

**Digislide Holdings Limited**  
**Appendix 4E**  
**ASX Preliminary Final Report**  
**30 June 2011**

**Lodged with the ASX under Listing Rule 4.3A**

**This report is based on the Financial Report which is in the process of being audited**

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## Results for Announcement to the Market

### Summary of Financial Information

The Board of Digislide Holdings Limited ("the Group") announced today consolidated group revenue of \$326,576 and a net loss after tax of \$1,964,521. This compares to the previous year which reported consolidated group revenue of \$614,118 and a comparative adjusted net loss after tax of \$4,738,131.

<b>Full Year Comparison</b>	<b>12 Months ended 30 June 2011 \$</b>	<b>12 Months ended 30 June 2010 \$</b>	<b>Movement %</b>
Revenue from ordinary activities	326,576	614,118	Down 46.8%
Loss after tax	1,964,521	4,738,131	Down 58.5%
Loss for the period attributable to members	1,964,521	4,738,131	Down 58.5%
Basic EPS	-0.035 cents	-0.09 cents	Down 61.0%

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend	None	Not applicable
Interim dividend	None	Not applicable

No dividends were recommended, declared or paid during the period.

The Directors do not propose to recommend the payment of a dividend in respect of the period.

There is no dividend re-investment plan in operation.

## Consolidated Statement of Comprehensive Income

**STATEMENT OF COMPREHENSIVE INCOME**

 DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2011

		<b>Consolidated</b>	
	<b>Notes</b>	<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
Revenue from continuing operations	2	326,576	614,118
Other income from outside operations	3	838,431	485,164
<b>Total Income</b>		<b>1,165,007</b>	<b>1,099,282</b>
Less Cost of sales		(254,697)	(493,040)
<b>Gross Profit</b>		<b>910,310</b>	<b>606,242</b>
Operating expenses			
Marketing expenses incl export development		(379,118)	(645,678)
Occupancy expenses		(117,391)	(111,551)
Employment expenses		(1,361,553)	(1,113,553)
Administration		(278,449)	(592,237)
Depreciation expense		(113,192)	(82,552)
Distribution costs			(36,719)
Finance expenses		(433,338)	(423,799)
Consulting and professional fees		(418,114)	(2,232,295)
R&D capitalised		759,398	730,902
Amortisation IP		(480,636)	(164,662)
R&D development cost VSDN		(455,506)	
Other expenses		403,072	(672,229)
<b>Loss before income tax expense</b>		<b>(1,964,517)</b>	<b>(4,738,131)</b>
<b>Income tax expense</b>		<b>0</b>	<b>0</b>
<b>Loss for the year attributable to members</b>		<b>(1,964,517)</b>	<b>(4,738,131)</b>

Consolidated Statement of Financial Position  
**STATEMENT OF FINANCIAL POSITION**  
 DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2011

		<b>Consolidated</b>	
	<b>Notes</b>	<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,360	2,949
Prepayments and sundry debtors		128,114	
Trade and other receivables	4	1,533,050	644,981
Inventories including work in progress		857,709	1,009,804
Other current assets		1,423,369	401,316
<b>Total Current Assets</b>		<b>3,943,602</b>	<b>2,059,050</b>
<b>Non Current Assets</b>			
Property plant and equipment	5	924,093	831,148
Other non current assets		963	1,371,746
Intangible assets		3,533,021	3,077,844
Investments unlisted entities		317,500	292,500
<b>Total Non Current Assets</b>		<b>4,775,577</b>	<b>5,573,238</b>
<b>TOTAL ASSETS</b>		<b>8,719,179</b>	<b>7,632,288</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	2,076,158	1,705,858
Financial liabilities	8	4,047	4,047
Provisions	7	109,254	67,567
Borrowings	8	1,561,095	1,349,069
<b>Total Current Liabilities</b>		<b>3,750,554</b>	<b>3,126,541</b>
<b>Non Current Liabilities</b>			
Provisions	7	30,922	
Borrowings	8	1,195,289	455,104
Financial liabilities	8	17,837	
<b>Total Non Current Liabilities</b>		<b>1,244,048</b>	<b>455,104</b>
<b>TOTAL LIABILITIES</b>		<b>4,994,602</b>	<b>3,581,645</b>
<b>NET ASSETS</b>		<b>3,724,365</b>	<b>4,050,643</b>
<b>EQUITY</b>			
Issued capital		24,629,263	22,845,413
Retained earnings		20,904,898	(18,794,770)
<b>TOTAL EQUITY</b>		<b>3,724,365</b>	<b>4,050,643</b>

## Consolidated Statement of Changes in Equity

**STATEMENT OF CHANGES in EQUITY**

 DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2011

	<b>Issued Capital</b>	<b>Retained Earnings</b>	<b>Total \$</b>
Balance at 1 July 2010	22,845,413	(18,794,770)	4,050,643
Shares issued during the year	1,371,634		1,371,634
Shares issued by subsidiary	412,216	(145,611)	266,605
Profit/(loss) for the year		(1,964,517)	(1,964,517)
<b>Balance at 30 June 2011</b>	<b>24,629,263</b>	<b>(20,904,898)</b>	<b>3,724,365</b>
Balance at 1 July 2009	15,677,980	(14,056,640)	1,621,340
Shares issued during the year	7,167,433		7,167,433
Profit/(loss) for the year		(4,738,131)	(4,738,131)
<b>Balance at 30 June 2010</b>	<b>22,845,413</b>	<b>(18,794,770)</b>	<b>4,050,643</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flow

**STATEMENT OF CASH FLOW**

DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

 FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2011

		<b>Consolidated</b>	
	<b>Notes</b>	<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		68,974	1,260,758
Payments to suppliers and employees		(1,381,593)	(6,630,696)
Interest paid		(124,000)	(395,769)
Finance costs			(135,277)
<b>Net Cash Flows provided by Operating Activities</b>		<b>(1,436,619)</b>	<b>(5,900,984)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property plant and equipment		(14,052)	(677,626)
Expenditure on intangible assets			
Payment for investments			
<b>Net Cash (used in) Investing Activities</b>		<b>(14,052)</b>	<b>(14,196)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		350,592	4,259,939
Proceeds from borrowings-hire purchase			30,415
Proceeds from borrowings		1,505,500	677,022
Proceeds from bank borrowing			298,830
Interest and other costs of finance			114,552
Repayment of borrowings		(438,000)	(1,004,564)
Loan		(5,000)	(100,000)
Proceeds from Grants and other income		36,000	478,141
<b>Net Cash Flows provided by Financing Activities</b>		<b>1,449,092</b>	<b>4,525,231</b>
Net Increase(Decrease) in Cash Held		(1,579)	(438,755)
Net cash at beginning of period		2,939	441,694
<b>Cash at the end of the financial year</b>		<b>1,360</b>	<b>2,939</b>

## Notes to the Preliminary Consolidated Financial

### Statements

### **DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES**

For the year ended 30<sup>th</sup> June 2011

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**Notes to the Preliminary Consolidated Financial Statements**  
**DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES**  
 For the year ended 30<sup>th</sup> June 2011

**Note 1. Summary of significant accounting policies**

This preliminary financial report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited financial report. The financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary financial report does not include all notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011, the half-year report for the period ended 31 December 2010 and any public announcements made by the Group during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. These policies have been consistently applied to all the years presented except as noted below.

This report is based on the Financial Report which is in the process of being audited.

The current reporting period in the preliminary financial report is the year ended 30 June 2011 while the previous corresponding period is the year ended 30 June 2010.

<b>Note 2. Revenue</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
From continuing operations:		
Revenue from R & D consulting	138,636	
Revenue from sale of goods	187,940	610,297
Total revenue from continuing operations	<b>326,576</b>	<b>610,297</b>

**Note 3. Other Income**

Grants received	799,482	464,007
Interest received		3,219
Sundry Income	38,949	10,915
Total other income	<b>838,431</b>	<b>478,141</b>



**Notes to the Preliminary Consolidated Financial Statements**  
**DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES**  
 For the year ended 30<sup>th</sup> June 2011  
 (continued)

	2011	2010
	\$	\$
<b>Note 4. Trade and other receivables</b>		
Trade receivables	241,956	112,877
Loans	100,455	
Other Grant receivables	1,190,639	530,000
Other receivables		2,104
	<b>1,533,050</b>	<b>644,981</b>

**Note 5. Property plant and equipment**

Consolidated carrying amount: opening balance	831,147	236,075
Additions	206,138	677,625
Disposals	0	0
Depreciation expense	(113,192)	(82,552)
Consolidated carrying amount: closing balance	<b>924,093</b>	<b>831,148</b>

**Note 6. Trade and other payables**

Current liability – trade and other payables		
Trade payables	1,013,200	1,277,134
Sundry payables and accrued expenses	122,095	186,205
Employee benefits	569,292	111,130
Other creditors	160,000	167,192
PAYG withholding tax	42,641	37,401
GST	168,930	(72,719)
Other related parties		(485)
	<b>2,076,158</b>	<b>1,705,858</b>

**Note 7. Provisions**

Provision for annual leave	109,254	42,967
Provision for long service leave	30,922	24,600
	<b>140,176</b>	<b>67,567</b>
Current	109,254	42,967
Non-current	30,922	24,600
	<b>140,176</b>	<b>67,567</b>

**Notes to the Preliminary Consolidated Financial Statements**  
**DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES**  
 For the year ended 30<sup>th</sup> June 2011  
 (continued)

	2011	2010
	\$	\$
<b>Note 8. Financial Liabilities &amp; Borrowings</b>		
Finance liabilities HP Agreement		
Current	4,047	4,047
Non-Current	17,837	22,104
	<b>21,884</b>	<b>26,151</b>
Current Borrowings Unsecured		
Bank borrowing		283,406
Other loans	441,493	999,682
Convertible notes	1,119,602	65,981
	<b>1,561,095</b>	<b>1,349,069</b>
Non-Current Borrowings Unsecured		
Convertible notes	433,000	433,000
Other loans	762,289	0
	<b>1,195,289</b>	<b>433,000</b>

**Note 9. Contributed Equity**

**a. Share Capital**

The share capital account of Digislide Holdings Limited (the Company) consists of 66,134,340 ordinary fully paid shares as at the 30<sup>th</sup> June 2011. Of these 16,784,187 were held in escrow until 24 August 2011 and have since been released for quotation.

**b. Movements in ordinary share capital**

Movements in ordinary share capital of the Company during the year to 30 June 2011.

Date	Details	Number of shares	Issue Price	Amount \$
1/7/2010	Opening Balance	52,941,417		22,845,415
20/8/2010	Share cancellation	-141,304	\$0.1769	-25,000
30/11/2010	Conversion of debt	4,335,198	\$0.1303	565,184
24/12/2010	Conversion of debt	1,422,507	\$0.1233	172,827
19/11/2010	Conversion of debt	20,000	\$0.1250	2,500
23/3/2011	Fortrend Securities	887,005	\$0.1551	137,592
15/4/2011	Conversion of debt	1,666,069	\$0.1661	276,779
14/6/2011	Capital raising	5,003,448	\$0.0484	241,752
30/6/2011	Closing Balance	<b>66,134,340</b>		<b>24,217,049</b>

**Notes to the Preliminary Consolidated Financial Statements**  
**DIGISLIDE HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES**

For the year ended 30<sup>th</sup> June 2011  
 (continued)

	2011	2010
<b>Note 10. Earnings Per Share</b>		
	<b>Cents</b>	<b>Cents</b>
a. Basic earnings per share	(0.03)	(0.10)
<b>Weighted average number of shares</b>		
Weighted average number of shares used as the denominator in calculating basic earnings per share	56,380,329	47,965,561
<b>Earnings used in calculating basic earnings per share</b>		
Profit/(loss) attributable to the ordinary equity holders of the company	(1,964,517)	(4,738,131)
b. Diluted earnings per share	(0.035)	(0.099)
<b>Weighted average number of shares</b>		
Weighted average number of shares used as the denominator in calculating diluted earnings per share	56,380,329	47,965,561
<b>Earnings used in calculating diluted earnings per share</b>		
Profit/(loss) attributable to the ordinary equity holders of the company	(1,964,517)	(4,738,131)

**Note 11. Events Occurring After the Reporting Period**

There were no events after year end of significance that have not been announced to the market.

**Note 12. Net Tangible Asset Backing**

	<b>cents</b>	<b>cents</b>
Net tangible asset backing per ordinary share	0.0028	0.0204

### **Control over other entities**

- VSDN Australia Pty Ltd (ACN 142 145 426) 91.75% owned by Digislide
- VSDN Americas Inc 100%
- Electronics Extraordinaire Pty Ltd a 100% owned subsidiary of which Digislide Holdings Limited was closed as the end of June 2011 and the Company will shortly be deregistered. The Company was deemed to be surplus to company corporate structure requirements.

Both of VSDN Americas Inc and Electronics Extraordinaire Pty Ltd did not trade during the year.

### **Associates and joint venture entities**

Digismart Commerce Limited a Hong Kong incorporated joint venture company between Digislide Holdings Limited and Allied Animation Technologies Pty Ltd did not trade during the year. Digislide Holdings Limited owns 50% of this company.

### **Compliance Statement**

1. This Appendix 4E has been prepared in accordance with Australian Accounting Standards, and other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.
2. The Appendix 4E and the accounts upon which the Appendix 4E is based use the same accounting policies.
3. This Appendix 4E does give a true and fair view of the matters disclosed.
4. This Appendix 4E is based upon financial statements which are in the process of being audited.

## Financial Commentary

The summary financial results for the year from 1 July 2010 to 30 June 2011 are as follows:

	12 months to:		Change
	30-June-2011	30-June-2010	
	\$	\$	
Income (Expense)			
<b>Sales &amp; Consulting Revenue</b>	326,576	614,118	↓ 46.8%
<b>Other Revenue</b>	838,431	485,164	↑ 72.8%
<b>Total Revenue</b>	1,165,007	1,099,282	↑ 5.97%
<b>Operating Expenses (excluding depreciation)</b>	(2,350,648)	(5,112,972)	↓ 54.0%
<b>Impairment Charge</b>	248,290	(176,334)	
<b>Depreciation</b>	(113,192)	(82,552)	↑ 37.1%
<b>Amortisation of IP</b>	(480,636)	(164,662)	↑ 192.0%
<b>EBIT - (loss)</b>	(1,531,179)	(4,314,332)	↓ 64.5%
<b>Interest</b>	(433,338)	(423,799)	↑ 2.25%
<b>Net Loss after Tax</b>	(1,964,517)	(4,738,131)	↓ 58.5%
<b>Net Asset Backing</b>	0.002 cents	0.0183 cents	↓ 89.0%

## Revenue

During the year the Company secured two major retail distribution connections the first with Ingram Micro in the USA and the second with Rich International Pvt Ltd in India. Revenues from both of these new major distributors due to logistics, and product upgrade issues will now be evidenced in FY2012. The Company is now active in 4 significant international markets including Saudi Arabia, Canada, United States and Asia. Initiatives continue for the penetration into the larger markets of China and Asia, and the Company is advanced in discussions for representation into the Scandinavian countries.

The Company now has 6 products in market with the latest, the gaming projector suite of products accepted into the USA market by the largest retail distribution company in the world..

In addition to product sales and the focus on the development of strong international distribution networks, the Company effectively used its R&D resource skills for the generation of R&D consulting income. Opto-electronics being a highly specialised field enables the Company to commercialise the specialist resources it has developed and utilises

## **Expenses**

During the year the Company continued to invest into R&D for the development of the next range of products to enter the market over the next 8 months, albeit at a slower rate due to product completion. Expense management for the year has been strong and this is reflected in the significantly reduced loss for the year. Full time staff and specialist contractor numbers have declined over the last six months as products have been finalised for pre-production. The effective use of contractor expertise has allowed the Company the flexibility to manage direct R&D and development cost.

## **Net Loss After Tax**

The Net After Tax Loss for the year \$1.964M is down 58% on FY2010 (\$4.738m) due to the one-off impact of the IPO expenses, and a focused reduction of costs across the board. This is despite the first full years' amortisation of the Company's IP being brought to account, assets write down, and an increased depreciation charge. The above result has improved the earnings per share from -\$0.10c in FY2010 to a significantly reduced -\$0.03c for 2011. The Company has approximately \$16.0M in tax adjusted losses available for offset against future income and these losses have not been recognised in the accounts as a deferred tax asset.

## **Cashflow and Balance Sheet**

The Company, through to breakeven will continue to rely on equity, convertible note or loan funding injections. During the year the Company entered a Standby Subscription Agreement with Fortrend Securities Pty Ltd for \$5.0M which can be drawn upon by the Company at its discretion. During the year the Company used the facility twice and has since year end activated a third draw for a total drawdown against the facility of \$170,712. As previously announced to the market the Convertible Notes which recently expired in August have been extended and the terms for extension to be renegotiated for approval prior to this years AGM.

## **Subsequent Events**

There were no subsequent events that have occurred that required reporting upon that have not already been announced to the market.