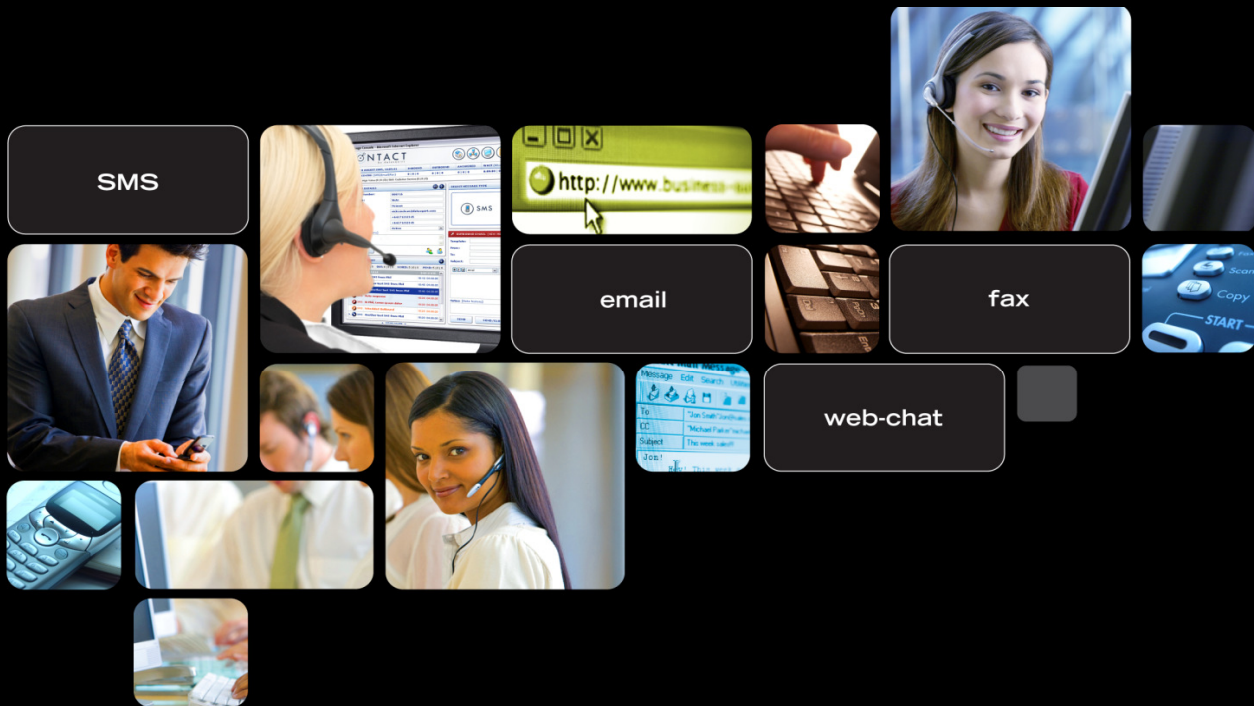


datasquirt™

connecting everyone, everywhere



About Datasquirt

Datasquirt supplies CONTACT™, a leading non-voice communication and business optimisation solution. Businesses use CONTACT™ to communicate with their customers and field staff using each person's preferred communication channel (be it SMS, email, fax or web chat) to achieve better business results. CONTACT™ is provided as a secure online service that interfaces with most existing CRM and ACD/PABX systems.

Datasquirt is headquartered in Auckland, New Zealand, with sales offices in Sydney, London, New York and Dusseldorf. Datasquirt™ and CONTACT™ are trademarks of Datasquirt Limited. All other brand or product names are trademarks or registered trademarks of their respective holder(s).

For more information see **www.datasquirt.com** or call +64 9 358 5878 or +1 888 433 9882 or email **info@datasquirt.com**.

Contents

Key Highlights	2
Customer Successes	2
Chairman's Report	3
Directors	6
Directors' Report	7
Corporate Governance Statement	9
Auditor's Report	14
Statement of Financial Position	16
Statement of Comprehensive Income	17
Statement of Cash Flows	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20 - 45
Shareholder Information	46
Corporate Directory	53

Key Highlights

- Revenue increase to NZ\$2,320,000, showing 35% growth in CONTACT™ licensing, services and transaction fees.
-
- A reduced net loss of NZ\$1,233,000, a 59% improvement on the previous year.
-
- Cash and bank balances are NZ\$1,080,000 as at 31 March 2010.
-
- Growth in signed customers of 35% and growth in partners of 22% year on year.
-

Customer Successes

- CONTACT was chosen by a leading consumer bank in Asia to integrate with a number of other business software applications to deliver customer alerts and notifications.
-
- One of Datasquirt's UK public sector customers, Wokingham Borough Council, won two top 10 awards in the Top 50 Call Centres Awards. Wokingham Borough Council achieved 6th place in the public sector category and 9th in the UK for email handling systems for 2009.

"Datasquirt's CONTACT™ has revolutionised the way the Council handles customer enquiries. Our response times are now much quicker and, as a result, customer satisfaction is up. We are able to be proactive and respond to our customers using the latest technology. Customers love this as it is convenient, particularly accessible and represents good value for money -- particularly important during such tough economic times."

Susan Law, Chief Executive, Wokingham Borough

-
- By using CONTACT™, hampsta has dramatically increased its customer numbers, while at the same time reducing its customer acquisition and management costs.

"CONTACT™ is easy to use for quick campaign launches, customer communications and real-time reporting and analysis. Without CONTACT™, we would not be able to run our business."

Annemarie Masterton, Customer Care Manager, hampsta.

Chairman's Report

Review of Operations and Activities

This year Datasquirt has continued to develop global sales partnerships, establish new vertical markets and improve its trading results, despite the challenging international market conditions. We are experiencing longer sales cycles, but underlying demand for our product is still strong, particularly as businesses and government agencies focus on efficiencies and improvements in their direct communication strategies.

The loss from ordinary activities this year amounted to \$NZ 1,233,000, a 58% improvement on the previous year's loss of \$NZ 2,967,000.

Datasquirt's CONTACT™ solution has now been deployed at a major consumer bank in Singapore, which has demonstrated the product's value to the banking industry in terms of significantly improved levels of service by providing real-time alerts and notifications to customers. The deal was brokered by our global sales partner Sybase, now owned by SAP, with whom we are now working on developing further sales opportunities for CONTACT™ within their financial services client base.

In the United Kingdom and Ireland we are making exciting progress in getting CONTACT™ established into key government and corporate accounts that so far include Royal Mail, Wokingham Borough Council and a major UK based bank.

Revenue	2010 \$000	2009 \$000	Increase (Decrease) %
CONTACT™ license fees & services	1,907	1,282	49%
Transaction revenue	219	292	(25)%
Other revenue	178	428	(58)%
Net gain on foreign exchange	16	257	(94)%
	2,320	2,259	3%

The majority of Datasquirt's customers use CONTACT™ software on a hosted basis, and sign a term contract for the service. Datasquirt recognises the contracted revenue as the fees are charged, on a monthly basis. Our two core revenue streams, being CONTACT™ software licensing and services and transaction fees, increased by 35% over the same period last year.

Across a range of industries, large corporate businesses and government agencies are showing an increasing interest in developing new, more direct and efficient means of communication with their customers and communities. The rate of change in direct communications has never been faster and the direction of change towards interactive short messages and non-voice mediums bodes well for Datasquirt.

The emergence of “Social Media” channels such as Twitter, LinkedIn, YouTube and Facebook and the recognition of their huge potential by corporate businesses, have presented new opportunities for Datasquirt to leverage its existing expertise and IP to provide proven and comprehensive solutions to meet this new demand. Providing Contact Centres with solutions to efficiently manage Social Media channels along with SMS Text and other non-voice media is an opportunity that Datasquirt is committed to maximizing in FY2011.

Review of Operations by Region

North America

Datasquirt is represented by sales partners in North America, and rather than having its own direct sales in that region, these are managed directly from our head office in New Zealand.

To date, our sales in the region have been limited by the expense and drawn-out process involved in obtaining American SMS short codes, which are required for SMS Text Messaging functionality. We expect that the addition of “Social Media” functionality to CONTACT™ and its applicability to large corporate customers wanting their Contact Centers to engage in Social Media channels may increase our sales within North America; especially given that Social Media only requires an Internet connection and not necessarily an SMS short code.

United Kingdom

Our United Kingdom office has established CONTACT™ into a range of key accounts within the UK and Ireland. Royal Mail uses CONTACT™ extensively for managing customer service communications and outbound alerts, while other CONTACT™ users include Snap on Tools, Glasses Direct, Northward Housing and a major UK based bank.

Germany

Datasquirt’s German operations are managed from the United Kingdom office and we have local representation through sales partners.

Australia

As well as building a direct customer base which includes CommInsure, Pfizer and MLC, we have established productive relationships with local sales partners. Working with Zeacom, we have sold CONTACT™ to Victoria Building Commission and have delivered a solution to AGL Energy in partnership with NSC.

New Zealand

Datasquirt’s head office and primary stronghold is in New Zealand, where it has its most mature market presence and where it has to date built up its biggest base of corporate and government accounts. It is an ideal market for proving and testing new product innovations with name-brand customers before taking them to the world.

CONTACT™ Support

This year we migrated our Asia-Pacific hosting environment to new virtualised infrastructure. This provides a number of benefits to our customers including improved resilience and greater scalability. We also completed a number of enhancements to our core monitoring services and helpdesk systems.

CONTACT™ Research and Development

The major release for 2009/2010 was CONTACT™ 3.92 which introduced new email marketing functionality to the core platform. This capability allows all emails sent by CONTACT™ to be fully tracked and reported on, allowing businesses to measure the success of their campaigns. The introduction of this feature resulted in new customer opportunities and closed business in New Zealand, Australia, Singapore and the UK. During the year the R&D team also completed other enhancements, including a number of user interface changes designed to improve usability and improve contact centre agent efficiency.

Staff and Customers

On behalf of the Board, I would like to thank all of our employees for their ongoing hard work and dedication to building success for Datasquirt and for the positive results they have achieved in this challenging year.

I would also like to thank our customers for their support and confidence in our ability and the future direction of our product. Our advisors, business partners, suppliers and shareholders have all continued their ongoing support of Datasquirt and we express our gratitude to all involved.

We would also like to acknowledge the ongoing support of New Zealand Trade and Enterprise, who have provided financial assistance to aid our investment in offshore markets.

Looking Forward

We expect global trading conditions to improve slightly in FY2011 and believe that corporate customers will continue to invest in products where they see a competitive advantage and a good return on investment within the short to medium term – which is clearly the case with Datasquirt's offerings. Our new "Social Media" offering is generating a lot of interest within our base of existing customers and sales prospects, and so in FY2011 we will begin to see how well that interest materializes into sales revenue.

As Directors, we remain confident in the long term success of Datasquirt and are committed to increasing sales revenue, continuing to build our reseller channel, maximizing our new opportunities, while eliminating cash burn during FY2011.

The financial statements are signed for and on behalf of the Board, and were authorised for issue on the date below.



Mark Loveys
Chairman
Auckland

28 July 2010

Directors

The Directors of the company during the year and up to the date of this report are:

Mark Loveys, Chairman
Aaron Ridgway, Chief Executive
Jens Neiser
David Lyons *resigned 12 June 2009*

Mark Loveys

Chairman

As one of the founders of Datasquirt, Mark had early involvement in the architecture and design of the company's products and solutions. Prior to this, he was a founder and product designer of Exonet, a market leading ERP solution for small to medium businesses, currently used by thousands of businesses throughout Australasia. Mark's success in the design and commercialization of the Exonet software package, led to it being acquired by a global ERP organization. Mark holds a Bachelor of Science degree from Auckland University and he is a member of the global SAP Solution Partner Advisory Council. Mark has served on the Board since September 2004.

Aaron Ridgway

Managing Director

Aaron Ridgway is the founder and a major shareholder in Datasquirt and has an extensive and successful background in the mobility and telecommunication industry. He is widely respected as a retailer of mobile phones owning several of New Zealand's most successful First Mobile Vodafone franchises. Aaron has served as Managing Director on the Board since September 2004.

Jens Neiser

Director

Jens Neiser joined the Board following his investment in Datasquirt in June 2006. He manages the Neiser Capital Investment fund and was previously a partner with Boston Consulting Group in New York and Munich specialising in technology companies. He holds a Masters degree in law and PhD in economics.

David Lyons

Director

David Lyons is the CEO of Continuum Systems, a hardware and software distribution company based in Syracuse, New York selling solutions to government, manufacturing, healthcare and other verticals. He is also the founder and CEO of Continuum Professional Services, a full outsource medical transcription company that supports acute and outpatient transcription services for hospitals and clinics. He has more than 25 years experience in service related businesses, in addition to his extensive software sales and marketing experience. David joined the Board in June 2007.

Directors' Report

The Directors are pleased to submit to shareholders their report and financial statements for the year ended 31 March 2010.

Principal Activities

Datasquirt supplies CONTACT™, a leading online multi-channel, non-voice communication and business optimisation solution. Self service automation allows CONTACT™ to help businesses communicate better with their customers and field staff, using SMS, email, fax and web chat. Datasquirt listed on the Australian Securities Exchange on 28 September 2007.

Significant Changes in the State of Affairs

There have been no significant changes to report in the current financial year.

Directors

Mr. David Lyons resigned from the Board 12 June 2009.

In accordance with the Constitution, Mr. Mark Loveys retires and, being eligible, offers himself for re-election.

Remuneration of Directors

The remuneration of the Directors for the year ended 31 March 2010 has been disclosed in Note 7(b) of this Report.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Outlook

This year, despite ongoing difficult global trading conditions, Datasquirt has been successful in further developing its global reseller channel, increasing sales (excluding interest and foreign exchange) by 35% and decreasing cash burn.

In the marketplace, corporate businesses are showing an increasing interest in developing new, more direct and efficient means of communication with their customers and communities. The rate of change in the corporate communications industry has never been faster and the direction of change towards interactive short messages and non-voice mediums bodes well for Datasquirt.

The emergence of “Social Media” channels such as Twitter, LinkedIn, YouTube and Facebook and the recognition of their huge potential by corporate businesses, have presented new opportunities for Datasquirt to leverage its existing expertise and IP to provide proven and comprehensive solutions to meet this new demand. Providing Contact Centres with solutions to efficiently manage Social Media channels along with SMS Text and other non-voice media is an opportunity that Datasquirt is committed to maximizing in FY2011.

We expect global trading conditions to improve slightly in FY2011 and believe that corporate customers will continue to invest in products where they see competitive advantage and a good return on investment within a short to medium term, which is clearly the case with Datasquirt offerings.

As Directors, we remain confident in the long term success of Datasquirt and are committed to increasing sales revenue, continuing to build our reseller channel, maximizing new opportunities, while eliminating cash burn during FY2011.

The financial statements are signed for and on behalf of the Board, and were authorised for issue on the date below.



Mark Loveys
Chairman
31 May 2010



Aaron Ridgway
Chief Executive Officer
31 May 2010

Corporate Governance Statement

Datasquirt recognises and follows the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations 2nd* edition (ASX Principles) to the extent that it is reasonable and practicable for Datasquirt, taking into account of the size, stage, development and operations of the Company.

Where Datasquirt's corporate governance practices do not correlate with the practices recommended by the Council, the Board's reasoning for any departure is explained.

Set out below are the fundamental corporate governance practices of Datasquirt.

Principle 1: The Board lays solid foundations for management and oversight

In governing the Company, the Directors must act in the best interests of the Company as a whole and be committed to spending sufficient time to enable them to carry out their duties as Directors of the Company. In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of Datasquirt.

The Board is responsible for governing the Company and for setting the strategic direction of the Company, including:

- (a) oversight of control and accountability systems;
- (b) appointing and removing the Chief Executive Officer and the Chief Financial Officer;
- (c) input into, and final approval of, corporate strategy;
- (d) approving the annual operating budget;
- (e) approving and monitoring the progress of major capital and operating expenditure;
- (f) monitoring compliance with all legal and regulatory obligations;
- (g) reviewing any risk management system;
- (h) monitoring any Executive Officers' performance; and
- (i) approving and monitoring financial and other reporting to the market, Shareholders, employees other stakeholders.

It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

Board responsibilities are set out in the Company Board Charter which is available on the Datasquirt website under "Investor Centre" then "Corporate Governance".

The table below sets out the attendance of Directors at Board meetings since 1 April 2009 to the date of this Annual Report:

	Number of Meetings during the tenure of the Director	Attended
Mark Loveys	13	13
Adam Ridgway	13	13
Jens Neiser	13	13
David Lyons *	2	2

* David Lyons resigned from the Board on 12 June 2009.

The Board carries out a review of the performance the senior executives on an annual basis. Each Director provides an assessment of the performance of each senior executive and the results of each assessment is collectively discussed by the Board. The outcome of the assessment is then presented to the individual senior executive. During the reporting period, a performance evaluation for senior executives was conducted in accordance with the process disclosed.

Principle 2: The Board is structured to add value

The Company currently has three Directors, comprised of one Executive Director and two non-independent Non-Executive Directors.

Aaron Ridgway is the Chief Executive Officer and a substantial shareholder of the Company. Mark Loveys and Jens Neiser are non-independent Non-Executive Directors because they are substantial shareholders of the Company.

The Company assesses the independence of its Directors pursuant to the threshold set out in the ASX Principles and the Company's Board Charter. Given the nature and size of Datasquirt, the Company does not have a policy requiring a majority of independent directors. Persons have been selected as Directors to bring specific skills and industry experience relevant to the Company.

The Chairman, Mark Loveys is non-independent Non-Executive Director by virtue of his substantial shareholding in Datasquirt. The role of the Chairman and Chief Executive Officer may not be exercised by the same individual.

Any Director may take such independent legal, financial or other advice as they consider necessary at the reasonable expense of the Company on any matter connected with the discharge of his or her responsibilities. Any Director seeking independent advice must first discuss the request with the Chairman who will facilitate obtaining such advice.

The details of the Directors' experience and term of office held by each Director at the date of this Annual Report are detailed on page 6.

Given the nature and size of Datasquirt, its business interests and its stage of development, the Board assumes the function of the Nominations Committee. The responsibilities of the Board (in its capacity as the Nominations Committee) are set out in the Company Board Charter which is available on the Datasquirt website under "Investor Centre" then "Corporate Governance".

The Board carries out a Board assessment on an annual basis. The performance of the Chairman is reviewed and assessed by the other Directors, and the Chairman reviews and assesses the performance of the other Directors. During the reporting period, a Board self-assessment was undertaken with the outcomes discussed by the Board.

Principle 3: The Board promotes ethical and responsible decision making

Code of Conduct and Ethics

As part of its commitment to recognising the legitimate interests of stakeholders, Datasquirt has an established Code of Conduct and Ethics (Code) to guide compliance with legal and other obligations to legitimate stakeholders. The Code governs all Datasquirt's commercial operations and the conduct of Directors, employees, consultants, contactors and all other people when they represent the Company.

The Board, Management and all employees of Datasquirt are committed to implementing this Code and each individual is accountable for such compliance. A copy of the Code is given to all employees, contractors and relevant personnel, including Directors.

The Code is available on the Datasquirt website under “Investor Centre” then “Corporate Governance”.

Trading in Datasquirt Shares

Consistent with the legal prohibitions on insider trading contained in the Australian Corporations Act 2001 (Cth), all Datasquirt personnel are prohibited from trading in Datasquirt’s securities while in possession of material non-public information. Material non-public information is information, which a reasonable person would expect to have a material effect on the price or value of Datasquirt’s securities.

The Code of Conduct also includes the Share Trading Policy. The Policy precludes its employee and Directors from trading in Company shares during share trading blackout periods which operate:

- (a) from the end of the company’s financial half-year, until the release of the results for that period; and
- (b) from the end of the company’s financial year, until the release of the results for that period.

The Board may, on the giving of reasonable notice, impose additional trading blackouts, or vary a trading blackout at its discretion.

If an exceptional circumstance arises outside of these share trading blackout periods, a Director may contact the Chairman to seek approval for specified trading which the Chairman may in his discretion approve or not. In the case of the Chairman, approval must be sought from the Deputy Chairman. The matter must be reported to the Board no later than the next following Board Meeting.

Senior management and Directors are required to advise the Chairman of their intentions prior to undertaking any transaction in Company securities, which includes affirmation that the individual does not believe they are in possession of material non-public information.

The Share Trading Policy is available on the Datasquirt website under “Investor Centre” then “Corporate Governance”.

Principle 4: The Board safeguards integrity in financial reporting

In accordance with ASX Listing Rule 12.7, Datasquirt is not required to have an Audit Committee. The functions which would otherwise be performed by an Audit & Risk Management Committee are performed by the Board. These include fulfilling its corporate governance responsibilities in regard to:

- (a) the reliability and integrity of financial information for inclusion in the Datasquirt’s financial statements;
- (b) audit, accounting and financial reporting obligations of Datasquirt;
- (c) monitoring the independence of the external auditor;
- (d) business or financial risk management; and
- (e) the integrity of the systems of internal control established by the Board and Management.

The Board has the responsibility of observing the policies and procedures for the selection, appointment and re-appointment of the external auditor and the rotation of external audit engagement partners. Non-Executive Directors are given the opportunity to meet with the auditor, independent of management prior to approving the half-year and annual financial statements.

The responsibilities of the Board (in its capacity as the Audit Committee) are set out in the Company Board Charter which is available on the Datasquirt website under “Investor Centre” then “Corporate Governance”.

Principle 5: The Board makes timely and balanced disclosure

The Board has established a written policy for ensuring compliance with Listing Rule disclosure requirements. The purpose of the Policy is to:

- (a) ensure that all Directors, employees and contractors are aware of the continuous disclosure obligations of Datasquirt; and
- (b) implement a procedure for the central collection, assessment and if required, release to the ASX, of material information.

The Continuous Disclosure Policy is available the Datasquirt website under “Investor Centre” then “Corporate Governance”.

Commentary on the Company’s financial results; review of operations and activities in accordance with ASX Listing Rule 4.10.17 are set out from page 3 of this Annual Report.

Principle 6: The Board respects the rights of shareholders

The Company has established a Shareholder Communications Policy and is committed to:

- (a) communicating effectively with Shareholders through releases to the market via ASX, Datasquirt’s website, information mailed to Shareholders and the general meetings of the Company;
- (b) giving Shareholders ready access to balanced and understandable information about the Company; and
- (c) making it easy for Shareholders to participate in general meetings of the Company.

All announcements made to the ASX are available to shareholders:

- (a) under the Investor Centre section of the Datasquirt website (under “Investor Centre” then “Company Announcements”);
- (b) under the Company Announcements section of the ASX website; or
- (c) by email notification (when shareholders provide their email address to Datasquirt via the website and elect to be notified of all Datasquirt announcements).

The Shareholder Communications Policy is available on the Datasquirt website under “Investor Centre” then “Corporate Governance”.

Principle 7: The Board recognises and manages risk

The Board is responsible for risk oversight, establishing an internal control system designed to identify, assess, monitor and manage business and financial risk. The Company has identified potential risks and management will report to the Board regularly regarding:

- (a) the risk management framework;
- (b) response to business and financial risks (including compliance and internal controls);
- (c) management’s approach to key operational risks, including the effectiveness of internal controls; and
- (d) the implementation of key recommendations and management action plans.

The responsibilities of the Board (in its capacity as the Audit & Risk Management Committee) are set out in the Company Board Charter which is available on the Datasquirt website under “Investor Centre” then “Corporate Governance”.

The Company has not adopted a formal risk management and internal control system to manage the Company's material business risks due to the size and nature of its operations. The Chief Executive Officer and Chief Financial Officer (Management) assume the responsibility of overseeing risk management practices of the Company. The Board confirms that Management has reported to it that the Company's management of its material business risks have been effective.

As required by Recommendation 7.3, the Board received assurance from the Chief Executive Office and Chief Financial Officer that:

- their declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control; and
- that the Company's risk management and internal system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Given the nature and size of Datasquirt, its business interests and its stage of development, the Board assumes the function of the Remuneration Committee. The responsibilities of the Board (in its capacity as the Remuneration Committee) are set out in the Company Board Charter which is available on the Datasquirt website under "Investor Centre" then "Corporate Governance".

Executive Officers and Senior Management acting in their capacity as employees of the Company and subsidiary(ies) may receive a mix of fixed, performance-based and equity-based remuneration. Non-Executive Directors may receive only fixed remuneration.

There are no retirement schemes in place for the non-executive Directors.

Further, the Company has adopted anti-hedging policy, whereby employees are not permitted to enter into transaction with Securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements under any equity-based remuneration schemes offered by Datasquirt.

Auditor's Report



AUDITORS' REPORT
TO THE READERS OF THE FINANCIAL STATEMENTS OF
DATASQUIRT LIMITED

We have audited the financial statements on pages 16 to 45. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 20 to 28.

Directors' Responsibilities

The directors are responsible for the preparation of the financial statements which give a true and fair view of the financial position of the company and group as at 31 March 2010 and the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- * the significant estimates and judgements made by the directors in the preparation of the financial statements, and
- * whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



Fundamental Uncertainty

In forming our unqualified opinion we have considered the adequacy of disclosures made in the financial statements concerning the company's continuing financial viability as set out in Note 28. To the extent that the company's cash flows from its trading activities are insufficient to meet the company's obligations and commitments for the 12 months following the year ended 31 March 2010, the company is reliant upon raising additional funding from either its existing shareholders or alternative sources of finance. The outcome of these matters is presently uncertain.

The validity of the going concern assumption on which the financial statements are prepared depends on the successful conclusion of these matters. If the company were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the Statement of Financial Position. In addition, the company may have to provide for further liabilities that may arise, and to reclassify non-current assets as current assets.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- * proper accounting records have been kept by the company as far as appears from our examination of those records; and
- * the financial statements on pages 16 to 45
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the financial position of the company and group as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 31 May 2010 and our unqualified opinion is expressed as at that date.

WHK Auckland

Auckland, New Zealand

CHARTERED ACCOUNTANTS

This report relates to the financial statements of Datasquirt Limited ("the company") for the year ended 31 March 2010 included on the company's website. The directors of the company are responsible for the maintenance and integrity of the company's website. We have not been engaged to report on the integrity of the company's website. We accept no responsibility for any changes that may have occurred to the financial statements since it was initially presented on the website. The report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of these financial statements are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the financial statements and related report dated 31 May 2010 to confirm the information included in the financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Statement of Financial Position

As at 31 March 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
ASSETS					
Current Assets					
Cash and cash equivalents	11	1,080	2,040	1,012	1,917
Trade and other receivables	12	705	629	477	616
Total Current Assets		1,785	2,669	1,489	2,533
Non-current Assets					
Investments in subsidiaries	13	-	-	3	124
Property, plant and equipment	14	58	83	42	55
Intangible assets	15	52	77	51	76
Total Non-current Assets		110	160	96	255
TOTAL ASSETS		1,895	2,829	1,585	2,788
LIABILITIES					
Current Liabilities					
Trade and other payables	16	896	594	689	541
Provisions	17	105	108	99	97
Total Current Liabilities		1,001	702	788	638
TOTAL LIABILITIES		1,001	702	788	638
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	18	11,310	11,310	11,310	11,310
Accumulated loss	19(a)	(10,398)	(9,341)	(10,513)	(9,372)
Reserves	19(b)	(18)	158	-	212
TOTAL EQUITY		894	2,127	797	2,150
TOTAL EQUITY AND LIABILITIES		1,895	2,829	1,585	2,788

The above statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorise the issue of these financial statements on 31 May 2010:



Mark Loveys
Chairman
31/05/2010



Aaron Ridgway
Director
31/05/2010

Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
Revenue					
Revenue		2,126	1,574	1,595	1,205
Other revenue	6	178	428	935	1,460
Net gain on foreign exchange		16	257	16	266
		2,320	2,259	2,546	2,931
Development and implementation expenses		(54)	(34)	(39)	(37)
Hosting and connectivity expenses		(311)	(362)	(179)	(109)
Transaction costs		(153)	(189)	(86)	(131)
Commissions		(421)	(165)	(330)	(115)
Advertising expense		(102)	(289)	(64)	(98)
Employee benefits expense	7(a)	(1,425)	(2,643)	(1,217)	(1,424)
Professional fees	7(b)	(427)	(401)	(161)	(199)
Travel expenses		(121)	(360)	(98)	(207)
Market support	21(d)	-	-	(1,154)	(3,122)
Other operating expenses	7(a)	(452)	(641)	(379)	(405)
Depreciation & impairment	7(c)	(83)	(146)	(71)	(118)
Loss from continuing operations before income tax					
		(1,229)	(2,971)	(1,232)	(3,034)
Income tax expense	8	-	-	-	-
Loss after income tax		(1,229)	(2,971)	(1,232)	(3,034)
Net loss for the period		(1,229)	(2,971)	(1,232)	(3,034)
Other comprehensive income					
Movement in translation reserve		(4)	6	-	92
Recognition of share-based payments		-	(2)	-	(2)
Investment in subsidiary impairment loss		-	-	(121)	-
Other comprehensive income for the period, net of income tax		(4)	4	(121)	90
Total comprehensive income/(loss) for the period		(1,233)	(2,967)	(1,353)	(2,944)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
	10				
Basic earnings per share		(0.04)	(0.11)		
Diluted earnings per share		(0.04)	(0.11)		

The above statement of comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 March 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		2,377	1,789	1,927	1,288
Payments to suppliers and employees (inclusive of GST)		(3,465)	(5,410)	(2,960)	(4,910)
Interest paid		(3)	(5)	(8)	(5)
Interest received		15	340	20	340
Receipt of government grants		133	-	133	-
Net cash flows used in operating activities	20	(943)	(3,286)	(888)	(3,287)
Cash flows from investing activities					
Purchase of property, plant and equipment		(7)	(20)	(7)	(3)
Purchase of intangibles		(26)	(44)	(26)	(44)
Acquisition of subsidiary/investment			-		-
Net cash flows used investing activities		(33)	(64)	(33)	(47)
Cash flows from financing activities					
Proceeds from issue of shares		-	-	-	-
Repayment of borrowings		-	-	-	-
Net cash flows from financing activities		-	-	-	-
Net increase in cash and cash equivalents		(976)	(3,350)	(921)	(3,334)
Net foreign exchange differences		16	257	16	267
Cash and cash equivalents at beginning of period		2,040	5,133	1,917	4,984
Cash and cash equivalents at end of period		1,080	2,040	1,012	1,917

The above statement cash flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 March 2010

	Note	Share capital \$000	Employee equity benefits reserve \$000	Foreign currency translation reserve \$000	Retained earnings \$000	Total equity \$000
Consolidated						
Balance at 1 April 2008		11,310	174	(20)	(6,370)	5,094
Net loss for the period		-	-	-	(2,971)	(2,971)
Other comprehensive income						
Movement in translation reserve		-	-	6	-	6
Recognition of share-based payments		-	(2)	-	-	(2)
Total other comprehensive income		-	(2)	6	-	4
Total comprehensive income for the period		-	(2)	6	(2,971)	(2,967)
Transactions with owners, recorded directly in equity		-	-	-	-	-
Balance at 31 March 2009	19	11,310	172	(14)	(9,341)	2,127
Consolidated						
Balance at 1 April 2009		11,310	172	(14)	(9,341)	2,127
Net loss for the period		-	-	-	(1,229)	(1,229)
Other comprehensive income						
Movement in translation reserve		-	-	(4)	-	(4)
Total other comprehensive income		-	-	(4)	-	(4)
Total comprehensive income for the period		-	-	(4)	(1,229)	(1,233)
Transactions with owners, recorded directly in equity		-	-	-	-	-
Employee equity benefits reserve write-off		-	(172)	-	172	-
Balance at 31 March 2010	19	11,310	-	(18)	(10,398)	894
Parent						
Balance at 1 April 2008		11,310	174	(52)	(6,422)	5,094
Net loss for the period		-	-	-	(3,034)	(2,971)
Other comprehensive income						
Movement in translation reserve		-	-	92	-	92
Recognition of share-based payments		-	(2)	-	-	(2)
Total other comprehensive income		-	(2)	92	-	90
Total comprehensive income for the period		-	(2)	92	(3,034)	(2,944)
Transactions with owners, recorded directly in equity		-	-	-	-	-
Balance at 31 March 2009	19	11,310	172	40	(9,372)	2,150
Parent						
Balance at 1 April 2009		11,310	172	40	(9,372)	2,150
Net loss for the period		-	-	-	(1,232)	(1,232)
Other comprehensive income						
Movement in translation reserve		-	-	(40)	40	-
Investment in subsidiary impairment loss		-	-	-	(121)	(121)
Total other comprehensive income		-	-	(40)	(81)	(121)
Total comprehensive income for the period		-	-	(40)	(1,313)	(1,353)
Transactions with owners, recorded directly in equity		-	-	-	-	-
Employee equity benefits reserve write-off		-	(172)	-	172	-
Balance at 31 March 2010	19	11,310	-	-	(10,513)	797

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 March 2010

1 Corporate information

The financial statements of Datasquirt Limited (the Company) for the year ended 31 March 2010 were authorised for issue in accordance with a resolution of the directors on 31 May 2010.

Datasquirt Limited (the parent) is a company limited by shares incorporated in New Zealand whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the General Disclosures section of this annual report.

2 Summary of significant accounting policies

Table of Contents

(a) Basis of preparation.....	20
(b) Statement of Compliance.....	21
(c) New accounting standards and interpretations.....	21
(d) Basis of consolidation.....	21
(e) Segment reporting - refer note 5	22
(f) Foreign currency translation	22
(g) Cash and cash equivalents - refer note 11.....	22
(h) Trade and other receivables - refer note 12.....	22
(i) Property, plant and equipment - refer note 14.....	23
(j) Leases - refer note 24	23
(k) Intangibles - refer note 15.....	23
(l) Trade and other payables - refer note 13	23
(m) Provisions and employee benefits - refer note 17	23
(n) Share-based payment transactions - refer note 23.....	24
(o) Revenue recognition - refer note 6	25
(p) Income tax and other taxes - refer note 8	25
(q) Government grants.....	25
(r) Earnings per share - refer note 10.....	26
(s) Impairment of non-financial assets	26
(t) Contributed equity - refer note 18.....	26

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have been prepared on a historical cost basis.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

2 Summary of significant accounting policies (continued)

(b) Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable financial reporting standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

(c) New accounting standards and interpretations

Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 March 2010. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
NZ IFRS 3 (revised)	Business Combinations	The core principle of the revision is that an acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.	1 July 2009	The standard is effective for business combinations for which the acquisitions are made on or after 1 July 2009.	1 April 2010
NZ IFRS 9	Financial Instruments: Classification and Measurement	Requires all financial assets to be: (a) Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. (b) Initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs (c) Subsequently measured at amortised cost or fair value.	1 January 2013	Application of a consistent approach to classifying financial assets, and the use of one impairment method.	1 April 2013
NZ IAS 7	Statement of Cash Flows (amendments)	Only expenditure that results in a recognised asset can be classified as cash flow from investing activities	1 January 2010	The standard is effective for classification of cash flow from investing activities occurring on or after 1 April 2010	1 April 2010
NZ IAS 24 (revised 2009)	Related Party Disclosures	The revised standard simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities	1 July 2011	Simplified definitions of related parties will apply from 1 April 2012	1 April 2012

* designates the beginning of the applicable annual reporting period

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Datasquirt Limited (the group) and its subsidiaries (as outlined in note 5) as at 31 March each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group.

Investments in subsidiaries held by Datasquirt Limited are accounted for at cost in the separate financial statements of the parent entity.

(e) Segment reporting - refer note 5

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

(f) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Datasquirt Limited is New Zealand dollars (\$). The subsidiaries' functional currency is the local currency which is translated to presentation currency (see below).

(ii) Transactions & balances

Subsidiary	Local Currency	Presentation Currency
Datasquirt (Australia) Pty Limited	Australian dollars (\$)	New Zealand dollars (\$)
Datasquirt UK Limited	British pounds (£)	New Zealand dollars (\$)
Datasquirt LLC	United States dollars (\$)	New Zealand dollars (\$)
Datasquirt AG	Euro (€)	New Zealand dollars (\$)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(iii) Translation of Group Companies functional currency to presentation currency

The results of the subsidiaries are translated into New Zealand dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(g) Cash and cash equivalents - refer note 11

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(h) Trade and other receivables - refer note 12

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment.

(i) Property, plant and equipment - refer note 14

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. The cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in statement of comprehensive income as incurred.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the specific assets:

Computer equipment - over 3 to 5 years

Furniture and fittings - over 5 to 10 years

Phones – over 2 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

(j) Leases - refer note 24

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(k) Intangibles - refer note 15

Intangibles are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. See note 15.

Internally generated intangible assets are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Research and development costs

Research costs are expensed as incurred.

(l) Trade and other payables - refer note 16

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions and employee benefits - refer note 17

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(n) Share-based payment transactions - refer note 23

(i) Equity settled transactions

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black Scholes option pricing model, further details of which are given in note 23.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Datasquirt Limited if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- i. the grant date fair value of the award;
- ii. the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- iii. the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 10).

(o) Revenue recognition - refer note 6

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Contract income, which includes license fees, hosting fees and transaction fees, is recognised in the income statement in the accounting period in which the service is rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Interest revenue

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(p) Income tax and other taxes - refer note 8

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

On the basis that deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the carry-forward of unused tax credits and unused tax losses can be utilised, Datasquirt Limited has taken the conservative position that there is not sufficient certainty to justify the recognition of a deferred income tax asset at this time.

Temporary differences are not material, and have not been recognised as a deferred tax asset.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- i. when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii. receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(q) Government grants

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants are awarded on a 50% cost sharing basis between NZTE and The Group, and are only reimbursed on costs actually already incurred by the Group.

The grants recognised have no outstanding terms and conditions and are not credited directly to shareholders' equity.

(r) Earnings per share - refer note 10

Basic earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted number of ordinary shares and dilutive potential ordinary shares.

(s) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Datasquirt Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(t) Contributed equity - refer note 18

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, and cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate, liquidity risk and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of the risks identified below, foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Risk exposures and responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash deposited in interest-bearing call accounts. Interest rates are monitored although there is generally no significant variation in interest rates offered by the different major banks.

The local operational bank accounts do not earn interest.

At 31 March 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Consolidated				
+1% (100 basis points)	13	34	13	34
- 1% (100 basis points)	(13)	(34)	(13)	(34)
Parent				
+1% (100 basis points)	13	34	13	34
- 1% (100 basis points)	(13)	(34)	(13)	(34)

The sensitivity is lower in 2010 than in 2009 because of a decrease in the level of funds on deposit.

Credit risk

Credit risk arises from the financial assets of the Group, being trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitize its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The only significant concentration of credit risk within the Group exists in relation to cash and cash equivalents, the majority being held with two major trading banks.

Foreign currency risk

Each entity in the Group conducts the majority of its transactions in its functional currency.

The currency exposure of the Group arises from the effect of any substantial movements in currency rates on the transfer of funds (the large proportion being in Australian dollars) to the local currency of the subsidiary to fund operations.

The net exposure is not significant due to the size of the foreign operations, and is mitigated by the regular transfer of small advances to spread the currency risk over time. Although each subsidiary or geographic segment is subject to variations in foreign currency rates, each segment is not material. Refer to note 5 on segment reporting.

Liquidity risk

The Group manages liquidity risk by closely monitoring working capital commitments, primarily trade receivables and trade payables. All payables are payable within 30 days.

4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the bases of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Recovery of deferred tax assets

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include a subsidiary's financial performance, as well as the technology, economic and political environments and future market expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management have considered whether assets have in fact been impaired, and have determined that all assets are fully recoverable.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black Scholes model, with the assumptions detailed in note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

5 Segment information

As the Group is focused on the development, distribution and sales of the core software product CONTACT™ along with associated services, there is effectively one business segment. The Group's risks and returns are affected predominantly by differences in the economic environment each subsidiary operates in, so the Group's primary segment reporting format is geographic segments.

The geographic segments are described in the table below:

Legal Entity	Location	Geographic region
Datasquirt Limited (<i>Head Office</i>)	New Zealand	New Zealand
Datasquirt (Australia) Pty Limited	Australia	Australia and South-East Asia
Datasquirt UK Limited	England	United Kingdom and Ireland
Datasquirt LLC	United States	United States and Canada
Datasquirt AG	Germany	Germany

Geographic segments

The following table presents revenue, profit, and certain asset information regarding the subsidiaries performance for the year.

Year ended 31 March 2010	New Zealand \$000	Australia \$000	United Kingdom \$000	United States \$000	Germany \$000	TOTAL \$000
Revenue	1,595	176	396	81	1	2,249
Other income	951	335	747	68	9	2,110
Total segment revenue	2,546	511	1,143	149	10	4,359
Inter-segment elimination						(2,039)
Total consolidated revenue						2,320
Interest received	20	-	-	-	5	25
Inter-segment elimination						(10)
Total consolidated interest received						15
Net loss	(1,232)	(1)	1	7	(4)	(1,229)
Inter-segment elimination						-
Total consolidated loss						(1,229)
Investment in subsidiary impairment loss	121	-	-	-	-	121
Inter-segment elimination						(121)
Total consolidated investment in subsidiary impairment loss						-
Depreciation	71	3	4	5	-	83
Capital expenditure	33	-	-	-	-	33
Segment assets – current	1,489	71	282	16	119	1,977
Segment assets – non-current	96	2	7	5	-	110
Inter-segment elimination						(192)
Total consolidated assets						1,895
Liabilities	788	99	281	16	7	1,191
Inter-segment elimination						(190)
Total consolidated liabilities						1,001
Year ended 31 March 2009	New Zealand \$000	Australia \$000	United Kingdom \$000	United States \$000	Germany \$000	TOTAL \$000
Revenue	1,205	145	293	51	1	1,695
Other income	744	947	1,189	851	40	3,771
Total segment revenue	1,949	1,092	1,482	902	41	5,466
Inter-segment elimination						(3,207)
Total consolidated revenue						2,259
Interest received	263	-	1	-	5	269
Inter-segment elimination						(65)
Total consolidated interest received						204
Net loss	(2,934)	(17)	(13)	(14)	7	(2,971)
Depreciation	118	1	21	5	1	146
Capital expenditure	47	4	1	12	-	64
Segment assets – current	2,533	87	112	22	144	2,898
Segment assets – non-current	255	5	12	12		284
Inter-segment elimination						(353)
Total consolidated assets						2,829
Liabilities	641	110	110	167	10	1,038
Inter-segment elimination						(336)
Total consolidated liabilities						702

6 Other revenue

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Government grants	163	224	163	224
Interest	15	204	21	263
Management fee	-	-	751	973
	178	428	935	1,460

Government grants relating to market development and growth services have been claimed during the year and recorded at fair value. Government grants have been received in cash (including GST) subsequent to year end. There are no unfulfilled conditions or contingencies attaching to the grants.

7 Expenses

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
(a) Other operating expenses				
Communications	101	163	76	105
Premises	127	166	83	69
Other	224	312	220	231
	452	641	379	405
(b) Professional fees				
Directors fees	75	107	75	107
Consultancy	248	142	-	-
Accountancy	97	117	80	77
Legal	7	35	6	15
	427	401	161	199
(c) Depreciation, impairment and amortisation included in income statement				
Depreciation	81	146	70	118
Amortisation	2	-	1	-
	83	146	71	118
(d) Employee benefits expense				
Wages and salaries	1,240	2,462	1,062	1,353
Share-based payments expense	-	(2)	-	(2)
Other employee benefits expense	185	183	155	73
	1,425	2,643	1,217	1,424

8 Income tax

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
(a) Income tax expense				
<i>Statement of comprehensive income</i>				
<i>Current income tax</i>	nil	nil	nil	nil
(b) Reconciliation between tax at statutory rate and tax expense in the statement of comprehensive income				
Statutory tax at 30%	(375)	(918)	(370)	(910)
Relating to origination and reversal of temporary differences	(16)	15	(16)	(1)
Tax effect of temporary differences accounted for	(391)	(903)	(386)	(911)
Income tax expense reported in the statement of comprehensive income	-	-	-	-
(c) Unrecognised temporary differences and tax losses				
Unrecognised temporary differences are not material				
Accumulated tax losses	(2,998)	(2,623)	(2,974)	(2,604)

The company continues to meet the shareholder continuity requirement to carry forward tax losses. However, the directors do not believe the company meets the level of certainty of recoverability of tax losses required to recognise a deferred taxation asset and hence have not accounted for the asset.

9 Dividends paid and proposed

No dividends have been paid or proposed to date. (2009: nil)

10 Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	Consolidated	
	2010	2009
	\$000	\$000
(a) Earnings used in calculating earnings per share		
<i>For basic earnings per share:</i>		
Net loss attributable to ordinary equity holders of the parent	(1,229)	(2,971)
<i>For diluted earnings per share:</i>		
Net loss attributable to ordinary equity holders of the parent (from basic EPS)	(1,229)	(2,971)
Net loss attributable to ordinary equity holders of the parent	(1,229)	(2,971)

(b) Weighted average number of shares	2010 Thousands	2009 Thousands
Weighted average number of ordinary shares for basic earnings per share	28,029	28,029
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution	28,029	28,029

There are no instruments (eg share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

(c) Information on the classification of securities

(i) Options

Options granted to employees (including key management personnel) as described in note 23 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

11 Current assets - cash and cash equivalents

	Consolidated		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash at bank and in hand	317	141	249	18
Short-term deposits	763	1,899	763	1,899
	1,080	2,040	1,012	1,917

12 Current assets - trade and other receivables

	Consolidated		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Trade receivables	455	442	203	335
Allowance for impairment loss (a)	-	(16)	-	-
Other receivables	242	197	190	175
	697	623	393	510
Related party receivables (b)				
Subsidiaries	-	-	76	100
Other related parties	8	6	8	6
Carrying amount of trade and other receivables	705	629	477	616

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-90 day terms. A provision for bad debts is recognised when there is objective evidence that an individual trade receivable is impaired.

Bad debts of \$nil (2009: \$33,000) have been recognised by the Group and bad debts recovery of \$6,000 (2009: \$17,000) by the Company in the current year. These amounts have been included in other operating expenses item.

Movements in the provision for impairment loss were as follows:

At 1 April	16	17	-	17
Charge for the year	(6)	32	-	(17)
Amounts written off	(10)	(33)	-	-
At 31 March	-	16	-	-

At 31 March 2009, the ageing analysis of trade receivables is as follows:

		Total	0 – 30 days	31 – 60 days	61- 90 days	+91 days	+91 days
				days	PDNI*	PDNI*	CI*
2010	Consolidated	455	345	57	28	25	-
2010	Parent	203	138	36	18	11	-
2009	Consolidated	442	314	66	23	23	16
2009	Parent	335	260	48	8	19	-

* Past due not impaired (PDNI) Considered impaired (CI)

(b) Related Party Receivables

For terms and conditions of related party receivables refer to note 21.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(d) Foreign exchange and interest risk

For further information on the management of foreign exchange and interest risk refer to Note 3.

13 Non-current assets – investments in subsidiaries

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Investments in controlled entities (note 21)				
– at cost	-	-	3	124
	-	-	3	124

As all European sales are currently being administered by our subsidiary Datasquirt UK Limited, the investment in the subsidiary Datasquirt AG has been fully written down.

14 Non-current assets – property, plant and equipment

Consolidated	Computer equipment \$000	Furniture and fittings \$000	Phones \$000	Total \$000
Year ended 31 March 2010				
At 1 April 2009 net of accumulated depreciation and impairment	38	43	2	83
Additions	6	1	-	7
Disposals	-	-	-	-
Depreciation charge for the year	(20)	(10)	(2)	(32)
At 31 March 2010 net of accumulated depreciation and impairment	24	34	-	58
At 31 March 2010				
Cost or fair value	205	61	10	276
Accumulated depreciation and impairment	(181)	(27)	(10)	(218)
Net carrying amount	24	34	-	58

Consolidated	Computer equipment \$000	Furniture and fittings \$000	Phones \$000	Total \$000
Year ended 31 March 2009				
At 1 April 2008 net of accumulated depreciation and impairment	84	42	2	128
Additions	8	12	1	21
Disposals	(1)	-	-	(1)
Depreciation charge for the year	(53)	(11)	(1)	(65)
At 31 March 2010 net of accumulated depreciation and impairment	38	43	2	83
At 31 March 2009				
Cost or fair value	199	60	10	269
Accumulated depreciation and impairment	(161)	(17)	(8)	(186)
Net carrying amount	38	43	2	83

14 Non-current assets – property, plant and equipment (cont)

Parent	Computer equipment \$000	Furniture and fittings \$000	Phones \$000	Total \$000
Year ended 31 March 2010				
At 1 April 2009 net of accumulated depreciation and impairment	23	30	2	55
Additions	6	1	-	7
Disposals	-	-	-	-
Depreciation charge for the year	(14)	(4)	(2)	(20)
At 31 March 2010 net of accumulated depreciation and impairment	15	27	-	42
At 31 March 2010				
Cost or fair value	162	41	10	213
Accumulated depreciation and impairment	(147)	(14)	(10)	(171)
Net carrying amount	15	27	-	42

Parent	Computer equipment \$000	Furniture and fittings \$000	Phones \$000	Total \$000
Year ended 31 March 2009				
At 1 April 2008 net of accumulated depreciation and impairment	53	36	2	91
Additions	2	-	1	3
Disposals	(1)	-	-	(1)
Depreciation charge for the year	(31)	(6)	(1)	(38)
At 31 March 2010 net of accumulated depreciation and impairment	23	30	2	55
At 31 March 2009				
Cost or fair value	156	40	10	206
Accumulated depreciation and impairment	(133)	(10)	(8)	(151)
Net carrying amount	23	30	2	55

15 Non-current assets – intangible assets

Consolidated	Software licences \$000	Patents and trademarks \$000	Total \$000
Year ended 31 March 2010			
At 1 April 2009 net of accumulated amortisation and impairment	61	16	77
Additions	25	1	26
Impairment	-	(2)	(2)
Amortisation charge for the year	(49)	-	(49)
At 31 March 2010 net of accumulated amortisation and impairment	37	15	52
At 31 March 2010			
Cost or fair value	206	17	223
Accumulated amortisation and impairment	(169)	(2)	(171)
Net carrying amount	37	15	52

Consolidated	Software licences \$000	Patents and trademarks \$000	Total \$000
Year ended 31 March 2009			
At 1 April 2008 net of accumulated amortisation and impairment	102	12	114
Additions	40	4	44
Impairment	-	-	-
Amortisation charge for the year	(81)	-	(81)
At 31 March 2010 net of accumulated amortisation and impairment	61	16	77
At 31 March 2009			
Cost or fair value	181	16	197
Accumulated amortisation and impairment	(120)	-	(120)
Net carrying amount	61	16	77

15 Non-current assets – intangible assets (cont)

Parent	Software licences \$000	Patents and trademarks \$000	Total \$000
Year ended 31 March 2010			
At 1 April 2009 net of accumulated amortisation and impairment	60	16	76
Additions	25	1	26
Impairment	-	(2)	(2)
Amortisation charge for the year	(49)	-	(49)
At 31 March 2010 net of accumulated amortisation and impairment	36	15	51
At 31 March 2010			
Cost or fair value	204	17	221
Accumulated amortisation and impairment	(168)	(2)	(170)
Net carrying amount	36	15	51

Parent	Software licences \$000	Patents and trademarks \$000	Total \$000
Year ended 31 March 2009			
At 1 April 2008 net of accumulated amortisation and impairment	100	12	112
Additions	40	4	44
Impairment	-	-	-
Amortisation charge for the year	(80)	-	(80)
At 31 March 2010 net of accumulated amortisation and impairment	60	16	76
At 31 March 2009			
Cost or fair value	179	16	195
Accumulated amortisation and impairment	(119)	-	(119)
Net carrying amount	60	16	76

(a) Description of the Group's intangible assets

(i) Software Licenses

Software license costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the diminishing value method over a period of 3 years. The amortisation has been recognised in the statement of comprehensive income in the line item depreciation and impairment. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(ii) Patents and licences

Patents and licences are carried at cost less accumulated impairment losses or accumulated amortisation. These intangible assets have been determined to have finite useful lives. Patents and licences are subject to impairment testing on an annual basis or whenever there is an indication of impairment.

16 Current liabilities - trade and other payables

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Trade payables	356	278	222	177
Payroll liabilities	54	89	41	66
Other payables	377	159	203	102
	787	623	466	345
Related party payables (a)				
Subsidiaries	-	-	114	100
Other related parties	109	6	109	6
Carrying amount of trade and other receivables	896	629	689	616

(a) Related party payables

For terms and conditions relating to related party payables refer to note 21.

(b) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(c) Foreign exchange and liquidity risk

For further information on the management of foreign exchange and liquidity risk refer to note 3.

17 Current liabilities - provisions

Movements in the provisions accounts were as follows:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
At 1 April	108	80	97	50
Charges for staff leave entitlements for the year	29	132	19	81
Reversals for staff leave entitlements for the year	(32)	(104)	(17)	(35)
At 31 March	105	108	99	97

18 Contributed equity

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Ordinary shares (a)	11,310	11,310	11,310	11,310
	11,310	11,310	11,310	11,310
(a) Ordinary shares				
Issued and fully paid	11,310	11,310	11,310	11,310

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Thousands	\$000
<i>Movement in ordinary shares on issue</i>		
At 1 April 2008	28,029	11,310
At 31 March 2009	28,029	11,310
At 31 March 2010	28,029	11,310

(b) Option scheme

The Company has a share option scheme under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (refer note 23).

(c) Capital management

Datasquirt Limited is an early stage technology company which listed on the Australian Securities Exchange in September 2007 for the express purpose of funding its international expansion program. The Board oversees the implementation of the global strategy, monitoring the capital available and how it is deployed to achieve the goals of the Group.

Management has no immediate plans to issue further shares on the market.

The Group is not subject to any externally imposed capital requirements.

19 Retained earnings and reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Given the current share price is well below the option exercise prices, the Directors have concluded that the share options may not be exercised. Therefore the fair value of the employee equity benefits reserve has been determined to be nil. (2009: \$172,000). Refer to note 23 for further details of these plans.

20 Statement of cash flows reconciliation

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
(a) Reconciliation of net profit to net cash flows from operations				
Net loss	(1,229)	(2,971)	(1,232)	(3,034)
<i>Adjustments for:</i>				
Depreciation	83	146	71	118
Net gain on foreign exchange	(20)	(251)	(16)	(175)
Share-based payments expense	-	(2)	-	(2)
Bad debts written off	-	33	-	(17)
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in trade and other receivables	(76)	(160)	139	(168)
(Decrease)/increase in trade and other payables	299	(81)	150	(9)
Net cash from operating activities	(943)	(3,286)	(888)	(3,287)

21 Related party disclosure

(a) Subsidiaries

The consolidated financial statements include the financial statements of Datasquirt Limited and the subsidiaries, which were all established during the financial year, as listed in the following table:

Subsidiary name	Country of incorporation	% of equity interest		Investment (\$000)	
		2010	2009	2010	2009
Datasquirt (Australia) Pty Limited	Australia	100	100	-	-
Datasquirt UK Limited	United Kingdom	100	100	-	-
Datasquirt LLC	United States	100	100	3	3
Datasquirt AG	Germany	100	100	-	121
				-	124

Local minimum equity requirements determined that Datasquirt Limited made an investment in setting up the subsidiary Datasquirt AG in 2007. However, the European market is currently being serviced by the UK subsidiary. As a result of the impairment review of the investment in the subsidiary Datasquirt AG, and due to fact that no cashflow is currently generated from this subsidiary, the investment has been written down to a nil value (2009: \$121,000)

(b) Ultimate parent

Datasquirt Limited is the ultimate New Zealand parent entity and the ultimate parent of the Group.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 22.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances on related party trade receivables and payables at year-end, refer to notes 12 and 16 respectively):

Related Party		Sales to related parties \$000	Purchases from related parties \$000	Amounts owed by related parties \$000	Amounts owed to related parties \$000
Consolidated					
<i>Shareholders:</i>					
Continuum	2010	-	(51)	-	(1)
	2009	-	(90)	-	-
Nightingale Partners Ltd	2010	-	(10)	-	-
	2009	-	(27)	-	-
<i>Directors and related entities:</i>					
Enprise Limited	2010	-	-	-	-
	2009	-	(1)	-	-
First Mobile	2010	-	(10)	-	(3)
	2009	-	(16)	-	-
David Lyons	2010	-	(5)	-	-
	2009	-	(25)	-	(13)
Jens Neiser	2010	-	(25)	-	(13)
	2009	-	(25)	-	(13)
Mark Loveys	2010	-	(36)	-	(20)
	2009	-	(25)	-	(16)
Aaron Ridgway	2010	-	-	8	(106)
	2009	-	-	6	(16)
Parent					
<i>Subsidiaries:</i>					
Datasquirt (Australia) Pty Ltd	2010	396	(387)	56	-
	2009	994	(939)	48	-
Datasquirt (UK) Limited	2010	764	(778)	8	-
	2009	1,178	(1,164)	22	-
Datasquirt LLC	2010	55	(73)	11	-
	2009	1,029	(985)	30	-
Datasquirt AG	2010	31	(17)	-	(114)
	2009	11	(45)	-	(128)
<i>Shareholders:</i>					
Nightingale Partners Ltd	2010	-	(10)	-	-
	2009	-	(27)	-	-
<i>Directors and related entities:</i>					
Enprise Limited	2010	-	-	-	-
	2009	-	(1)	-	-
First Mobile	2010	-	(10)	-	(3)
	2009	-	(16)	-	-
David Lyons	2010	-	(5)	-	-
	2009	-	(25)	-	(13)
Jens Neiser	2010	-	(25)	-	(13)
	2009	-	(25)	-	(13)
Mark Loveys	2010	-	(36)	-	(20)
	2009	-	(25)	-	(16)
Aaron Ridgway	2010	8	(106)	8	(106)
	2009	6	(16)	6	(16)

Terms and conditions of transactions with related parties:

(i) Shareholders and other related parties

Sales to and purchases from related parties are made in arms length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

Enprise Limited and First Mobile are entities with which Datasquirt Limited transacts and are owned by Directors of the Group.

(ii) Subsidiaries

The transactions between the parent, Datasquirt Limited, and its subsidiaries, are comprised of cash advances from the parent to the subsidiaries, purchases made on behalf of one entity by another and transfer pricing transactions. The transfer pricing transactions include a management fee charged by the parent to each subsidiary, interest charged on intercompany balances during the year, and market support payments made by the parent to the subsidiary.

22 Key management personnel

Compensation for key management personnel

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Salaries, fees and commissions	1,020	741	867	480
Share-based payments	-	(2)	-	(2)
Other benefits	-	-	-	-
Total compensation	1,020	739	867	478

During the year, the number of employees or former employees, not being directors of Datasquirt Limited received remuneration and the value of other benefits that exceeded \$100,000 as follows:

	2010	2009
	Number of employees	
100,001 – 110,000	1	-
110,001 – 120,000	1	2
120,001 – 130,000	-	-
130,001 – 140,000	-	-
140,001 – 150,000	-	-
150,001 – 160,000	1	1
160,001 – 170,000	1	3
170,001 – 180,000	-	-
180,001 – 190,000	-	-
190,001 – 200,000	1	1
200,001 – 210,000	-	-
210,001 – 220,000	-	-
220,001 – 230,000	-	-
230,001 – 240,000	-	-
240,001 – 250,000	-	-
250,001 – 260,000	-	-
260,001 – 270,000	-	-
270,001 – 280,000	1	-

23 Share-based payment plans

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Expense arising from equity-settled share-based payment transactions	-	(2)	-	(2)
Total expense arising from share-based payment transactions	-	(2)	-	(2)

The share-based payment plans are described below:

(b) Types of share-based payment plans

Employee Share Scheme (ESS)

The Company has established an Employee Share Scheme under which the Company may offer shares to key employees.

There are currently 687,732 fully paid shares held by the Employee Share Trust for the benefit of two senior executives.

As a condition of these options, the shares would vest immediately in the event of an IPO or trade sale. Therefore when Datasquirt listed in September 2007, these shares were vested.

Employee Share Options (ESOP)

Share options may be granted to senior executives at the discretion of the Board, to align participants' interests with those of shareholders by increasing the value of the Company's shares. The exercise price of the options is set at the listing price of the shares, vesting over a three year period.

(c) Summary of options granted under the share based payment plans

No options granted have been forfeited or exercised during the year ended 31 March 2010 (2009: nil).

The outstanding balance of exercisable options as at 31 March 2010 is represented by:

- 4,725 options over ordinary shares with an exercise price of \$37.85 issued prior to the share split (equivalent shares post share split 440,197 with an exercise price of A\$0.41 held by the Employee Share Trust);
- 2,656 options over ordinary shares with an exercise price of \$56.48 issued prior to the share split (equivalent shares post share split 247,535 with an exercise price of A\$0.41 held by the Employee Share Trust).
- 100,000 options over ordinary with an exercise price of A\$0.90 each (2008: 300,000).

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 31 March 2010 is 3 years (2009: 4).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was nil (2009: nil).

(f) Option pricing model

Equity-settled transactions

The fair value of the equity-settled share options is estimated as at the date of grant using the Black Scholes Model taking into account the terms and conditions upon which the options were granted. The value of the option is a function of possible future prices of the underlying share, taking into account factors of volatility, time to maturity and current risk free interest rates.

It has also been recognised that the option, and not the underlying shares, are being valued, and the options are not transferable. Therefore a discount rate has been applied to reflect their lack of marketability.

The following table lists the inputs to the models used for the year ended 31 March 2009:

	ESS 2009	ESS 2009	ESOP 2009
<i>Number of options</i>	4725	2656	100,000
Dividend yield (%)	0.00	0.00	0.00
Expected volatility (%)	55.00	55.00	55.00
Risk-free interest rate (%)	6.15	6.58	7.15
Expected life of option (years)	5	5	5
Option exercise price (\$NZ)	37.85	56.48	-
Option exercise price (\$AU)	-	-	.90
Weighted average share price at measurement date (\$NZ)	15.43	23.27	-
Weighted average share price at measurement date (\$AU)	-	-	.375
Model used	Black Scholes	Black Scholes	Black Scholes

As Datasquirt listed with ASX in September 2007, and does not have a long term trading history, volatility has been determined by reference to other listed Australian technology companies over the comparable periods of the grant of the options.

Given the current share price is well below the option exercise prices, the Directors have concluded that the share options may not be exercised. Therefore the fair value of the employee equity benefits reserve has been determined to be nil. (2009: \$172,000).

24 Commitments

(i) Leasing commitments

Lease commitments

The Group has entered into a commercial lease on the premises for Datasquirt New Zealand. The annual rent is \$51,000 plus \$24,000 for car parks.

The Group has a contract for hosting services with an annual value of \$131,000 (2009: \$78,000)

The total expense recognised for the year ended 31 March 2010 in relation to operating commitments is \$305,922 (2009:\$248,000).

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Within one year	250	125	162	121
After one year but not more than five years	174	25	174	25
After more than five years	-	-	-	-
Total minimum lease payments	424	150	336	146

(ii) Property, plant and equipment commitments

The Company and Group had no contractual obligations to purchase plant and equipment at balance date. (2009: \$nil).

25 Contingencies

There were no known material contingent liabilities at 31 March 2010 (2009: Nil).

26 Events after the reporting date

There were no events of a material nature after reporting date which required adjustment or disclosure (2009: Nil).

27 Auditors' remuneration

	Consolidated		Parent	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Amounts received or due and receivable by WHK Auckland for:				
Audit of the financial statements	39	28	39	28
	-	19 (b)		19 (b)
Other assurance-related services	-	15 (a)		-
Tax compliance	-	14 (b)		14 (b)
Other services	-	12 (b)		12 (b)
	39	88	39	73

The auditor of Datasquirt Limited is WHK Auckland.

- a) Other assurance-related services include services for the audit or review of financial information other than financial reporting, and include prospectus reviews and other audits required for local regulatory services.
- b) Services provided by Ernst & Young – auditors for the 2008 financial year

28 Going concern

The company's continued financial viability is presently dependent on cash flows sourced from uncollected past trading activity and forecast trading activity, which may not be sufficient to meet the company's obligations and commitments for the 12 months following the year ended 31 March 2010. To the extent that the company's cash flows from its trading activities are insufficient, the company is reliant upon raising additional funding from either its existing shareholders or alternative sources of finance. The outcome of these matters is presently uncertain.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of these matters. The financial statements do not include any adjustments if the company was unable to continue in operational existence for the foreseeable future.

Shareholder Information as at 30 June 2010

Number of Security Holders and Securities on Issue

Quoted Equity Securities

Datasquirt has issued 28,028,634 fully paid ordinary shares, all of which are quoted on the ASX and are held by 370 shareholders.

Unquoted Equity Securities

Datasquirt has issued 787,732 options in aggregate under its Employee Share Option Plan and these are held by 3 option holders.

Voting Rights

Quoted Equity Securities

Each of the Company's fully paid ordinary shares entitles the shareholder to one vote.

Unquoted Equity Securities

Option holders do not have any voting rights with respect to the options held by them.

Distribution of Security Holders

Quoted Equity Securities

Fully paid ordinary shares

Holding	Number of shareholders	Number of shares	%
1 – 1,000	3	2,162	0.01
1,001 – 5,000	251	657,760	2.35
5,001 – 10,000	45	351,915	1.25
10,001 – 100,000	54	1,906,404	6.80
100,001 and over	17	25,110,393	89.59
Total	370	28,028,634	100

Unquoted Equity Securities

Employee share options

- Options granted on 1 October 2006
- Vesting date of 28 September 2007
- Expiry date of 1 October 2011
- All vested options may be converted to fully paid ordinary shares on a one-for-one basis with a A\$0.41 exercise price.

Holding	Number of option holders	Number of options	%
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	0	0	0
100,001 and over	1	440,197	100
Total	1	440,197	100

- Options granted on 2 April 2007
- Vesting date of 28 September 2007
- Expiry date of 1 April 2012
- All vested options may be converted to fully paid ordinary shares on a one-for-one basis with a A\$0.61 exercise price.

Holding	Number of option holders	Number of options	%
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	0	0	0
100,001 and over	1	247,535	100
Total	1	247,535	100

- Options granted on 10 July 2007
- Vesting date of 1 August 2007
- Expiry date of 10 July 2012
- All vested options may be converted to fully paid ordinary shares on a one-for-one basis with a A\$0.90 exercise price.

Holding	Number of option holders	Number of options	%
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	1	100,000	100
100,001 and over	0	0	0
Total	1	100,000	100

Unmarketable Parcel of Shares

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 240. 5,000 shares comprise a marketable parcel at Datasquirt's closing share price of A\$0.10.

Substantial Shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully paid ordinary shares

Name	Number	%
Mark Loveys	1,481,285	5.3 ¹
Nightingale Partners Pty Limited	5,234,814	18.7 ²
Lindsay J Phillips	1,774,744	6.3 ³
Aaron Ridgway	9,438,286	33.7 ⁴
Jens Neiser	3,886,710	13.87 ⁵

¹ As notified to the Company on 1 October 2007.

² As notified to the Company on 3 December 2008.

³ As notified to the Company on 21 August 2009.

⁴ As notified to the Company on 24 August 2009.

⁵ As notified to the Company on 1 June 2010.

Unquoted Equity Securities

Employee share options

There are 440,197 unquoted options (with a A\$0.41 exercise price) issued to 1 option holder under the Company's Employee Share Option Plan.

There are 247,535 unquoted options (with a A\$0.61 exercise price) issued to 1 option holder under the Company's Employee Share Option Plan.

There are 100,000 unquoted options (with a A\$0.90 exercise price) issued to 1 option holder under the Company's Employee Share Option Plan.

3 option holders hold 20% or more of the options under the Company's Employee Share Option Plan, as set out below:

Name	Number of options	%
Kieron Lawson	440,197	55.88
Penny Nelson	247,535	31.42
Dean Hodgson	100,000	12.70
Total	787,732	100

On-Market Buy-Back

There is no current on-market buy-back.

Twenty Largest Shareholders

Quoted Equity Securities

Details of the 20 largest shareholders by registered shareholding are:

	Name	Number of shares	%
1	Ridgway Holdings Limited	8,743,172	31.19
2	ANZ Nominees Limited <Cash Income A/c>	5,540,628	19.77
3	Nightingale Partners Pty Ltd	5,234,814	18.68
4	Mr Mark Clampitt Loveys & Ms Valerie Mills	1,474,035	5.26
5	Continuum Professional Services Inc	833,818	2.98
6	Ironwood Investments Pty Ltd <Phillips Super Fund A/c>	800,000	2.85
7	Mr Aaron Wayne Ridgway	702,114	2.51
8	Mr Lindsay John Phillips	295,777	1.06
9	Dixon Trust Pty Limited	277,778	0.99
10	Mr Lindsay John Phillips	263,967	0.94
11	Ms Penelope Marie Nelson	250,192	0.89
12	Mr Neville Foster Curry	200,118	0.71
13	Mr Jochen Struengmann	132,250	0.47
13	Mrs Maren Struengmann	132,250	0.47
15	Mr Lindsay John Phillips & Mrs Ingrid Pauline Phillips	119,000	0.43
16	Mr Greg Herron	117,480	0.42
17	Custodial Services Limited <Beneficiaries Holding A/c>	100,000	0.36
17	Mr Lindsay John Phillips <Charles Lindsay Phillips A/c>	100,000	0.36
17	Dr Stephanie Phillips <Matthew Harry Phillips A/c>	100,000	0.36
17	Mr James Phillips	100,000	0.36
	Total	25,517,393	91.04

Company Secretary

Michelle Leong resigned as Company Secretary of Datasquirt Limited on 30 November 2009. Datasquirt Limited as a New Zealand incorporated company is not required to have a company secretary under New Zealand law. Michelle acts as Local Agent for the Company in Australia.

Foreign Company Disclosure

Datasquirt Limited was incorporated in Auckland, New Zealand. As such, it is not subject to Chapters 6, 6A, 6B and 6C of the Australian *Corporations Act 2001* dealing with the acquisition of shares (such as substantial holdings and takeovers).

Limitations on the acquisition of securities imposed by the jurisdiction in which the Company is incorporated (New Zealand) are:

- in general, securities in the Company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

- the Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in the Company, or the increase of an existing holding of 20% or more of the voting rights in the Company, can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares in the Company.
- the *Overseas Investment Act 2005* and various *Overseas Investment Regulations 2005* regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the Overseas Investment Office is likely to be required where an “overseas person” acquires shares or an interest in shares in the Company that amount to more than 25% of the shares issued by the Company, or, if the overseas person already holds 25% or more, the acquisition increases that holding.
- the *Commerce Act 1986* is likely to prevent a person from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

Directors’ Shareholding

Directors held interests in the following shares in the Company at 31 March 2010:

Mark Loveys	2010
<i>Fully paid ordinary shares</i>	
Beneficially owned	1,479,035
Held by an associated person	2,250
<i>Options to acquire ordinary shares</i>	
Beneficially owned	Nil
Aaron Ridgway	
<i>Fully paid ordinary shares</i>	
Beneficially owned	702,114
Held by an associated person	8,743,172
<i>Options to acquire ordinary shares</i>	
Beneficially owned	Nil
Jens Neiser	
<i>Fully paid ordinary shares</i>	
Beneficially owned	334,979
Held by an associated person	4,905,094
<i>Options to acquire ordinary shares</i>	
Beneficially owned	Nil
David Lyons	
<i>Fully paid ordinary shares</i>	
Beneficially owned	Nil
Held by an associated person	840,568*
<i>Options to acquire ordinary shares</i>	
Beneficially owned	Nil

* David Lyons’ disclosure of interest as at 17 June 2010.

Share Dealings by Directors

In accordance with section 148(2) of the *Companies Act 1993*, the Board has received disclosures from the Directors named below of acquisitions or dispositions of relevant interests in the Company between 1 April 2009 and 31 March 2010.

Particulars of such disclosures are:

Aaron Ridgway

Aaron Ridgway acquired 838,056 shares through an associate on 19 August 2009 at A\$0.08 per share.

Aaron Ridgway acquired 7,000 shares on 3 December 2009 at NZ\$1.00 per share.

Jens Neiser

Jens Neiser acquired 50,000 shares on 4 June 2009 at A\$0.081 per share.

Jens Neiser acquired 4,500 shares on 10 December 2009 at A\$0.10 per share.

Jens Neiser acquired 6,750 shares on 11 December 2009 at A\$0.10 per share.

Jens Neiser acquired 83,430 shares through an associate on 15 December 2009 at A\$0.60 per share.

Jens Neiser acquired 10,000 shares on 23 February 2010 at A\$0.10 per share.

Jens Neiser acquired 30,000 shares on 25 February 2010 at A\$0.10 per share.

Jens Neiser acquired 13,700 shares on 12 March 2010 at A\$0.098 per share.

Jens Neiser acquired 41,112 shares on 12 March 2010 at A\$0.10 per share.

Directors' Disclosure of Interest

In accordance with section 140(2) of the *Companies Act 1993*, the Directors named below have made a general disclosure of interest, by a general notice disclosed to the Board and entered into the Company's Interests Register.

Particulars of such disclosures are:

Mark Loveys

Chairman of:
Director of:

Datasquirt Limited
EMS-Cortex Limited
Enprise Employees Limited
Enprise Holdings Limited
Enprise Limited
Enprise Solutions Limited
Net Power Investments Limited
Net Power Limited
Trustee of:
Summermist Trust
Loveys Business Trust

Aaron Ridgway	Director of:	Communications Solutions Limited Datasquirt Limited Live Door Limited Ridgway Empire Limited Ridgway Holdings Limited Ridgway Management Limited Ridgway Reid Investment Property Limited
	Trustee of:	Datasquirt Limited Employee Share Scheme Trust

Jens Neiser	Director of:	Datasquirt Limited Datasquirt (Australia) Pty Limited Nightingale Partners Pty Ltd
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David Lyons*	Chairman of:	Continuum Professional Services, Inc RTB Inc dba/ Continuum Systems DT, LLC
	Director of:	Apexx Transcription, LLC Apex Transcriptions, LLC

* David Lyons' disclosure of interest as at 17 June 2010.

Directors' Indemnity and Insurance

The Group has arranged, as provided for under its Constitution, policies of Directors and Officers Liability Insurance which, with a Deed of Indemnity entered into with all Directors ensures that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

Use of Company Information

There were no notices from Directors of the Company requesting to use Company information received in their capacity as directors, which would not otherwise have been available to them.

Corporate Information

New Zealand company number	1562383
ARBN (Australian Registered Body Number)	125 825 792
ABN (Australian Business Number)	41 125 825 792

Contact details

New Zealand

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Internet address

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email

info@datasquirt.com

Principal place of business

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Phone: +64 9 358 5878

Registered office

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Auckland Central, New Zealand

Principal place of business - Australia

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Registered office – Datasquirt Australia

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40629 Dusseldorf
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Fax: +49 211 1678 146

Directors

Mark Loveys *Chairman*
Aaron Ridgway *Chief Executive Officer*
Jens Neiser

Local Agent

Michelle Leong

Share Register

Registries Limited
Level 7, 207 Kent Street
Sydney, NSW 2000, Australia
Phone: +61 2 9290 9600

Datasquirt Limited shares are listed on the Australian Securities Exchange

Auditor

WHK Auckland, New Zealand
