Accumulated depreciation	(137,292)	(112,372)
Total manufacturing plant	473,483	498,403
Tooling		
At directors' valuation	104,278	104,278
Accumulated depreciation	(66,000)	(63,985)
Total tooling	38,278	40,293
Artwork		
At cost	36,709	36,709
Total artwork	36,709	36,709
Total property, plant and equipment	824,814	831,148

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

Digislide Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2010

10 Intangible assets

	31 December 2010 \$	30 June 2010 \$
Intellectual property		
Cost	3,242,506	3,242,506
Accumulated amortisation	(288,158)	(164,662)
Total Intangibles	<u>2,954,348</u>	<u>3,077,844</u>

11 Other Assets

	31 December 2010 \$	30 June 2010 \$
CURRENT		
Prepayments	17,869	20,860
Trade Dollars	411,225	350,000
Provision for impairment	(82,245)	(70,000)
	<u>346,849</u>	<u>300,860</u>

	31 December 2010 \$	30 June 2010 \$
NON-CURRENT		
Trade Dollars	1,213,801	1,764,885
Provision for impairment	(283,030)	(393,139)
	<u>930,771</u>	<u>1,371,746</u>

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Notes to the Financial Statements

For the Period Ended 31 December 2010

12 Trade and other payables

	31 December 2010	30 June 2010
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	929,943	1,277,134
Accrued employee entitlements	378,448	67,738
Sundry payables and accrued expenses	241,653	220,551
Honoraria	95,000	167,192
Amount payable to:		
- other related parties	482,347	510,415
- shareholders	527,823	535,713
- wholly-owned subsidiaries	-	(485)
	<u>2,655,214</u>	<u>2,778,258</u>

13 Borrowings

	31 December 2010	30 June 2010
	\$	\$
CURRENT		
Unsecured liabilities		
Convertible notes	1,432,361	65,971
	<u>1,432,361</u>	<u>65,971</u>
Secured liabilities		
Bank overdraft	74,164	283,406
Finance lease obligation	4,047	4,047
	<u>78,211</u>	<u>287,453</u>
	<u>1,510,572</u>	<u>353,424</u>
	31 December 2010	30 June 2010
	\$	\$
NON-CURRENT		
Unsecured liabilities		
Convertible notes	-	433,000
Secured liabilities		
Finance lease obligation	21,672	22,104
	<u>21,672</u>	<u>455,104</u>

Digislide Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2010

14 Provisions

Analysis of Total Provisions

	31 December 2010	30 June 2010
	\$	\$
Current	67,567	67,567
	<u>67,567</u>	<u>67,567</u>

15 Issued Capital

Summary Table

	31 December 2010	30 June 2010
	\$	\$
58,577,818 (June 2010: 52,941,417) Ordinary	24,085,603	23,370,091
Share issue costs written off against share premium	(524,678)	(524,678)
Total	<u>23,560,925</u>	<u>22,845,413</u>

16 Australian Taxation Office Audit

The parent entity is currently undergoing an ATO audit of their GST account. For this reason, the related balances in the financial report may not be accurate. The directors do not believe that any adjustments that may be required will be of a material nature.

17 Contingent Liabilities and Contingent Assets

During the six months to 31 December 2010, the Group has claimed another \$23,975 of the SAIIF grant leaving a further \$1,087,018 available until 30 June 2011.

18 Events after the end of the reporting period

Austrade Appeal

In 2008-2009 Financial Year, Digislide expended over \$500,000 in international market development, and claimed Export Market Development Grants against those expenditures. Austrade denied the Company's claim based on the "size of the commercial return received or receivable in the grant year", "the company's financial position" at the time, its "resources to maintain its international business" and the "net economic benefits for Australia" that the Company offered.

Digislide is rigorously appealing this decision arguing that Austrade must take into account the effects of the Global Financial Crisis (on companies and countries) and the considerable funds injected since 30th June 2008, and additional commitments received since that time for international marketing. A Conciliation Meeting is set aside for May.

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Notes to the Financial Statements

For the Period Ended 31 December 2010

18 Events after the end of the reporting period continued

Fortrend \$5M Agreement

On the 25th February 2011 the company announced to the market the formalisation of a Standby Subscription Agreement for \$5.0M with Fortrend Securities Pty Ltd a boutique Melbourne based broking house. This facility will enable the company to access cash flows for the company whilst substantial amounts are still owed to the company by the Australian Government being the ATO and Austrade.

Rights Commerce Ltd

In February 2011 the company received a Notice for Winding-up of the company that was promptly settled. A supporting creditor, Rights Commerce Ltd (UK), applied to join the action and the matter has been set down for hearing on the 1 March 2011. Digislide has always disputed the debt to Rights Commerce Ltd, and when they attempted the same process in Melbourne last year the matter was dismissed by the Court with costs awarded in Digislides' favour "with indemnity". The company is vigorously defending its rights and will seek redress regarding the disputed debt claims, and losses the company alleges were caused through Rights Commerce breaching its contract with Digislide.

Except for the above, no other matters or circumstances have arisen since the end of the financial half 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.

The financial report was authorised for issue on 28 February 2011 by the board of directors.

19 Company Details

The registered office of the company is:

Digislide Holdings Limited and Controlled Entities
100-102 Cavan Road
Dry Creek SA 5094



Hayes Knight
Accountants, Advisers & Auditors

Hayes Knight (SA) Audit & Assurance Pty Ltd
ABN: 34 144 550 461

Authorised Audit Company
Registered Number: 374246

269 Pulteney Street, Adelaide SA 5000
GPO Box 1171 Adelaide SA 5001

T: 08 8224 3300 F: 08 8224 3311

www.hayesknight.com.au

Digislide Holdings Limited and Controlled Entities

ABN: 75 105 012 066

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Shareholders Digislide Holdings Limited and Controlled Entities and Controlled Entities

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 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)

Graeme Rodda
Director

28 February 2011

Adelaide

APPENDIX 4D - RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the six months ended 31 December 2010

DIGISLIDE HOLDINGS LIMITED AND ITS Controlled Entities				
Results for announcement to the market	6 months ended 31 December 2010 \$'000	6 months ended 31 December 2009 \$'000	Up/Down	% Movement
Revenue from ordinary activities excluding discontinued operations	76	135	Down	43.7%
Loss from overall activities for the year attributable to members	1,641	3,930	Down	58.2%
Net loss for the period attributable to members	1,641	3,930	Down	58.2%

Refer to director's report for a more detailed explanation of these results.

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	N/A
Interim dividend	Nil	N/A

Record date for determining entitlements to dividend	N/A
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	31 Dec 2010 Cents	31 Dec 2009 Cents
Net tangible assets per ordinary share	0.003	0.022

No material entities were acquired during the period.
The company has not declared a dividend.
The company does not have a dividend/distribution reinvestment plan.