



DGI HOLDINGS LIMITED

ABN 75 105 012 066

2013 ANNUAL REPORT

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DGI HOLDINGS LIMITED
CORPORATE DIRECTORY

Directors

Mr Roger Steinepreis - Non-executive Chairman
Mr George Ventouras - Non-executive Director
Mr Nick Castleden - Non-executive Director

Stock Exchange Listing

ASX Limited
(Home branch - Perth, Western Australia)
ASX Code: DGI

Company Secretary

Ms Susan Hunter

Auditor

BDO Audit (WA) Pty Ltd
Chartered Accountants
38 Station Street
SUBIACO WA 6008

Registered Office

C/-Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000
Telephone: + 61 8 8262 3115
Facsimile: + 61 8 8262 8490

Bankers

National Australia Bank Limited
Ground Floor, 50 St Georges Terrace
PERTH WA 6000

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

The Directors of DGI Holdings Limited present their report on DGI Holdings Limited (“the Company” or “DGI”) for the year ended 30 June 2013.

DIRECTORS

The Directors in office at the date of this report and at any time during the year are as follows. Directors were in office for the entire period unless otherwise stated.

Current Directors

Mr Roger Steinepreis - Non-executive Chairman (appointed 3 July 2012)

Mr George Ventouras - Non-executive Director (appointed 3 July 2012)

Mr Nick Castleden - Non-executive Director (appointed 27 August 2012)

Former Directors

Ms Luceille Outhred - (resigned 21 August 2012)

Company Secretary

Ms Susan Hunter (appointed 27 August 2012)

INFORMATION ON DIRECTORS

Roger Steinepreis

Chairman and Non-executive Director

Mr Roger Steinepreis graduated from the University of Western Australia where he completed his law degree. He was admitted as a barrister and solicitor of the Supreme Court of Western Australia in 1987 and has been practising as a lawyer for approximately 23 years.

He is the legal adviser to a number of public companies on a wide range of corporate related matters. His area of practice focuses on company restructures, initial public offerings and takeovers.

Other Current Directorships of Listed Companies:

Apollo Consolidated Limited

AVZ Minerals Limited

Integrated Resources Group Limited

Firestrike Resources Limited

PHW Consolidated Limited

Former Directorships of Listed Companies in the last three years:

Adavale Resources Limited (resigned 20 December 2012)

Allied Consolidated Limited (resigned 1 February 2013)

Imugene Limited

Digital Performance Group Limited

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

George Ventouras
Non-executive Director

Mr Ventouras is a marketing consultant with over 21 years' experience in marketing, business development and general management roles. He has consulted with companies both nationally and internationally, in relation to the development and capitalisation of projects, the supply of infrastructure and equipment and provision of administrative and logistical support. Mr Ventouras has experience in various market categories, including industrial, particularly aquaculture, consumer and luxury goods.

Other Current Directorships of Listed Companies:
Apollo Consolidated Limited

Former Directorships of Listed Companies in the last three years:
Allied Consolidated Limited (resigned 1 February 2013)

Nick Castleden
Non-executive Director

Mr Castleden is a geological consultant with over 21 years' experience in the Australian and overseas mineral exploration and development industry. He has worked with active Australian mining companies including Mt Isa Mines (MIM), Perilya Mines, MPI Mines, LionOre and Breakaway Resources in various exploration, geological and management capacities.

Mr Castleden has worked on projects in Australia, Africa and North and South America, and in project generative and acquisition roles. He has particular experience in the gold and nickel and base metal exploration business and has participated in the discovery and delineation of new nickel-sulphide and gold systems that have progressed through feasibility studies to mining.

Other Current Directorships of Listed Companies:
Apollo Consolidated Limited

Former Directorships of Listed Companies in the last three years:
Allied Consolidated Limited (resigned 1 February 2013)

COMPANY SECRETARY

Susan Hunter
(BCom, ACA, F Fin, GAICD, ACIS)

Ms Hunter has 19 years' experience in the corporate finance industry. She is founder and managing director of consulting firm Hunter Corporate Pty Ltd, which specialises in the provision of corporate governance and company secretarial advice to ASX listed entities, and has previously held senior executive roles at Ernst & Young, PricewaterhouseCoopers and Bankwest in both Perth and Sydney. Ms Hunter holds a Bachelor of Commerce degree from the University of Western Australia, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors and a Member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia. She is currently Company Secretary for several ASX listed companies and is a Non-executive Director of ASX listed Dampier Gold Ltd.

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

MEETINGS OF THE COMPANY'S DIRECTORS

There were four meetings of the Company's Directors held during the year ended 30 June 2013. The number of meetings attended by each Director were:

	Attended	Maximum Possible
Roger Steinepreis	4	4
George Ventouras	4	4
Nick Castleden	2	4

Resolutions during the year were passed by a circulating resolution.

DIRECTORS' SHAREHOLDING INTERESTS

The interest of each Director in the share capital of the Company at the date of this report is as follows:

	Fully Paid Ordinary Shares		Options		Details of Options
	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest	
Roger Steinepreis	50,000	21,870,000	-	3,460,000	exercisable at 1c on or before 31 December 2015.
George Ventouras	-	6,520,000	-	3,260,000	exercisable at 1c on or before 31 December 2015.
Nick Castleden	-	4,000,000	-	1,000,000	exercisable at 1c on or before 31 December 2015.

EARNINGS PER SHARE

Basic Earnings Per Share was a profit of 2.50 cents (2012: loss of 14.24 cents).

Diluted Earnings Per Share was 2.15 cents (2012: nil).

PRINCIPAL ACTIVITIES

DGI Holdings Limited is an Australian company listed on the Australian Securities Exchange (ASX code: DGI). DGI's principal business activity is the research, development and marketing of innovative miniature projection technologies and products. It is also the intention of DGI's board to identify new opportunities in related or non-related industries that may increase shareholder value.

REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS

On 19 December 2011, the Company was placed into Administration, and Mr Peter Ivan Macks and Mr Timothy James Clifton of PPB Advisory were appointed as Voluntary Administrators of the Company, then known as Digislide Holdings Limited.

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

On 18 January 2012, Mr Michael James Humphris and Mr George Divitkos were appointed Joint and Several Administrators of the Company pursuant to a resolution passed at a duly convened meeting of creditors that was held on 3 January 2012 replacing the previous Administrators.

Under the terms of a Deed of Company Arrangement entered into by the Company on 31 May 2012, the Deed Administrators were authorised, among other things, to investigate the restructure of the Company's capital with a view to re-listing the Company on ASX for the benefit of creditors and Shareholders.

The creditors of the Company, together with the Deed Administrators, agreed to a proposal presented by Blueknight Corporation Pty Ltd (Blueknight) for the restructure and recapitalisation of the Company (Proposal) which was approved by Shareholder's approval at the General Meeting held on 27 August 2012.

The Proposal involved:

- (a) the retention of certain of the Company's existing business assets (unencumbered), and specifically those relating to the Company's retractable image projecting system, dual image slide and video projector and personal entertainment arrangement;
- (b) the consolidation of the Company's existing capital on a 1 for 2 basis, leaving the Company with 34,395,540 Shares on issue and 3,906,694 Options on issue;
- (c) the Company raising new equity by way of the following placements (made pursuant to a prospectus):
 - i. a placement of:
 - a) 120 million Shares at a placement price of \$0.001 per Share to raise \$120,000 (First Placement Shares); and
 - b) 60 million Options which are free attaching to the First Placement Shares, with each Option exercisable at \$0.01 on or before 31 December 2015 (First Placement Options), and
 - ii. a second placement of up to 170 million Shares at a placement price of \$0.01 per Share to raise up to \$1.7 million (Second Placement Shares)
- (d) a total of up to 60,000,000 Shares and 30,000,000 Options, pursuant to the First Placement and up to 40,000,000 Shares pursuant to the Second Placement to be placed to Mr Roger Steinepreis, Mr George Ventouras and Mr Nick Castleden;
- (e) the entry by the Company into a Creditors' Trust Deed for the purposes of satisfying approved creditor claims;
- (f) the Syndicate paying \$575,000 in cash to the Creditors Trust and all assets of the Company other than those specified in the Proposal being transferred to the Creditors Trust (Creditors Consideration);
- (g) the existing Directors and Company Secretary, resigning on or before the Meeting and new Directors Roger Steinepreis, George Ventouras and Nick Castleden being appointed to the Board; and
- (h) the change of the Company's name from Digislide Holdings Limited to DGI Holdings Limited.

The Proposal was subjected to the following general conditions:

- (a) the Company's liabilities and long term commitments being released and compromised under the DOCA, with the DOCA being wholly effectuated and the Deed Administrators' appointment terminating simultaneously with the payment of the Creditors Consideration into the Creditors' Trust;
- (b) the Company's creditors being bound by the DOCA and required to prove in accordance with the terms of the DOCA and the Creditors' Trust, with no creditor having the right to claim payment against the Company;
- (c) the Company's subsidiaries being excised from the Company (unless otherwise requested by the Syndicate);
- (d) the employment of all employees being terminated at no cost to the Company following effectuation of the DOCA;
- (e) ASX confirming that it will lift the suspension on the trading of the Company's securities without the need to re-comply with Chapters 1 and 2 of the Listing Rules;

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

- (f) all convertible notes on issue being determined to be debt and being required to prove in accordance with the terms of the DOCA and no convertible note holder having the right to claim payment against the Company; and
- (g) during the term of the DOCA, any transfers of Shares and any alteration in the status of Shareholders or the issue of Shares being void, except so far as a Court otherwise orders.

On 28 August 2012, the Company changed its name to DGI Holdings Limited.

On 4 September 2012, the Deed of Company Arrangement was effectuated and the Company was released from external administration.

The Company completed a successful capital raising on 10 December 2012 through the issue of 290 million shares raising \$1.82 million in total. Through the raising of capital the Company was able to complete the successful effectuation of the DOCA and the Company's fully paid ordinary shares were reinstated to the official quotation on 20 December 2012 (ASX: DGI).

Since re-listing, a review of the extensive portfolio of intellectual property (IP) has commenced in order to ascertain the best way forward to commercialisation.

The Company has sourced and is in the process of securing agreements with mini projector manufacturers in China regarding the manufacture and/or distribution of products. These products are relevant to the Pico and Mini Projector markets and may provide an opportunity for DGI to secure sales in the Australian market.

DGI is considering its strategy to enter the 'Media Chair' category through a combination of its own unique IP and existing technology and has furthered its initial discussions with component manufacturers to achieve this end result.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Board of DGI will continue to assess other investment opportunities as they present themselves in industries which may or may not be related to the existing business.

FINANCIAL POSITION

The Company recorded a profit after tax for the year of \$5,218,306 (2012: Loss of \$9,733,767). The current year profit included an amount of \$5,754,962 relating to the forgiveness of pre-DOCA liabilities which occurred upon effectuation of the DOCA.

The net assets of the Company were \$945,742 in 2013 (2012: liability of \$5,904,527). The major transactions were:

- Proceeds from share issues raising \$1,631,963 after expenses;
- Forgiveness of pre-DOCA liabilities of \$5,754,962; and
- Payment of \$575,000 to the Creditor's Trust.

The Company's working capital, being current assets less current liabilities was \$892,155 in 2013 (2012: \$(5,554,902)).

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

MATTERS SUBSEQUENT TO THE END OF THE YEAR

There has not been any matter or circumstance, other than disclosed elsewhere in this report, the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of DGI Holdings Limited. The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and all key management personnel.

Details of Key Management Personnel

Mr Roger Steinepreis	-	Chairman (appointed 3 July 2012)
Mr George Ventouras	-	Non-executive Director (appointed 3 July 2012)
Mr Nick Castleden	-	Non-executive Director (appointed 27 August 2012)
Ms Luceille Outhred	-	Director (resigned 21 August 2012)

Remuneration Governance

Due to the present size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. The Board has adopted the following policies for Directors' and executives' remuneration.

To assist the Board to fulfill its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. The Remuneration Committee Charter is available on the Company's website at www.dgiholdings.com.au.

Remuneration of Directors and senior management is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report. The performance and remuneration of the senior management team will be reviewed in the future at least annually.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

REMUNERATION REPORT (AUDITED) - continued

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-executive Director and executive compensation is separate and distinct.

Non-executive Directors' Remuneration

Non-executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. This limit is currently set at \$260,000. Any newly appointed Non-executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. There are no termination or retirement benefits for non-executive Directors (other than for superannuation). Non-executive Directors may be offered options as part of their remuneration, subject to shareholder approval.

Executive Remuneration

Senior executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff. There are no executives at this stage.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Details of the nature and amount of each element of each Director, including any related company and each of the officers of the Company receiving the highest emoluments are set out below.

Service Agreements

On appointment to the Board, all Non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director. The existing Non-executive Directors currently receive no remuneration for their services as directors and as such no service agreements have been entered into following the effectuation of the DOCA.

Remuneration and other terms of employment for the Executive Directors and the other Key Management Personnel are also formalised in service agreements. Each of these agreements includes details of remuneration. There are currently no Executive Directors or other Key Management Personnel.

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

REMUNERATION REPORT (AUDITED) – continued

Details of remuneration

During the year ended 30 June 2013, the Directors of the Company elected to forego remuneration payable as non-executive directors in line with the Company's focus on cash preservation.

Directors fees of \$13,000 was paid to directors for the year ended 30 June 2012. No remuneration was paid whilst the Company was under Administration.

Share based compensation

2013

No shares or options were issued to the directors during the year.

2012

No shares or options were issued to the directors during the year. Any rights associated with the options that may have existed before the administration process have now been extinguished.

Use of Remuneration Consultants

During the financial year ended 30 June 2013, the Company did not engage any external remuneration consultants to review its existing remuneration policies.

Voting and comments made at the Company's 2012 Annual General Meeting (AGM)

The Company did not receive any votes against its remuneration report for the 2012 financial year and no specific feedback at the AGM or throughout the year on its remuneration policies.

This is the end of the audited remuneration report.

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

	Number	Exercise Price	Expiry Date
Unlisted Options	53,183	\$0.3537	11 March 2014
Unlisted Options	57,693	\$0.27018	18 March 2014
Unlisted Options	89,318	\$0.0927	8 July 2014
Unlisted Options	175,000	\$2.00	20 August 2014
Unlisted Options	50,000	\$2.00	1 May 2017
Unlisted Options	60,000,000	\$0.01	31 December 2015

Refer to the Report of Directors and note 17(b) for details of options held by the Directors.

INDEMNIFICATION AND INSURANCE OF OFFICERS

There is no insurance in place at the present time.

PROCEEDINGS ON BEHALF OF THE COMPANY

The Company was not a party of any proceedings during the year.

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declarations as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2013 has been received and can be found on page 22.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

There were no non-audit services provided by associated entities of BDO Audit (WA) Pty Ltd (2012: nil).

The Directors may in the future engage auditors for non-audit services.

The Directors are satisfied that the provision of future non-audit services, by the auditor (or by CA300(11 B)(b).(c) another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and will not, in the opinion of the Directors, compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services will be reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services will undermine the general principles relating to auditor independence as set out in APES CA300(11B)(c) 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

DGI HOLDINGS LIMITED
REPORT OF THE DIRECTORS

Refer to note 18 in the financial statements for details of fees paid / payable to the auditor of the Company.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and adhere to the principles of corporate governance. The Company's Corporate Governance Statement is contained in the following section of this report.

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read 'R. Steinepreis', is positioned above the printed name of the Chairman.

Roger Steinepreis
Chairman

Perth, Western Australia
30 August 2013

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

Corporate Governance Statement

The Board of Directors of DGI Holdings Ltd (“DGI” or “the Company”) is responsible for its corporate governance and the Board has adopted a manual of corporate governance policies and procedures based on control systems and accountability on 7 December 2012. The Board of the Company will review the DGI Holdings Ltd Corporate Governance Plan annually. The Corporate Governance Plan is available on the Company’s website at www.dgiholdings.com.au. A summary of the Company’s corporate governance policies and procedures is included in this Statement.

The Company’s corporate governance policies and procedures are in line with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (“the Principles & Recommendations”). The Company has followed the Principles & Recommendations where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration by the Board, the Company’s corporate governance practices depart from the Principles & Recommendations, the Board has fully disclosed the departure and the reason for the adoption of its own practice, in compliance with the “if not, why not” exception reporting regime.

Further information about the Company’s corporate governance practices including the information on the Company’s charters, code of conduct and other policies and procedures is set out on the Company’s website.

Board of Directors

Role of the Board and Management

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Managing Director or CEO for the day-to-day management of the Company, although it should be noted that as at the date of this report, the Company has not appointed a Managing Director or CEO. Powers and functions not delegated remain with the Board. The key responsibilities and functions of the Board include the following:

- appointment of the Managing Director/CEO and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management’s performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- meeting with the external auditor, at their request, without management being present.

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

The Board's role and the Company's corporate governance practices are periodically reviewed and improved as required.

The role of the senior management of the Company is to progress the strategic direction provided by the Board. Senior management is responsible for supporting the Board in implementing the running of the general operations and financial business of the Company in accordance with the delegated authorities for expenditure levels and materiality thresholds in place.

The Company has a Performance Evaluation policy which outlines the performance evaluation of the Board, its Committees and its individual Directors. The Nomination Committee is responsible for evaluation of the Board its Committees and its individual Directors, if required, on an annual basis.

An annual review of the role of the Board is proposed to be conducted in future to assess the performance of the Board over the previous twelve (12) months and examine ways of assisting the Board in performing its duties more effectively. The review may include:

- comparing the performance of the Board with the requirements of its Charter;
- examination of the Board's interaction with management;
- the nature of information provided to the Board by management; and
- management's performance in assisting the Board to meet its objectives.

A similar review may be conducted for each Committee, if relevant, by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

In future the Company will consider conducting performance evaluations of the Board, its Committees, if relevant, and its individual Directors. Given the appointment of the current Board occurred during the financial year, no formal performance evaluation of the Board has as yet been undertaken. The Board will consider undertaking a formal Board performance review in the coming financial year.

The Board with assistance from the Remuneration Committee, if a separate Remuneration Committee is established, will oversee the performance evaluation of the executive team. This evaluation will be based on specific criteria, including the performance of the Company, whether strategic objectives are being achieved and the development of management and personnel. Given the appointment of the current Board and change of management occurred during the financial year, no performance and remuneration reviews were conducted during the financial year. In future, senior executives will undergo performance and remuneration reviews at least annually.

The Board Charter including matters reserved for the Board and senior management and the Performance Evaluation Policy is available on the Company's website at www.dgiholdings.com.au.

Composition of the Board

The Company has adopted a policy on assessing the independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations and detailed in the Board Charter and is attached as Annexure A to the Corporate Governance Plan. The materiality thresholds in this policy are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

The current Board includes a non-executive Chairman, Roger Steinepreis and two non-executive Directors, George Ventouras and Nick Castleden. The Board considers George Ventouras and Nick Castleden to be independent based on the criteria for independence included in the Company's Policy on Assessing the

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

Independence of Directors and the ASX Principles & Recommendations. Roger Steinepreis is a substantial shareholder of the Company via his controlled entities and accordingly is not considered to be independent. As such, the Board has a majority of independent Directors. The Company does not currently have a Managing Director or a Chief Executive Officer and the Chairman does not act as the Chief Executive Officer.

A minimum of three (3) Directors and a maximum of ten (10) Directors is stipulated under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board will seek to nominate persons for appointment to the Board with the appropriate mix of skills and experience to ensure an effective decision-making body and to ensure that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance. The Board should comprise Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

As required by the Constitution of DGI, at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded downwards in case of doubt), shall retire from office, provided always that no Director (except the Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election. Any Director (except the Managing Director) appointed by the Directors since the date of the last annual general meeting must also stand for re-election at the next annual general meeting following their appointment. Prior to the Board proposing re-election of non-executive Directors, their performance will be evaluated to ensure that they continue to contribute effectively to the Board.

The Company's policy for re-election of Directors and selection and appointment of new Directors is available in the Board Charter and Nomination Committee Charter in the Corporate Governance Plan on the Company's website at www.dgiholdings.com.au.

A profile of each Director containing their skills, experience and expertise is set out in the Directors' Report.

Statement concerning availability of Independent Professional Advice

The Board considers that to assist Directors with independent judgement a Director may consider it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director. Provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Committee

Given the present size of the Company, the whole Board acts as the Nomination Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. To assist the Board to fulfill its function as the Nomination Committee, the Board has adopted a Nomination Committee Charter. The responsibilities of the Committee include the periodic review and consideration of the structure and balance of the Board and the making of recommendations regarding appointments, retirements and terms of office of Directors.

The Nomination Committee Charter is available on the Company's website www.dgiholdings.com.au.

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CORPORATE GOVERNANCE

Remuneration Committee

Given the present size of the Company, the whole Board acts as the Remuneration Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Remuneration Committee. To assist the Board to fulfill its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. The Remuneration Committee Charter is available on the Company's website at www.dgiholdings.com.au.

Remuneration of Directors and senior management is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report. The performance and remuneration of the senior management team will be reviewed in future at least annually.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Code of Conduct

The Company has adopted a Code of Conduct that outlines how the Company expects its Directors and employees of the Company to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices.

The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

It sets out the Company's expectations of its Directors and employees with respect to a range of issues including personal and professional behaviour, conflicts of interest, public and media comment, use of Company resources, security of information, intellectual property and copyright, discrimination and harassment, corrupt conduct, occupational health and safety, fair dealing and insider trading.

A breach of the Code is subject to disciplinary action which may include punishment under legislation and/or termination of employment. The Code of Conduct is available on the Company's website at www.dgiholdings.com.au.

Ethical Standards

The Board considers that the success of the Company will be enhanced by a strong ethical culture within the Company. Accordingly, the Board is committed to the highest level of integrity and ethical standards in all business practices. Employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation.

Conflicts of Interest

In accordance with the Corporations Act 2001, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

Guidelines for Trading in the Company's Securities

The Trading Policy adopted by the Board prohibits trading in shares by a Director, officer or employee during certain blackout periods (in particular, prior to release of quarterly, half yearly or annual results) except in exceptional circumstances and subject to procedures set out in the Guidelines.

Outside of these blackout periods, a Director, officer or employee must first obtain clearance in accordance with the Guidelines before trading in shares. For example:

- A Director must receive clearance from the Chairman before he may buy or sell shares.
- If the Chairman wishes to buy or sell shares he must first obtain clearance from the Board.
- Other officers and employees must receive clearance from the Chairman or the Board before they may buy or sell shares.

Directors, officers and employees must observe their obligations under the Corporations Act 2001 not to buy or sell shares if in possession of price sensitive non-public information and that they do not communicate price sensitive non-public information to any person who is likely to buy or sell shares or communicate such information to another party.

The Trading Policy is available on the Company's website at www.dgiholdings.com.au.

Continuous Disclosure

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act 2001. As such, the Company has a Continuous Disclosure Policy. The purpose of this Continuous Disclosure Policy is to ensure the Company complies with continuous disclosure requirements arising from legislation and the Listing Rules of the Australian Securities Exchange ("ASX"). The Policy sets out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under legislation and the Listing Rules; and
- ensuring the Company and individual officers do not contravene legislation or the Listing Rules.

The Company has obligations under the Corporations Act 2001 and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities and to correct any material mistake or misinformation in the market. DGI discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Company recognises that the maintenance of confidentiality is also of paramount importance to the Company both to protect its trade secrets and to prevent any false market for the Company's shares from developing.

All relevant information provided to ASX in compliance with the continuous disclosure requirements of legislation and the Listing Rules is promptly posted on the Company's web site www.dgiholdings.com.au.

The Continuous Disclosure Policy is available on the Company's website at www.dgiholdings.com.au.

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

Audit and Risk Committee

Given the present size of the Company, the whole Board acts as the Audit and Risk Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Audit and Risk Committee. To assist the Board to fulfill its function as the Audit and Risk Committee, the Board has adopted an Audit and Risk Committee Charter.

The Audit and Risk Committee provides recommendations in relation to the initial appointment of the external auditor and the appointment of a new external auditor should a vacancy arise. Any appointment of a new external auditor made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Proposed external auditors must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. In addition, the successful candidate for external auditor must have arrangements in place for the rotation of the lead audit engagement partner on a regular basis. Other than these mandatory criteria, the Board may select an external auditor based on other criteria relevant to the Company such as references, cost and any other matters deemed relevant by the Board.

A formal Audit and Risk Committee Charter has been adopted, a copy of which is available on the Company's website at www.dampiergold.com.

Communication to Shareholders

The Company has a Shareholder Communications Strategy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner. The Board aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders through the annual report, half yearly report, quarterly reports, disclosures and announcements made to the ASX, the annual general meeting and general meetings and through the Company's website.

The Company considers general meetings to be an effective means to communicate with shareholders and encourages shareholders to attend the meeting. Information included in the notice of meeting sent to shareholders will be presented in a clear, concise and effective manner.

The Shareholder Communications Strategy is available on the Company's website at www.dgiholdings.com.au.

Risk Management

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board will delegate to the Managing Director/CEO responsibility for implementing the risk management system who will submit particular matters to the Board for its approval or review. Until such time as a Managing Director/CEO is appointed, the Board, led by the Chairman, is responsible for implementing the risk management system. The Chairman and, if appointed, Managing Director/CEO is required to report to the Board on the management of risk.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and regularly report back to the Board.

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

The Board will regularly review assessments of the effectiveness of risk management and internal compliance and control.

The Board will also require management to report to it confirming that those risks are being managed effectively.

The Board will receive an assurance from management that the Company's management of its material business risks is effective.

The Company's Risk Management Policy is available on the Company's website at www.dgiholdings.com.au.

Integrity of Financial Reporting

The Company's Chairman and Non-executive Director have provided a declaration in accordance with section 295A of the Corporations Act in writing to the Board that:

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

Diversity Policy

The Board has adopted a Diversity Policy. The Company is committed to workplace diversity and recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Principles and Recommendations.

The Board is responsible for developing objectives and strategies, if any, to meet the objectives of the Diversity Policy (Objectives) and will report at least annually on the progress against and achievement of these Objectives. The Board may also set measurable objectives for achieving gender diversity. The Board is responsible for implementing, monitoring and reporting on the Objectives, if any.

Given the size of the Company, no measurable Objectives or strategies have been set.

The proportion of women employees in the Company, in senior executive positions and on the Board is included below.

	Male	Female
Board	3	-
Senior Management	-	1
Staff	-	-

The Company's Diversity Policy is available on the Company's website at www.dgiholdings.com.au.

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

ASX LISTING RULE DISCLOSURE – EXCEPTION REPORTING

As required by ASX Listing Rules, the following table discloses the extent to which DGI has not followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
1.2	Disclose the process for evaluation of senior executives.	The Company has in place informal procedures for evaluating the performance of senior executives.	At this stage of the development of the Company, DGI has only informal procedures in place for performance evaluation of the senior executives but will consider the implementation of formal processes in future.
2.2	The Chair should be an independent Director.	The Chair of the Board is not considered to be independent.	The person has been selected as Chairman to bring specific skills and experience relevant to the Company. Given the size of the Company and the stage of its development, the Board considers that this appointment is appropriate.
2.4	The Board should establish a nomination committee.	The Board has not established a nomination committee. The role of the nomination committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as a nomination committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. However, it is noted the Board has adopted a Nomination Committee Charter.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committee and individual Directors.	Given the current size of the Company, Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of the board, individual Directors or committees at this time.	Given the current size of the Company, Board and level of activity of the Company, the Board currently has an informal process for the evaluation of individual Directors or committees at this time but will consider the implementation of formal processes in future particularly as the size of the Company, Board and the level of activity of the Company increase.
3.3	Companies should disclose achievement of measurable	Given the size of the Company, no measurable objectives	Whilst no measurable objectives have been set for achieving gender diversity, the

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
	objectives for gender diversity.	for achieving gender diversity have been set.	Company has disclosed in this Annual Report the proportion of women employees in the Company, in senior executive positions and on the Board. The Board will consider the setting of measurable objectives for achieving gender diversity as the size of the Company, Board, workforce and the level of activity of the Company increase.
4.1	The Board should establish an Audit Committee.	The Board has not established an Audit Committee. The role of the Audit and Risk Committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as the Audit and Risk Committee. The Board believes that given the Company's size and stage of development, no efficiencies or other benefits could be gained by establishing a separate Audit and Risk Committee. However, it is noted the Board has adopted an Audit and Risk Committee Charter.
4.2	The Audit Committee should be structured so that it consists only of non-executive directors, consists of a majority of independent directors, is chaired by an independent chair, who is not the chair of the board and has at least three members.	The Board has not established an Audit Committee. The role of the Audit and Risk Committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as the Audit and Risk Committee. The Board believes that given the Company's size and stage of development, no efficiencies or other benefits could be gained by establishing a separate Audit and Risk Committee. However, it is noted the Board has adopted an Audit and Risk Committee Charter.
8.1	The Board should establish a remuneration committee.	The Board has not established a remuneration committee. The role of a remuneration committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as a remuneration committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate remuneration committee. All matters of remuneration are determined by the Board in

DGI HOLDINGS LIMITED
CORPORATE GOVERNANCE

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
			accordance with Corporations Act 2001 and ASX Listing Rule requirements, particularly in respect of related party transactions. No Director participates in any discussion or decision regarding his own remuneration or related issues. The Board has adopted a Remuneration Committee Charter.
8.2	The remuneration committee should be structured so that is consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	The Board has not established a remuneration committee. The role of a remuneration committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as a remuneration committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate remuneration committee. All matters of remuneration are determined by the Board in accordance with Corporations Act 2001 and ASX Listing Rule requirements, particularly in respect of related party transactions. No Director participates in any discussion or decision regarding his own remuneration or related issues. The Board has adopted a Remuneration Committee Charter.

DGI HOLDINGS LIMITED
AUDITOR'S INDEPENDENCE DECLARATION



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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 August 2013

The Directors
DGI Holdings Limited
Level 4, 16 Milligan Street
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF DGI HOLDINGS LIMITED

As lead auditor of DGI Holdings Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'Peter Toll', with a long horizontal flourish extending to the right.

Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

DGI HOLDINGS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

		30 June 2013	30 June 2012
	Note	\$	\$
Revenues			
Revenue from customers		3,000	61,558
Interest Revenue		18,794	-
Total revenues		<u>21,794</u>	<u>61,558</u>
Expenses			
Administration expenses		(63,671)	(958,361)
Compliance		(17,289)	-
Consultant fees		(52,112)	-
Cost of Sales		-	(10,358)
Finance expenses		-	(281,027)
Legal expenses		(7,031)	-
Marketing expenses		(34,091)	(306,534)
Impairment of assets	4	-	(7,950,110)
Depreciation and amortisation	5,6	(8,821)	-
Occupancy expenses		-	(102,562)
Other expenses		-	(186,373)
Total expenses		<u>(183,015)</u>	<u>(9,795,325)</u>
Other Income			
Research & Development Tax Incentive		199,565	-
Forgiveness of debt	3	5,179,962	-
Profit/(loss) before Income Tax		5,218,306	(9,733,767)
Income tax expense	2	-	-
Profit/(loss) after income tax		<u>5,218,306</u>	<u>(9,733,767)</u>
attributable to members of DGI Holdings Limited			
Other comprehensive income			
		-	-
Total comprehensive profit/(loss)		<u>5,218,306</u>	<u>(9,733,767)</u>
attributable to members of DGI Holdings Limited			
Earnings/(loss) per share			
		Cents per Share	Cents per Share
Basic Earnings/(loss) per share	7	2.59	(14.24)
Diluted Earnings/(loss) per share	7	2.20	-

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

DGI HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

		30 June 2013	30 June 2012
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	14	903,926	-
Trade and other receivables	8	33,285	11,987
Total Current Assets		<u>937,211</u>	<u>11,987</u>
Non-Current Assets			
Property, plant & equipment	5	20,640	25,800
Intangible assets	6	32,947	24,200
Total Non-Current Assets		<u>53,587</u>	<u>50,000</u>
Total Assets		<u>990,798</u>	<u>61,987</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	9	45,056	3,426,480
Borrowings	10	-	1,606,582
Employee benefits	11	-	533,827
Total Current Liabilities		<u>45,056</u>	<u>5,566,889</u>
Non-Current Liabilities			
Borrowings	10	-	399,625
Total Non-Current Assets		<u>-</u>	<u>399,625</u>
Total Liabilities		<u>45,056</u>	<u>5,966,514</u>
Net Assets/(Liabilities)		<u>945,742</u>	<u>(5,904,527)</u>
Equity			
Issued capital	12	25,943,274	24,311,311
Reserves	13(a)	116,130	116,130
Accumulated losses	13(b)	(25,113,662)	(30,331,968)
Total Equity/(Deficiency)		<u>945,742</u>	<u>(5,904,527)</u>

The Statement of Financial Position should be read in conjunction
with the notes to the financial statements.

DGI HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

		Year ended 30 June 2013	Year ended 30 June 2012
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,300	61,558
Interest received		18,794	-
Interest paid		-	(267,392)
Payments to suppliers and employees (inclusive of GST)		(162,723)	(227,573)
Net cash flows used in operating activities	14b	<u>(140,629)</u>	<u>(433,407)</u>
Cash flows from investing activities			
Other non-current assets – IP		(12,408)	-
Net cash flows used in investing activities		<u>(12,408)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from borrowings		575,000	430,861
Repayment of borrowings		(287,500)	-
Proceeds from issue of shares		1,532,500	-
Payment of share issue costs		(188,037)	-
Payments made to DOCA		(575,000)	-
Net cash flows provided by financing activities		<u>1,056,963</u>	<u>430,861</u>
Net increase/(decrease) in cash and cash equivalents held		903,926	(2,546)
Add opening cash and cash equivalents brought forward		-	2,546
Closing cash and cash equivalents carried forward	14a	<u>903,926</u>	<u>-</u>

The Statement of Cash Flows should be read in conjunction
with the notes to the financial statements.

DGI HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total Equity \$
At 1 July 2011	24,584,059	(21,162,085)	116,130	3,539,276
Loss for the year	-	(9,733,767)	-	(9,733,767)
Total comprehensive loss for the year	-	(9,733,767)	-	(9,733,767)
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	94,263	-	-	94,263
Administration adjustments	(367,011)	563,884	-	195,701
At 30 June 2012	24,311,311	(30,331,968)	116,130	(5,904,527)
At 1 July 2012	24,311,311	(30,331,968)	116,130	(5,904,527)
Income for the year	-	5,218,306	-	5,218,306
Total comprehensive income for the year	-	5,218,306	-	5,218,306
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	1,631,963	-	-	1,631,963
At 30 June 2013	25,943,274	(25,113,662)	116,130	945,742

The Statement of Changes in Equity should be read in conjunction
with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

1. ACCOUNTING POLICIES

(i) Basis of Accounting

This general purpose financial report for the year ended 30 June 2013 has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards (including Australian Accounting Interpretations) and authoritative pronouncements of the Australian Accounting Standards Board.

This financial report has been prepared in accordance with the historical costs convention.

The functional currency and presentation currency of DGI Holdings Limited is Australian dollars.

(ii) Statement of Compliance

This financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iii) Adoption of New and Revised Standards

The accounting standards and methods of computation have in general been consistently applied since the prior year except for the following:

- AASB 2011-9 Amendments to Australian Accounting Standards — Presentation of Items of Other Comprehensive Income. Comparatives have been reclassified to be consistent with the current year presentation. The reclassification does not have an impact on the results presented.

Standards not yet effective

The Company has reviewed all of the new and revised Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ending 30 June 2013. These are listed below. No other standard, amendment or interpretation issued is expected to affect the recognition of amounts in the financial statements:

AASB 9 Financial Instruments (effective from 1 January 2015)

AASB 9 amends the requirements for classification and measurement of financial assets. The standard is not applicable until 1 January 2015, and the Company does not believe this will have a material impact on the financial statements.

AASB 2011-4 Key Management Personnel Disclosure Requirements (effective from 1 July 2013)

AASB 2011-4 removes the individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporation Act 2001. When this standard is first adopted for the year ended 30 June 2014, the Company may show reduced disclosures under the Key Management Personnel note to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

1. ACCOUNTING POLICIES - continued**(iv) Significant Accounting Estimates and Judgments****Significant accounting judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Useful life of intangible assets

Intangible assets are amortised in profit or loss on a straight line basis over their estimated useful lives from the date they are available for use.

(v) Summary of Significant Accounting Policies**Cash and cash equivalents**

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months. They are recognised initially at fair value and subsequently at amortised cost.

Share-based payment transactions

The Company may provide benefits to employees (including directors) and consultants of the Company in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted.

Share-based payments – options with an exercise price

The fair value of these payments is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted is adjusted to reflect market conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions, if any, are included in assumptions about the number of options likely to be exercisable.

Upon exercise of the options, the proceeds received, net of any transaction costs, are credited to issued capital.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

1. ACCOUNTING POLICIES - continued**(v) Summary of Significant Accounting Policies - continued****Property, plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and any impairment.

Depreciation is calculated on a reducing balance basis to write off the net cost of each item of plant and equipment over its expected useful life, being 2.5 to 5 years. Depreciation of the processing plant acquired during the year will be based over future periods on a basis related to expected benefits.

Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Intangible Assets*Intellectual Property*

Intellectual property is stated at cost less accumulated amortization and impairment losses.

Expenditures in relation to the development of identifiable and unique products, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives.

Amortisation of intellectual property is charged to operating expenses and/or cost of services on a straight-line basis over their estimated useful lives, from the date they are available for use. The estimated useful life for the intellectual property is 8 to 10 years.

The residual values and useful lives are reviewed at each reporting date and adjusted, if appropriate.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

1. ACCOUNTING POLICIES - continued**(v) Summary of Significant Accounting Policies - continued****Borrowing Costs**

Borrowing costs attributable to qualifying assets are capitalised as part of the asset. All other borrowing costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft;
- interest on short-term and long-term borrowings;
- interest on finance leases; and
- unwinding of the discount on provisions.

Trade and other payables

Trade payables and other payables are recognised initially at fair value and subsequently at amortised cost and 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 usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the Company 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Employee entitlements expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other entitlements are charged against profits on a net basis.

Contributions are made to employee superannuation plans and are charged as expenses when incurred.

Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

1. ACCOUNTING POLICIES - continued**(v) Summary of Significant Accounting Policies - continued****Income tax**

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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is provided on all temporary differences in the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised for all taxable temporary differences, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense as applicable.

Receivables and payables 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 Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

1. ACCOUNTING POLICIES - continued

(v) Summary of Significant Accounting Policies - continued

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to the Company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

2. TAXATION

The reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:

	30 June 2013	30 June 2012
	\$	\$
Profit/(loss) before income tax	5,218,306	(9,733,767)
Income tax (benefit) @ 30% (2012: 30%)	1,565,492	(2,920,130)
Tax effect of amounts which are not deductible in calculating taxable income:		-
Deferred tax assets relating to tax losses not recognised	134,258	347,669
Other temporary differences not recognised	(1,699,750)	2,572,461
Total income tax expense	-	-

No reliable estimate of the amount of tax losses which could be recognised as a deferred tax asset in the current year is available as it is not possible to accurately quantify the Company's future profitability at its current stage. The amount of the unrecognised deferred tax asset from tax losses is \$1,528,497. (2012: \$5,341,842). There is no expiry date to the tax losses.

An R&D tax refund of \$340,923 relating to R&D claim for activities undertaken in the 2012 income year was received during the year ended 30 June 2013 of which \$141,358 has been netted off against other ATO related liabilities and the balance being credited directly to the Creditor Trust.

The franking account balance at year end was \$nil (2012: nil)

3. OTHER INCOME

Effectuation of the DOCA (refer to Review of Operations) has resulted in a net accounting gain of \$5,179,962.

Forgiveness of debt

	30 June 2013	30 June 2012
	\$	\$
Payment to Creditor's Trust	(575,000)	-
Research & Development Tax Incentive	(340,923)	-
Liabilities settled under DOCA		
Trade and other payables	3,426,480	-
Borrowings	1,994,220	-
Employee benefits	533,827	-
Other liabilities	141,358	-
Total	5,179,962	-

The above liabilities are no longer required to be settled by the Company in line with the Terms and Conditions of the DOCA which was effectuated on 4 September 2012.

DGI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

4. IMPAIRMENT OF ASSETS

	30 June 2013	30 June 2012
	\$	\$
Plant and equipment	-	898,079
Intangible assets	-	3,382,406
Inventories	-	559,463
Current tax receivables	-	29,420
Investments accounted for using the equity method	-	25,000
Financial assets	-	292,500
Trade and other receivables	-	2,763,242
	-	7,950,110

During the previous financial year, the Company was under administration and the assets were not recoverable at the previous carrying amounts. Total impairment charges of \$7,950,110 were recognised as at 30 June 2012 to record these assets at the recoverable amounts. No such impairment charges were made during the current financial year.

5. PROPERTY, PLANT & EQUIPMENT

	30 June 2013	30 June 2012
	\$	\$
<i>Plant and equipment</i>		
Opening balance	-	17,281
At cost	-	-
Accumulated depreciation	-	-
Impairment charges	-	(17,281)
Total plant and equipment	-	-
<i>Office equipment</i>		
Opening balance	-	151,370
At cost	-	-
Accumulated depreciation	-	-
Impairment charges	-	(151,370)
Total office equipment	-	-
<i>Computer Software</i>		
Opening balance	-	81,873
At cost	-	-
Accumulated depreciation	-	-
Impairment charges	-	(81,873)
Total computer software	-	-
<i>Leasehold improvements</i>		
Opening balance	-	150,473
At cost	-	-
Accumulated depreciation	-	-
Impairment charges	-	(150,473)
Total leasehold improvements	-	-

DGI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

5. PROPERTY, PLANT & EQUIPMENT - continued

	30 June 2013	30 June 2012
	\$	\$
<i>Manufacturing plant</i>		
Opening balance	25,800	449,809
At cost	-	-
Accumulated depreciation	(5,160)	-
Impairment charges	-	(424,009)
Total Manufacturing plant	20,640	25,800
<i>Tooling</i>		
Opening balance	-	36,364
At cost	-	-
Accumulated depreciation	-	-
Impairment charges	-	(36,364)
Total Tooling	-	-
<i>Artwork</i>		
Opening balance	-	36,709
At cost	-	-
Accumulated depreciation	-	-
Impairment charges	-	(36,709)
Total Artwork	-	-
Total Plant and equipment	20,640	25,800

During the previous financial year, the Company was under administration and the plant and equipment were not recoverable at the previous carrying amounts. Impairment charges of \$898,079 were raised as at 30 June 2012 to record these assets at the recoverable amounts. No such impairment charges were made during the current financial year.

6. INTANGIBLE ASSETS

<i>Licences and franchises</i>		
Opening balance	-	50,000
Additions	-	-
Accumulated amortisation	-	-
Impairment charges	-	(50,000)
Net carrying amount	-	-
<i>Intellectual property</i>		
Opening balance	24,200	3,356,606
Additions	12,408	-
Accumulated amortisation	(3,661)	-
Impairment charges	-	(3,332,406)
Net carrying amount	32,947	24,200

During the previous financial year, the Company was under administration and the intangible assets were not recoverable at the previous carrying amounts. Impairment charges of \$3,332,406 were raised as 30 June 2012 to record these assets at the recoverable amounts. No such impairment charges were made during the current financial year.

DGI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

	30 June 2013	30 June 2012
7. EARNINGS PER SHARE		
	Cents	Cents
Basic profit/(loss) per share	2.59	(14.24)
Diluted profit/(loss) per share	2.20	-

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

a) Earnings used in calculating earnings per share

Basic Earnings per share:

Total comprehensive profit/(loss) after income tax attributable to members of DGI Holdings Limited

30 June 2013	30 June 2012
\$	\$
5,218,306	(9,733,767)

Diluted Earnings per share:

Total comprehensive profit/(loss) after income tax attributable to members of DGI Holdings Limited

5,218,306	-
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b) Weighted average number of shares

Weighted average number of ordinary shares for basic earnings per share

Effect of dilution of options

Weighted average number of ordinary shares adjusted for dilution

30 June 2013	30 June 2012
201,148,730	68,354,069
35,657,415	-
236,806,145	68,354,069

In the previous financial year, the Company's potential ordinary shares, being its options granted, were not considered dilutive as the conversion of these options would result in a decreased net loss per share.

	30 June 2013	30 June 2012
	\$	\$
8. TRADE AND OTHER RECEIVABLES		

Current

Trade receivables	-	241,956
GST receivable	33,285	29,420
Government subsidies receivables	-	1,200,248
Impairment charges	-	(1,471,624)
Other receivables	-	11,987
Total current receivables	33,285	11,987

Fair Value and Risk Exposures:

- (i) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
- (ii) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.
- (iii) Details regarding interest rate risk exposure are disclosed in note 19.
- (iv) Other receivables generally have repayments between 30 and 90 days.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

8. TRADE AND OTHER RECEIVABLES - continued

There are no receivables that are past the due date. There are no financial instruments carried at fair value that require level 1, 2 or 3 disclosures.

During the previous financial year, the Company was under administration and the receivables were not recoverable at the previous carrying amounts. Impairment charges of \$1,471,624 were raised to record these assets at the recoverable amounts. No such impairment charges were made during the current financial year.

9. TRADE AND OTHER PAYABLES**Current**

	30 June 2013	30 June 2012
	\$	\$
Trade payables	15,056	962,637
Sundry payables and accrued expenses	30,000	967,624
Other payables	-	1,496,219
Total current payables	45,056	3,426,480

Fair Value and Risk Exposures

- (i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
- (ii) Trade and other payables are unsecured and usually paid within 60 days of recognition.

Under the terms of a Deed of Company Arrangement entered into by the Company on 31 May 2012, the Company was released of the liabilities (refer to the Review of Operations and note 3).

10. BORROWINGS*Current*

Other financial liabilities	-	1,606,582
Total current borrowings	-	1,606,582

Non Current

Borrowings and loans	-	399,625
Total current borrowings	-	399,625

Under the terms of a Deed of Company Arrangement entered into by the Company on 31 May 2012, the Company was released of liabilities upon settlement (refer to Review of Operations and note 3).

11. EMPLOYEE BENEFITS

Long service leave	-	31,888
Provision for employee benefits	-	501,939
Total employee benefits	-	533,827

Under the terms of the Deed of Company Arrangement entered into by the Company on 31 May 2012, the Company was released of the above liabilities.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

		30 June 2013	30 June 2012
		\$	\$
12. CONTRIBUTED EQUITY			
(a) Issued Capital			
Ordinary shares fully paid		25,943,274	24,311,311
(b) Movements in Ordinary Share Capital			
Number of Shares	Summary of Movements:	Issue Price	\$
68,790,993	Opening balance 1 July 2012		24,311,311
(34,395,453)	Consolidation of capital on 1:2 basis	-	-
120,000,000	Share placement on 10 December 2012	0.001	120,000
170,000,000	Share placement on 10 December 2012	0.01	1,700,000
-	Costs of capital raising	-	(188,037)
<u>324,395,540</u>	Closing balance at 30 June 2013		<u>25,943,274</u>
66,134,340	Opening balance 1 July 2011		24,584,059
714,540	Share issue 8 July 2011	0.04635	33,119
1,782,623	Share issue 24 August 2011	0.0343	61,144
<u>159,490</u>	Administration Adjustments 31 December 2011	-	<u>(367,011)</u>
<u>68,790,993</u>	Closing balance at 30 June 2012		<u>24,311,311</u>

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company has no current plans to adjust the capital structure. There are no plans to distribute dividends in the next year.

The Company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current share price at the time of the investment. The Company is actively pursuing additional investments in conjunction with continuing to grow its existing business.

DGI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

	30 June 2013	30 June 2012
	\$	\$
13. OTHER RESERVES AND RETAINED EARNINGS		
(a) Other reserves		
Share Based Payments	116,130	116,130
	<u>116,130</u>	<u>116,130</u>

The share-based payment reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

(b) Retained earnings

Balance 1 July	(30,331,968)	(21,162,085)
Net profit/(loss) for the year	5,218,306	(9,733,767)
Balance 30 June	<u>(25,113,662)</u>	<u>(30,331,968)</u>

14. STATEMENT OF CASH FLOW INFORMATION

(a) Cash and cash equivalents

Cash at bank and in hand	903,926	-
	<u>903,926</u>	<u>-</u>

The Company's exposure to interest rate risk is discussed in note 19. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Reconciliation of profit/(loss) after tax to the net cash flows used in operations

Profit/(loss) after income tax	5,218,306	(9,733,767)
Non-Cash Items:		
Depreciation	5,160	28,850
Amortisation	3,661	-
Net (gain)/loss on disposal of investments	-	25,000
Impairment of assets	-	7,950,110
Settlement under DOCA	(5,179,962)	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	(21,298)	-
(Increase)/decrease in other assets	-	-
(Increase)/decrease in inventories	-	-
Increase/(decrease) in payables	(166,496)	1,296,400
Net cash flows (used in)/provided by operating activities	<u>(140,629)</u>	<u>(433,407)</u>

Liabilities settlement under the DOCA totalled \$5,179,962. As part of the settlement a cash payment of \$575,000 was made to the Creditors Trust (refer to Review of Operations and note 3).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

15. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Company does not have any operating segments with discrete financial information. The Company does not have any customers, other than its' bankers, and all the Company's assets and liabilities are located within Australia. The Board of Directors review internal management reports that are consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

16. COMMITMENTS AND CONTINGENT LIABILITIES

In the opinion of the directors there are no commitments or contingent assets/liabilities as at 30 June 2013.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES**(a) Key Management Personnel Compensation**

During the year, no key management personnel compensation was paid (2012: nil).

(b) Equity Instrument Disclosures Relating to Key Management Personnel**(i) Options provided as remuneration and shares issued on any exercise of such options**

No options were provided as remuneration and no shares issued on any exercise of such options to any Director of DGI Holdings Limited and any other key management personnel of the Company during the financial year.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of DGI Holdings Limited and any other key management personnel of the Company, including their personally related parties, are as follows:

2013**Options (held directly and indirectly)**

Name	Balance at 1 July 2012	Granted as remuneration during the year	Other granted during the year	Change due to appointment/ (resignation)	Balance at 30 June 2013	Number vested and exercisable
Roger Steinepreis	-	-	3,460,000	-	3,460,000	3,460,000
George Ventouras	-	-	3,260,000	-	3,260,000	3,260,000
Nick Castleden	-	-	1,000,000	-	1,000,000	1,000,000
Luceille Outhred (resigned 21 Aug 2012)	750,000	-	-	(750,000)	-	-
Total Options	750,000	-	7,720,000	(750,000)	7,720,000	7,720,000

2012**Options (held directly and indirectly)**

As at 30 June 2012, the Company was in administration. Information available from the Administrator was limited and therefore the disclosures of the relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at balance date are minimal.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

17. KEY MANAGEMENT PERSONNEL DISCLOSURES - continued**(b) Equity Instrument Disclosures Relating to Key Management Personnel - continued****(iii) Share holdings**

The number of ordinary shares in the Company held during the financial year by each Director of DGI Holdings Limited and any other key management personnel of the Company, including their personally related parties, are as follows.

There were no shares granted during the year as compensation (2012: nil). There were no shares issued upon exercise of options (2012: nil).

2013**Shares (held directly and indirectly)**

Name	Balance at 1 July 2012	Net change during the year	Change due to appointment/ (resignation)	Balance at 30 June 2013
Roger Steinepreis	-	21,920,000	-	21,920,000
George Ventouras	-	6,520,000	-	6,520,000
Nick Castleden	-	4,000,000	-	4,000,000
Luceille Outhred (resigned 21 Aug 2012)	1,819,031	-	(1,819,031)	-
Total Shares	1,819,031	32,440,000	(1,819,031)	32,440,000

2012**Shares (held directly and indirectly)**

As at 30 June 2012, the Company was in administration. Information available from the Administrator was limited and therefore the disclosures of the relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at balance date are minimal.

(c) Other Transactions with Key Management Personnel

Mr Roger Steinepreis, Director, is a partner of Steinepreis Paganin. During the year an amount of \$125,999 (net of GST) was paid to this business for legal advice at normal commercial rates.

Mr Roger Steinepreis, Director, also holds an interest in the Blueknight Syndicate. During the year, a loan amount of \$575,000 was made to the Company by the Blueknight Syndicate which was paid to the Creditors Trust pursuant to the Deed of Company Arrangement (refer to Review of Operations). As at 30 June 2013, the loan had been repaid in full.

Mr George Ventouras, Director, is a director and shareholder of Ventouras Consulting Pty Ltd. During the year an amount of \$17,000 (net of GST) was paid to this business for work undertaken for maintenance of intellectual property at normal commercial rates.

DGI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

18. AUDITORS' REMUNERATION	30 June 2013	30 June 2012
	\$	\$
Amount received or due and receivable by the auditor or their related entities:		
<i>Auditing the financial statements</i>		
BDO Audit (WA) Pty Ltd	30,751	20,000
	<u>30,751</u>	<u>20,000</u>

19. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND INSTRUMENTS

The Company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to provide working capital for the Company's operations.

The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

Interest Rate Risk

At reporting date the Company's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits. The Company constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

At reporting date, the Company had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	2013	2012
	\$	\$
Financial Assets:		
Cash and cash equivalents		
(interest-bearing accounts)	903,926	-
Net exposure	<u>903,926</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

19. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND INSTRUMENTS - continued

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date for variable interest bearing accounts. The 0.5% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical LIBOR movements over the last 3 years.

At 30 June 2013, if interest rates had moved on variable interest bearing accounts, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Company would have been affected as follows:

	2013 \$	2012 \$
Judgements of reasonably possible movements:		
Post tax profit - higher / (lower)		
+ 0.5%	4,520	-
- 0.5%	(4,520)	-
Equity - higher / (lower)		
+ 0.5%	4,520	-
- 0.5%	(4,520)	-

The sensitivity in 2013 is higher than in 2012, due to the Company being in administration during 2012 and having no cash and cash equivalents at 30 June 2012. The Company does not expect interest rates to increase in the next year.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The Company has a credit risk in relation to its cash at bank, short-term deposits and receivables. However, this risk is minimised as the cash is deposited only with AA or greater (Moody's) rated financial institutions. The Company does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Impairment losses are recorded against receivables unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Liquidity Risk

The Company has no significant exposure to liquidity risk as there is effectively no debt. Trade payables are all expected to be paid within 30 days. The Company manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

20. EVENTS OCCURRING AFTER REPORTING DATE

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in subsequent financial years.

DGI HOLDINGS LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the Board of Directors, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for financial year ended 30 June 2013.

On behalf of the Board



Roger Steinepreis
Chairman
Perth, Western Australia
30 August 2013

DGI HOLDINGS LIMITED
INDEPENDENT AUDITOR REPORT



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DGI HOLDINGS LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of DGI Holdings Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(ii), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of DGI Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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DGI HOLDINGS LIMITED
INDEPENDENT AUDITOR REPORT



Basis for Qualified Opinion

Attention is drawn to the comparative figures included in the statement of profit or loss and other comprehensive income and the statement of financial position for liabilities totalling \$5,966,514, and the comparative notes for commitment and contingent liabilities, key management personnel disclosures and financial risk management objectives, policies and instruments, disclosed in Notes 16, 17 and 19 respectively, in the financial report. As a consequence of the company being placed into administration on the 19th December 2011, the directors were unable to access documents from previous advisers, employees and staff and we were unable to obtain sufficient appropriate audit evidence to form an opinion on the statement of profit or loss and other comprehensive income for the year ended 30 June 2012, the statement of financial position for liabilities totalling \$5,966,514 as at 30 June 2012, and the completeness and presentation of the comparative disclosures in Notes 16, 17 and 19 respectively, in the financial report as at 30 June 2012. Our audit opinion on the financial report for the year ended 30 June 2012 was modified accordingly. As a result, we do not give any assurance about the comparative figures included in the statement of profit or loss and other comprehensive income and the statement of financial position for liabilities totalling \$5,966,514 and comparative disclosures in Notes 16, 17 and 19 respectively, in the financial report.

Our audit opinion on the current year's financial report is also modified because of the possible effect of these matters on the current period's figures as we are not able to determine the effect that any adjustments would have, if any, to these amounts in the statement of profit or loss and other comprehensive income, the statement of financial position and the disclosure Notes 16, 17 and 19 notes for the year ended 30 June 2013.

Qualified Opinion

In our opinion except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs:

- (a) the financial report of DGI Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(ii).

Report on the Remuneration Report

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of DGI Holdings Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

DGI HOLDINGS LIMITED
INDEPENDENT AUDITOR REPORT



Other Matter

As the company was placed into administration on the 19th December 2011, we were unable to satisfy ourselves as to the payments made as remuneration to key management personnel for services rendered during the year ended 30 June 2012. As a result we did not express an opinion on the remuneration report included in the directors' report for the year ended 30 June 2012. Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information presented in the remuneration report for the current year ended 30 June 2013 and its compliance with Section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO
A blue ink signature, appearing to be 'Peter Toll', written over the BDO text.

Peter Toll
Director

Perth, Western Australia
Dated this 30th day of August 2013

DGI HOLDINGS LIMITED

ADDITIONAL ASX INFORMATION

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 2 October 2013.

(a) Distribution schedule and number of holders of equity securities as at 2 October 2013

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares (DGI)	141	132	54	311	157	795
Unlisted Options - \$0.3537, 11/3/14	-	-	-	1	-	1
Unlisted Options - \$0.27018, 18/3/14	-	-	-	1	-	1
Unlisted Options - \$0.0927, 8/7/14	-	-	-	1	-	1
Unlisted Options - \$2.00, 28/8/14	-	-	-	-	1	1
Unlisted Options - \$2.00, 1/5/17	-	-	-	1	-	1
Unlisted Options - \$0.01, 31/12/15	-	-	-	138	46	184

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 2 October 2013 is 662 as the fully paid ordinary shares were unquoted on that date.

(b) 20 Largest holders of quoted equity securities as at 2 October 2013

The names of the twenty largest holders of fully paid ordinary shares (ASX code: DGI) as at 2 October 2013 are:

Rank	Name	Shares	% of Total Shares
1	GOLDWORK ASSET PTY LTD <CAIRNS FAMILY A/C>	23,763,803	7.33
2	IRONSIDE PTY LTD <IRONSIDE SUPER FUND A/C>	23,763,803	7.33
3	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	23,763,803	7.33
4	MR DAVID ARTHUR PAGANIN <DA PAGANIN FAMILY NO 2 A/C>	22,200,000	6.84
5	RANCHLAND HOLDINGS PTY LTD <RC STEINEPREIS FAM NO1 A/C>	21,770,000	6.71
6	MRS MELEISHA FOSTER <FOSTER FAMILY NO2 A/C>	10,361,129	3.19
7	PHEAKES PTY LTD <SENATE A/C>	10,125,000	3.12
8	HOLLOWAY COVE PTY LTD <HOLLOWAY COVE S/F A/C>	9,000,000	2.77
9	UNITED EQUITY PARTNERS PTY LTD <POLYCORP FAMILY A/C>	7,500,000	2.31

DGI HOLDINGS LIMITED

ADDITIONAL ASX INFORMATION

Rank	Name	Shares	% of Total Shares
10	MR TERENCE BROWN	6,629,141	2.04
11	MR GEORGE VENTOURAS <GEORGE VENTOURAS FAM NO1 A/C>	6,520,000	2.01
12	MR JOHN FITZGERALD + MRS TRACY FITZGERALD <JD & TJ FITZGERALD S/F A/C>	6,381,901	1.97
13	AVIEMORE CAPITAL PTY LTD	6,375,000	1.97
14	MR DAVID NICHOLAS KELLY + MRS MADELEINE BERNADETTE KELLY <DN & MB KELLY SUPERFUND A/C>	5,940,951	1.83
15	MRS ANDREA RAE MURRAY <MURRAY FAMILY FUND NO2 A/C>	5,850,000	1.80
16	MR JOHN DANIEL FITZGERALD <JF AND TF FAMILY A/C>	5,500,000	1.70
17	COMMA PTY LTD <JONAL SUPER FUND A/C>	5,000,000	1.54
18	MR ROBERT ROWAN ANDREW JOHNSTON + MRS PIA JOHNSTON <JOHNSTON FAMILY A/C>	4,752,760	1.47
19	INTERNATIONAL EQUITIES PTY LTD	4,032,835	1.24
20	MR ROSS WHITTLE- HERBERT	3,168,507	0.98
	TOTAL	212,398,633	65.48

Stock Exchange Listing – Listing has been granted for 324,395,540 fully paid ordinary shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 2 October 2013 are detailed below in part (d).

(c) Substantial shareholders

Substantial shareholders in DGI Holdings Limited and the number of equity securities held over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

Name	Shares
K. R. Don Pty Ltd	23,763,803
Ironside Pty Ltd <Ironside Super Fund>	23,763,803
Goldwork Asset Pty Ltd <Cairns Family A/C>	23,763,803
D. A. Paganin & related parties	22,500,000
R. Steinepreis & related parties	21,920,000

DGI HOLDINGS LIMITED

ADDITIONAL ASX INFORMATION

(d) Unquoted Securities

The unquoted securities on issue as at 2 October 2013 were as follows:

Security	Number on issue
Unlisted options exercisable at \$0.3537, on or before 11 March 2014.	53,183
Unlisted options exercisable at \$0.27018, on or before 18 March 2014.	57,693
Unlisted options exercisable at \$0.0927, on or before 8 July 2014.	89,318
Unlisted options exercisable at \$2.00, on or before 28 August 2014.	175,000
Unlisted options exercisable at \$2.00, on or before 1 May 2017.	50,000
Unlisted options exercisable at \$0.01, on or before 31 December 2015.	60,000,000

(e) Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 2 October 2013

Security	Name	Number of Securities
Unlisted Options – \$0.3537, 11/3/14	Fortrend Securities Pty Ltd	53,183
Unlisted Options – \$0.27018 18/3/14	Fortrend Securities Pty Ltd	57,693
Unlisted Options – \$0.0927 8/7/14	Fortrend Securities Pty Ltd	89,318
Unlisted Options – \$2.00, 28/8/14	Luceille Outhred	175,000
Unlisted Options – \$2.00, 1/5/17	Bruce Newell	50,000

(f) Restricted Securities as at 2 October 2013

No restricted securities were on issue as at 2 October 2013.

(g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.
Unquoted options have no voting rights.

(h) Company Secretary

The Company Secretary is Ms Susan Hunter.

(i) Registered Office

The Company's Registered Office is Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000, Australia.

(j) Share Registry

The Company's Share Registry Computershare Investor Services Pty Ltd of Level 2, 45 St Georges Terrace, Perth WA 6000. Telephone 1300 557 010.

(k) On-Market Buy-back

The Company is not currently performing an on-market buy-back.

(l) Application of Funds

During the financial year, the Company has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with its business objectives.