

**DGI HOLDINGS LIMITED**  
ACN 105 012 066

**HALF-YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2011**

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**HALF YEAR FINANCIAL STATEMENTS**  
**For the Half Year Ended 31 December 2011**

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**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**COMPANY DIRECTORY**

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**DIRECTORS**

Mr Roger Steinepreis	Appointed 27 <sup>th</sup> August 2012
Mr George Ventouras	Appointed 27 <sup>th</sup> August 2012
Mr Nick Castleden	Appointed 27 <sup>th</sup> August 2012

**COMPANY SECRETARY**

Ms Susan Hunter

**REGISTERED OFFICE**

DGI Holdings Limited  
Level 4  
The Read Buildings  
16 Milligan Street  
PERTH WA 6000

Telephone:	+61 8 8262 3115
Facsimile:	+61 8 8262 8490

**AUDITORS**

BDO (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

**STOCK EXCHANGE LISTING**

The Company's shares and options have been suspended on the Australian Securities Exchange Limited.

Home Exchange:	Perth, Western Australia
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Australian Securities Exchange Limited Code:	DGI
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**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**DIRECTORS' REPORT**  
**For the Half Year Ended 31 December 2011**

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Your directors submit the financial report of the Company for the half-year ended 31 December 2011.

**DIRECTORS**

The names of the directors of the Company in office during the half year and to the date of this report are:

Mr Roger Steinepreis	Appointed 27 <sup>th</sup> August 2012
Mr George Ventouras	Appointed 27 <sup>th</sup> August 2012
Mr Nick Castleden	Appointed 27 <sup>th</sup> August 2012
Mr Leon Milford	Resigned 8 <sup>th</sup> March 2012
Mr Malcolm Leahy	Resigned 8 <sup>th</sup> March 2012
Mr Grant Chapman	Resigned 8 <sup>th</sup> March 2012
Ms Luceille Outhred	Resigned 21 <sup>st</sup> August 2012

**RESULT**

The loss after tax for the half-year ended 31 December 2011 was \$9,527,092 and for the half-year ended 31 December 2010 was \$1,641,223.

**REVIEW OF OPERATIONS**

The Company's principal business activity of the company was research, development and marketing of innovative display technologies.

Since the Company entered administration, the business operations had been suspended. During this time of administration, research & development and product development was not continued and thus the position of the company in the marketplace stagnated.

It is the intention of the incoming board of directors and management, to resurrect the product and intellectual property portfolio and to begin work to move to product commercialisation. To this end, the company has entered into licensing agreements to fast track development and sales of some products whilst maintaining its own intellectual property and products that it will seek to refine and sell to the global market.

Importantly, the new board of directors will investigate other opportunities in different industries, particularly the mining and resources industries, given their expertise.

**EVENTS SUBSEQUENT TO REPORTING DATE**

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.

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.

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**DIRECTORS' REPORT**  
**For the Half Year Ended 31 December 2011**

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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 subjected to Shareholder approval and passed at the General Meeting and the further conditions outlined below under the heading 'Conditions of the Proposal'. Now completed, Blueknight's proposal has resulted in sufficient cash being injected into the Company to continue with certain of its operations and support the Company's future.

**Terms of the Proposal**

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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 34,395,497 Shares on issue and 3,906,693 Options on issue (rounded up);
- (c) the Company raising new equity by way of the following placements (which will be 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.

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**DIRECTORS' REPORT**  
**For the Half Year Ended 31 December 2011**

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**Conditions of the Proposal**

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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;
- 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 has been released from external administration.

Subsequent to reporting date DGI completed a successful rights issue raising on the 10<sup>th</sup> December 2012 through the issue of 290 million shares raising \$1.82 million in total. Through the raising of capital DGI were able to complete the successful effectuation of the DOCA. The Company believes it has adequate funds available to pay off its debts as and when they fall due in the normal course of business.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 for the half year ended 31 December 2011.

This report is signed in accordance with a resolution of the board of directors.



**George Ventouras**  
**Director**

**Dated this 10<sup>th</sup> day of December 2012**

10 December 2012

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 half-year ended 31 December 2011, 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 review; and
- No contraventions of any applicable code of professional conduct in relation to the review.



**Peter Toll**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Half Year Ended 31 December 2011**

	Notes	31 December 2011 \$	Consolidated 31 December 2010 \$
Revenue from continuing operations		60,944	396,425
Operating Expenses			
Occupancy expenses		(62,540)	(46,595)
Administrative expenses		(865,644)	(831,895)
Cost of Sales		(10,358)	(39,624)
Marketing expenses		(246,881)	(390,028)
Finance expenses		(280,595)	(153,279)
Impairment of assets	3	(7,950,110)	-
Other expenses		(171,908)	(576,227)
Total expenses		<u>(9,588,036)</u>	<u>(2,037,648)</u>
Loss before income tax		(9,527,092)	(1,641,223)
Income tax expense		-	-
Loss after tax from continuing operations		<u>(9,527,092)</u>	<u>(1,641,223)</u>
Loss/profit from discontinued operations	11	-	-
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>(9,527,092)</u>	<u>(1,641,223)</u>
Loss attributable to:			
Members of DGI Holdings Limited		(9,527,092)	(1,641,223)
Non controlling interest		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) attributable to members of DGI Holdings Limited		<u>(9,527,092)</u>	<u>(1,641,223)</u>
Basic loss per share (cents per share)		<u>(13.94)</u>	<u>(0.03)</u>

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2011**

		<b>31 December 2011</b>	<b>Consolidated</b>
	Notes	\$	30 June 2011
			\$
<b>Current Assets</b>			
Cash and cash equivalents		2,252	2,546
Trade and other receivables		199,640	1,449,764
Inventories		-	559,463
Current tax receivables		-	29,420
Other assets – prepayments		-	1,644,353
		<hr/>	<hr/>
Total Current Assets		201,892	3,685,546
		<hr/>	<hr/>
<b>Non-Current Assets</b>			
Investments accounted for using the equity method		-	25,000
Property, plant & equipment	4	25,800	923,879
Financial assets	6	-	292,500
Intangible assets	5	24,200	3,406,606
Other assets		-	67,595
		<hr/>	<hr/>
Total Non-Current Assets		50,000	4,715,580
		<hr/>	<hr/>
<b>Total Assets</b>		<b>251,892</b>	<b>8,401,126</b>
		<hr/>	<hr/>
<b>Current Liabilities</b>			
Trade and other payables		3,433,865	3,114,905
Borrowings	7	1,606,582	1,557,935
Employee benefits		509,670	132,893
		<hr/>	<hr/>
Total Current Liabilities		5,550,117	4,805,733
		<hr/>	<hr/>
<b>Non-Current Liabilities</b>			
Trade and other payables		-	38,706
Borrowings	7	399,625	17,411
		<hr/>	<hr/>
Total Non-Current Liabilities		399,625	56,117
		<hr/>	<hr/>
<b>Total Liabilities</b>		<b>5,949,742</b>	<b>4,861,850</b>
		<hr/>	<hr/>
<b>Net Assets/(Liabilities)</b>		<b>(5,697,850)</b>	<b>3,539,276</b>
		<hr/> <hr/>	<hr/> <hr/>

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2011**

		<b>31 December 2011</b>	<b>Consolidated</b>
	Notes	\$	<b>30 June 2011</b>
			\$
<b>Equity</b>			
Issued capital	9	24,311,311	24,584,059
Reserves		116,130	116,130
Accumulated losses		(30,125,291)	(21,162,085)
		<hr/>	<hr/>
Total equity attributable to equity holders of the company		(5,697,850)	3,538,104
Non-controlling interest		-	1,172
		<hr/>	<hr/>
<b>Total Equity/(Deficiency in Equity)</b>		<b>(5,697,850)</b>	<b>3,539,276</b>
		<hr/> <hr/>	<hr/> <hr/>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**STATEMENT OF CHANGES IN EQUITY**  
**For the Half-Year ended 31 December 2011**

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	Share Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2011	24,584,059	(21,162,085)	116,130	3,538,104
Loss for the half year	-	(9,527,092)	-	(9,527,092)
Shares issued during the year	94,263	-	-	94,263
Administration adjustments	(367,011)	563,884	-	196,873
Balance at 31 December 2011	24,311,311	(30,125,291)	116,130	(5,697,850)

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	Share Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2010	22,845,413	(18,794,770)	-	4,050,643
Shares issued during the year	715,512		-	715,512
Loss for the half year	-	(1,641,223)	-	(1,641,223)
Balance at 31 December 2010	23,560,925	(20,435,993)	-	3,124,932

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

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**STATEMENT OF CASH FLOWS**  
**For the Half Year Ended 31 December 2011**

	<b>31 December 2011</b>	<b>Consolidated 31 December 2010</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(224,707)	(673,733)
Receipts from customers	60,944	22,760
Grants received	-	27,726
Interest paid	(267,392)	(49,716)
	<hr/>	<hr/>
<b>Net cash (used in) operating activities</b>	<b>(431,155)</b>	<b>(672,963)</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	-	(47,294)
	<hr/>	<hr/>
<b>Net cash (used in) investing activities</b>	<b>-</b>	<b>(47,294)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	430,861	1,039,613
Repayment of borrowings	-	(107,600)
	<hr/>	<hr/>
<b>Net cash (used in) financing activities</b>	<b>430,861</b>	<b>932,013</b>
	<hr/>	<hr/>
Net increase (decrease) in cash held	(294)	211,756
Cash and cash equivalents at the beginning of the period	2,546	(280,467)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<b>2,252</b>	<b>(68,711)</b>
	<hr/> <hr/>	<hr/> <hr/>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Half Year Ended 31 December 2011**

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**1. BASIS OF PREPARATION**

The half year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134 Interim Financial Reporting, applicable accounting standards and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by DGI Holdings Limited during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the entity as in the full financial report.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2011.

The half year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has been applied.

In the half-year ended 31 December 2011, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2011.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Company's accounting policies.

**2. GOING CONCERN**

The half-year financial report has been prepared on a going concern basis. The Company made a loss of \$9,527,092 for the half year ended 31 December 2011 and had a working capital deficit of \$5,697,850. The company during the period was placed in administration. The ability of the Company to continue as a going concern is contingent upon the successful effectuation of the proposed Deed of Company Arrangement which includes the successful raising of capital. If the proposed Deed of Company Arrangement is not successfully executed, the Company may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different to those stated in the half-year report.

Subsequent to reporting date DGI completed a successful rights issue raising on the 10<sup>th</sup> December 2012 through the issue of 290 million shares raising \$1.82 million in total. Through the raising of capital DGI were able to complete the successful effectuation of the DOCA. The Company believes it has adequate funds available to pay off its debts as and when they fall due in the normal course of business.

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Half Year Ended 31 December 2011**

**3. IMPAIRMENT OF ASSETS**

At reporting date, 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 during the period to record these assets at the recoverable amounts.

Plant and equipment	\$ 898,079 Note 4
Intangible assets	\$3,382,406 Note 5
Inventories	\$ 559,463
Current tax receivables	\$ 29,420
Investments accounted for using the equity method	\$ 25,000
Financial assets	\$ 292,500 Note 6
Trade and other receivables	<u>\$2,763,242</u>
	<u>\$7,950,110</u>

<b>4. PLANT AND EQUIPMENT</b>	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment		
Opening balance	17,281	58,749
At Cost	-	27,315
Accumulated depreciation	-	(68 783)
Impairment charges	<u>(17,281)</u>	<u>-</u>
Total plant and equipment	<u>-</u>	<u>17,281</u>
Office equipment		
Opening balance	151,370	44,002
At cost	-	158,656
Accumulated depreciation	-	(51,288)
Impairment charges	<u>(151,370)</u>	<u>-</u>
Total office equipment	<u>-</u>	<u>151,370</u>
Computer software		
Opening balance	81,873	95,356
Accumulated depreciation	-	(13,483)
Impairment charges	<u>(81,873)</u>	<u>-</u>
Total computer software	<u>-</u>	<u>81,873</u>
Leasehold improvements		
Opening balance	150,473	170,094
Accumulated depreciation	-	(19,621)
Impairment charges	<u>(150,473)</u>	<u>-</u>
Total leasehold improvements	<u>-</u>	<u>150,473</u>
Manufacturing plant		
Opening balance	449,809	147,775
At cost	-	463,000
Accumulated depreciation	-	(160,966)
Impairment charges	<u>(424,009)</u>	<u>-</u>
Total manufacturing plant	<u>25,800</u>	<u>449,809</u>

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Half Year Ended 31 December 2011**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
<b>5. PLANT AND EQUIPMENT (CONTINUED)</b>		
Tooling		
Opening balance	36,364	104,278
Accumulated depreciation	-	(67,914)
Impairment charges	<u>(36,364)</u>	<u>-</u>
Total tooling	<u>-</u>	<u>36,364</u>
Artwork		
Opening balance	36,709	36,709
Impairment charges	<u>(36,709)</u>	<u>-</u>
Total artwork	<u>-</u>	<u>36,709</u>
Total Plant and Equipment	<u>25,800</u>	<u>923,879</u>

At reporting date, 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 during the period to record these assets at the recoverable amounts.

**6. INTANGIBLE ASSETS**

Licenses and franchises		
Opening balance	50,000	50,000
Impairment charges	<u>(50,000)</u>	<u>-</u>
Net carrying amount	<u>-</u>	<u>50,000</u>
Intellectual property		
Opening balance	3,356,606	4,001,904
Accumulated depreciation	-	(645,298)
Impairment charges	<u>(3,332,406)</u>	<u>-</u>
Net carrying amount	<u>24,200</u>	<u>3,356,606</u>
Total Intangibles	<u>24,200</u>	<u>3,406,606</u>

At reporting date, the Company was under administration and the intangible assets were not recoverable at the previous carrying amounts. Impairment charges of \$3,382,406 were raised during the period to record these assets at the recoverable amounts.

**7. FINANCIAL ASSETS**

Opening balance	292,500	292,500
Impairment charges	<u>(292,500)</u>	<u>-</u>
Net carrying amount	<u>-</u>	<u>292,500</u>

At reporting date, the Company was under administration and the financial assets were not recoverable at the previous carrying amounts. Impairment charges of \$292,500 were raised during the period to record these assets at the recoverable amounts.

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Half Year Ended 31 December 2011**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
<b>8. BORROWINGS</b>		
CURRENT		
Other financial liabilities	1,606,582	1,552,602
Lease liability secured	<u>-</u>	<u>5,333</u>
Total current borrowings	<u>1,606,582</u>	<u>1,557,935</u>
NON CURRENT		
Lease liability secured	-	17,411
Borrowings and loans	<u>399,625</u>	<u>-</u>
Total non current borrowings	<u>399,625</u>	<u>17,411</u>

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

**9. CONTINGENT ASSETS AND LIABILITIES**

In the opinion of the directors there are no contingent assets or liabilities as at 31 December 2011.

**10. CONTRIBUTED EQUITY**

Movements in ordinary share capital of the Company for the half year ended 31 December 2011:

		Number	\$
01/07/2011	Opening balance	66,134,340	24,584,059
08/07/2011	Share issue	714,540	33,119
24/08/2011	Share issue	1,782,623	61,144
31/12/2011	Administration adjustments	<u>159,490</u>	<u>(367,011)</u>
		<u>68,790,993</u>	<u>24,311,311</u>

**11. EVENTS SUBSEQUENT TO REPORTING DATE**

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.

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 subjected to Shareholder approval and passed at the General Meeting and the further conditions outlined below under the heading 'Conditions of the Proposal'. Now completed, Blueknight's proposal has resulted in sufficient cash being injected into the Company to continue with certain of its operations and support the Company's future.

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Half Year Ended 31 December 2011**

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**Terms of the Proposal**

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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 34,395,497 Shares on issue and 3,906,693 Options on issue (rounded up);
- (c) the Company raising new equity by way of the following placements (which will be 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.

**Conditions of the Proposal**

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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;

**DGI HOLDINGS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Half Year Ended 31 December 2011**

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- 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;
- 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 has been released from external administration.

Subsequent to reporting date DGI completed a successful rights issue raising on the 10<sup>th</sup> December 2012 through the issue of 290 million shares raising \$1.82 million in total. Through the raising of capital DGI were able to complete the successful effectuation of the DOCA. The Company believes it has adequate funds available to pay off its debts as and when they fall due in the normal course of business.

## **12. DISCONTINUED OPERATIONS**

Following the administration process, the subsidiaries are no longer part of the consolidated group. DGI Holdings Limited has ceased to have interest or involvement in the subsidiaries. At reporting date, the Company was in administration. Information available from the Administrator is limited and therefore disclosures are minimal.

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**DIRECTORS' DECLARATION**

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The directors of the Company declare that:

- a) The financial statements and notes, as set out on pages 8 to 18, are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date, as represented by the results of its operations and its cash flows, for the half-year ended on that date, and
- b) In the directors' opinion there are reasonable grounds to believe that DGI Holdings Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated at Perth this 10<sup>th</sup> day of December 2012



**George Ventouras**  
Director

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

### Report on the Half-Year Financial Report

We were engaged to review the accompanying half-year financial report of DGI Holdings Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, and other explanatory information, and the directors declaration.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DGI Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, 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 review report.

### **Basis for Disclaimer of Conclusion**

As a consequence of the inability to access documents from previous advisers, employees, and staff, the directors have been unable to obtain the company's records for the current period to 31 December 2011. Due to these limitations we were unable to undertake sufficient appropriate procedures to form a conclusion on the company's statement of financial position as at 31 December 2011 and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the half year ended on that date.

The financial report of DGI Holdings Limited for the year ended 30 June 2011 was audited by another auditor who expressed an unmodified opinion on that financial report on the 28<sup>th</sup> day of November 2011. We were unable to review prior year work papers from previous auditors. In addition, current management were unable to provide adequate information to support comparative balances. As a result, we could not give any assurance about the comparative figures in the financial report as these figures had not been audited by us. As these comparative figures form opening balances, we could not give any assurance about the financial performance and cash flows in the current period.

### **Disclaimer Conclusion**

Because of the significance of the matters described in the basis for disclaimer paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion. Accordingly, we do not express a conclusion on the financial statements for the half-year ended 31 December 2011.

**BDO Audit (WA) Pty Ltd**



**Peter Toll**  
Director

Perth, Western Australia  
Dated this 10<sup>th</sup> day of December 2012