

**DGI HOLDINGS LIMITED**  
ACN 105 012 066

**ANNUAL REPORT 2012**

**DGI HOLDINGS LIMITED**  
**ACN 105 012 066**  
**ANNUAL REPORT 2012**

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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 Audit (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

Australian Securities Exchange Limited Code: DGI

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

**DIRECTORS' REPORT**  
**For the Year Ended 30 June 2012**

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Your directors submit the financial report of the Company for the year ended 30 June 2012.

**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 year ended 30 June 2012 was \$9,733,767 and for the year ended 30 June 2011 was \$2,412,894.

**PRINCIPAL ACTIVITIES**

Until it was placed into administration, the principal business activity of the company was research, development and marketing of innovative miniature projection technologies and products. The company intends to continue the business it operated prior to entering administration.

**DIVIDENDS**

No dividends were paid or recommended for payment during or since the end of the financial year.

**REVIEW OF OPERATIONS**

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

Since the Company entered administration, the business operations have 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

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**  
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**DIRECTORS' REPORT**  
**For the Year Ended 30 June 2012**

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**REVIEW OF OPERATIONS (CONTINUED)**

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.

**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**);

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**ACN 105 012 066**

**DIRECTORS' REPORT**  
**For the Year Ended 30 June 2012**

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**REVIEW OF OPERATIONS (CONTINUED)**

- 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;
- 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.

**EVENTS SUBSEQUENT TO REPORTING DATE**

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.

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**DIRECTORS' REPORT**  
**For the Year Ended 30 June 2012**

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**INFORMATION ON DIRECTORS**

Mr Roger Steinepreis

Mr 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 22 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. Mr Steinepreis is a non-executive director of Adavale Resources Limited, Firestrike Resources Limited, Apollo Consolidated Limited, Allied Consolidated Limited (Subject to Deed of Company Arrangement) and Avonlea Minerals Limited

Mr Steinepreis was also previously a non-executive director of Imugene Limited and Digital Performance Group Limited during the past three years.

Mr George Ventouras

Mr Ventouras is a marketing consultant with over 20 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. Mr Ventouras is a non-executive director of Apollo Consolidated Limited and Allied Consolidated Limited (Subject to Deed of Company Arrangement.)

Mr Ventouras held no other directorships during the past three years.

Mr Nick Castleden

Mr Castleden is a geological consultant with 20 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. Mr Castleden is a managing director of Apollo Consolidated Limited and a non-executive director of Allied Consolidated Limited (Subject to Deed of Company Arrangement).

Mr Castleden held no other directorships during the past three years.

**COMPANY SECRETARY**

Ms Susan Hunter has been appointed as Company secretary on 27<sup>th</sup> August 2012. Ms Hunter has over 18 years of experience in the corporate finance industry and 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 companies.

**DGI HOLDINGS LIMITED**

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**DIRECTORS' REPORT**  
**For the Year Ended 30 June 2012**

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Ms Hunter holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia and is a Member of the Australian Institute of Company Directors. Ms Hunter is currently Company Secretary for five ASX listed companies and is a Non-executive Director of ASX listed Quickflix Ltd.

**DIRECTORS' SHAREHOLDINGS**

No shares or options issued to the directors or any other employee of the Company during the period. Any rights associated with the options that may be in existence before the administration process have now been extinguished. The Directors will be issued with shares and options on completion of the capital raising as part of the re-instatement of the trading of shares on the ASX.

**DIRECTORS' MEETINGS**

No board meetings held since the directors were appointed.

**CORPORATE GOVERNANCE**

There are no corporate governance policies in place since the company has been placed into administration. The new board of directors are presently working on implementing current corporate governance policies and will announce these policies on reinstatement of the trading of shares on the ASX

**REMUNERATION REPORT (AUDITED)**

The directors of the present your Company's 2012 remuneration report which sets out remuneration information for DGI Holdings Limited non executive directors, executive directors and key management personnel.

**Directors and key management personnel disclosed in 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

**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](http://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.



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**DIRECTORS' REPORT**  
**For the Year Ended 30 June 2012**

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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.

**Use of remuneration consultants**

No remuneration consultants were used during the year.

**Voting and comments made at the company's 2011 Annual General Meeting**

DGI Holdings Limited received more than 90% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

**Details of remuneration**

No remuneration for directors has been paid whilst under administration and to date, however there were directors' fees of \$13,000 paid for the quarter ended 30 September 2011.

**Share based compensation**

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

**Service agreements**

Since the Company was placed into administration. As such current directors have not signed any service agreements with the Company. Once the Deed Of Company Arrangement has been successfully executed the current board of directors will be require all non executive and executive directors to sign a service agreement outlining the boards policies and terms, including remuneration, relevant to the office of the director.

**THE END OF THE AUDITED REMUNERATION REPORT**

**Insurance of Officers**

The Company has paid premiums to insure each Director against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the Company, other than conduct involving wilful breach of duty in relation to the Company. The total premiums paid on behalf of the Directors before administration amounted to \$6,401.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

**DGI HOLDINGS LIMITED**  
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**DIRECTORS' REPORT**  
**For the Year Ended 30 June 2012**

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**Non – audit services**

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditors expertise and experience with the Company are important.

No non audit services were provided by BDO Audit (WA) Pty Ltd during the year.

**Auditors Independence declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 11 for the year ended 30 June 2012.

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



**George Ventouras**  
**Director**

**Dated this 10<sup>th</sup> 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 for the review of DGI Holdings Limited for the year ended 30 June 2012, 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.



**Peter Toll**  
Director

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

**DGI HOLDINGS LIMITED**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Year Ended 30 June 2012**

	Notes	30 June 2012 \$	Consolidated 30 June 2011 \$
Revenue from continuing operations		61,558	325,904
Other income		-	1,057,768
Total Income		<u>61,558</u>	<u>1,383,672</u>
Operating Expenses			
Occupancy expenses		(102,562)	(111,815)
Administrative expenses		(958,361)	(1,607,861)
Cost of Sales		(10,358)	(250,626)
Marketing expenses		(306,534)	(389,214)
Finance expenses		(281,027)	(477,024)
Impairment of assets	2	(7,950,110)	-
Other expenses		(186,373)	(960,026)
		<u>(9,795,325)</u>	<u>(3,796,566)</u>
Loss before income tax		(9,733,767)	(2,412,894)
Income tax expense	20	-	-
Loss after tax from continuing operations		<u>(9,733,767)</u>	<u>(2,412,894)</u>
Loss/profit from discontinued operations	23	-	-
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>(9,733,767)</u>	<u>(2,412,894)</u>
Loss attributable to:			
Members of the parent entity		(9,733,767)	(2,367,315)
Non-controlling interest	23	<u>-</u>	<u>(45,579)</u>
		<u>(9,733,767)</u>	<u>(2,412,894)</u>
Total comprehensive loss attributable to:			
Members of the parent entity		(9,733,767)	(2,367,315)
Non-controlling interest		<u>-</u>	<u>(45,579)</u>
		<u>(9,733,767)</u>	<u>(2,412,894)</u>
Basic loss per share (cents)	22	<u>(14.24)</u>	<u>(4.16)</u>

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

**DGI HOLDINGS LIMITED**  
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**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2012**

	Notes	30 June 2012 \$	Consolidated 30 June 2011 \$
<b>Current Assets</b>			
Cash and cash equivalents	3	-	2,546
Trade and other receivables	4	11,987	1,449,764
Inventories	5	-	559,463
Current tax receivables	6	-	29,420
Other assets – prepayments		-	1,644,353
Total Current Assets		11,987	3,685,546
<b>Non-Current Assets</b>			
Investments accounted for using the equity method	7	-	25,000
Property, plant & equipment	8	25,800	923,879
Financial assets	9	-	292,500
Intangible assets	10	24,200	3,406,606
Other assets	11	-	67,595
Total Non-Current Assets		50,000	4,715,580
<b>Total Assets</b>		<b>61,987</b>	<b>8,401,126</b>
<b>Current Liabilities</b>			
Trade and other payables	12	3,426,480	3,114,905
Borrowings	13	1,606,582	1,557,935
Employee benefits	14	533,827	132,893
Total Current Liabilities		5,566,889	4,805,733
<b>Non-Current Liabilities</b>			
Trade and other payables	12	-	38,706
Borrowings	13	399,625	17,411
Total Non-Current Liabilities		399,625	56,117
<b>Total Liabilities</b>		<b>5,966,514</b>	<b>4,861,850</b>
<b>Net Assets/(Liabilities)</b>		<b>(5,904,527)</b>	<b>3,539,276</b>

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**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2012**

	Notes	30 June 2012 \$	Consolidated 30 June 2011 \$
<b>Equity</b>			
Issued capital	19	24,311,311	24,584,059
Reserves		116,130	116,130
Accumulated losses		(30,331,968)	(21,162,085)
Total equity attributable to equity holders of the company		(5,904,527)	3,538,104
Non-controlling interest		-	1,172
<b>Total Equity/(Deficiency in Equity)</b>		<b>(5,904,527)</b>	<b>3,539,276</b>

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

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**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended 30 June 2012**

	Share Capital	Accumulated Losses	Option Reserve	Non- controlling interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2011	24,584,059	(21,162,085)	116,130	1,172	3,539,276
Loss for the year	-	(9,733,767)	-	-	(9,733,767)
Shares issued during the year	94,263	-	-	-	94,263
Administration adjustments	(367,011)	563,884	-	(1,172)	195,701
Balance at 30 June 2012	24,311,311	(30,331,968)	116,130	-	(5,904,527)

  

	Share Capital	Accumulated Losses	Option Reserve	Non- controlling interest	Total
	\$	\$	\$	\$	\$
<b>Consolidated</b>					
Balance at 1 July 2010	22,845,413	(18,794,770)	-	-	4,050,643
Shares issued during the year	1,738,646	-	-	-	1,738,646
Recognition of non-controlling interest	-	-	-	46,751	46,751
Option reserve on recognition of bonus element of options	-	-	116,130	-	116,130
Profit attributable to members of the parent body	-	(2,367,315)	-	-	(2,367,315)
Profit attributable to non-controlling interests	-	-	-	(45,579)	(45,579)
Balance at 30 June 2011	24,584,059	(21,162,085)	116,130	1,172	3,539,276

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

**DGI HOLDINGS LIMITED**  
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**STATEMENT OF CASH FLOWS**  
**For the Year Ended 30 June 2012**

	Notes	<b>30 June 2012</b>	<b>Consolidated</b>
		<b>\$</b>	<b>30 June 2011</b>
			<b>\$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(227,573)	(1,711,667)
Receipts from customers		61,558	83,394
Grants received		-	-
Interest paid		(267,392)	-
		<hr/>	<hr/>
<b>Net cash (used in) operating activities</b>	18 b)	(433,407)	(1,628,273)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		-	(10,599)
Expenditure on intangible assets		-	(809,398)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		-	(819,997)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	606,566
Proceeds from (repayment of) borrowings		430,861	1,846,004
Payment of finance lease liabilities		-	(4,693)
Proceeds from syndicate		-	-
		<hr/>	<hr/>
<b>Net cash provided by/(used in) financing activities</b>		430,861	2,447,877
		<hr/>	<hr/>
Net (decrease) in cash held		(2,546)	(393)
Cash and cash equivalents at the beginning of year		2,546	2,939
		<hr/>	<hr/>
Cash and cash equivalents at the end of year	18 a)	-	2,546
		<hr/> <hr/>	<hr/> <hr/>

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



**DGI HOLDINGS LIMITED**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

DGI Holdings Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of DGI Holdings Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**BASIS OF PREPARATION**

*The accounting policies set out below have been consistently applied to all years presented, except as stated below.*

**a) Reporting Basis and Conventions**

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.

**b) Adoption of New and Revised Accounting Standards**

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011.

New and amended standards adopted by DGI Holdings Limited.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions;
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues; and
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these standards did not have any impact in the current period or any prior period and is unlikely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. DGI Holding Limited's assessments of the impact of new standards and interpretations that may affect the Company are set out below:

AASB 13 Fair Value Measurement (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the balance sheet or disclosed in

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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

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the notes to the financial statements. The Company is continuing to assess the impact of the standard.

AASB 2011-9 Presentation of Financial Statements (effective for annual reporting periods commencing on or after 1 July 2013). AASB 101, amended in June 2012, introduces amendments to align the presentation items of other comprehensive income with US GAAP. The Company will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the statement of comprehensive income. However, there will be no impact on any of the amounts recognised in the financial statements.

AASB 1054 Australian Additional Disclosures (effective for annual reporting periods beginning on or after 1 July 2012). AASB 1054, issued in May 2011, moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of Trans-Tasman Convergence Project. AASB 1054 Australian Additional Disclosures removes the requirement to disclose each class of capital commitments contracted for at the end of the reporting period (other than commitments for the supply of inventories). When the standard is adopted for the first time for the financial year ending 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is continuing to assess its full impact.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

***c) Going Concern***

The Company recorded a loss of \$9,733,767 for the year ended 30 June 2012 and had a working capital deficit of \$5,904,527. The financial report has been prepared on a going concern basis. The company was placed in administration during the year. 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 financial 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.

***d) Revenue Recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***Interest Income***

Interest income is recognised as it accrues.

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

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***a) 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

***b) Income Tax***

No income tax expense is charged for the period. The charge for income tax expense is based on the result for the period adjusted for any non-allowable or disallowable items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax assets and liabilities are credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Is it is less than probable that the tax losses can be utilised in future periods for the Company. No deferred tax assets have been recognised for the period.

***c) Property, Plant and Equipment***

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

***Depreciation***

The depreciable amount of all Property, Plant and Equipment (other than Leasehold Improvements which are based on the prime cost method) is based on the diminishing value method over their useful lives to the Company commencing from the time the assets are held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

***d) Earnings per Share***

Basic earnings per share is determined by dividing the operating profit or loss after income tax by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**DGI HOLDINGS LIMITED**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

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**a) Employee Entitlements**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**b) 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 Australian Tax Office. 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. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**c) Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments Incorporated Into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates impairment of plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Key judgments - provision for impairment of receivables

The value of the provision for impairment of receivables is estimated by considering the ageing of receivables. communication with the debtors and prior history.

**2. 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 8
Intangible assets	\$3,382,406 Note 10
Inventories	\$ 559,463 Note 5
Current tax receivables	\$ 29,420 Note 6
Investments accounted for using the equity method	\$ 25,000 Note 7
Financial assets	\$ 292,500 Note 9
Trade and other receivables	<u>\$2,763,242</u>
	\$7,950,110

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

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<b>3. CASH AND CASH EQUIVALENTS</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	-	2,546

The Company's exposure to interest rate risk is described in note 25.

**4. TRADE AND OTHER RECEIVABLES**

Trade receivables	241,956	241,956
Impairment charges	(241,956)	-
Government subsidies receivable	1,200,248	1,200,248
Impairment charges	(1,200,248)	-
Other receivables	11,987	7,560
Total trade and other receivables	<u>11,987</u>	<u>1,449,764</u>

At reporting date, the Company was under administration and the receivables were not recoverable at the previous carrying amounts. Impairment charges of \$1,437,777 were raised during the period to record these assets at the recoverable amounts. The Company's exposure to credit risk is described in note 25. .

**5. INVENTORIES**

Work in progress (at cost)	128,741	128,741
Impairment charges	(128,741)	-
Finished goods (at cost)	129,008	129,008
Impairment charges	(129,008)	-
Merchandise (at net realisable value)	301,714	301,714
Impairment charges	(301,714)	-
Total inventories	<u>-</u>	<u>559,463</u>

At reporting date, the Company was under administration and inventories were not recoverable at the previous carrying amounts. Impairment charges of \$559,463 were raised during the period to record these assets at the recoverable amounts.

**6. CURRENT TAX RECEIVABLES**

GST receivable	29,420	29,420
Impairment charges	(29,420)	-
Total current tax receivables	<u>-</u>	<u>29,420</u>

At reporting date, the Company was under administration and GST receivable was not recoverable at the previous carrying amounts. Impairment charges of \$29,420 were raised during the period to record the asset at the recoverable amounts.

**7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

Associated companies	25,000	25,000
Impairment charges	(25,000)	-
Total investments accounted for using the equity method	<u>-</u>	<u>25,000</u>

At reporting date, the Company was under administration and investments in associated companies were not recoverable at the previous carrying amounts. Impairment charges of \$25,000 were raised during the period to record these assets at the recoverable amounts.

**DGI HOLDINGS LIMITED**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

<b>8. PLANT AND EQUIPMENT</b>	<b>2012</b>	<b>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>
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	25,800	923,879

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.

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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

**9. FINANCIAL ASSETS**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
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. The Company's exposure to credit risk is described in note 25.

**10. 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	24,200	3,406,606

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.

**11. OTHER ASSETS**

Trade dollars	67,595	134,639
Provision for impairment	-	(67,044)
Impairment charges	<u>(67,595)</u>	<u>-</u>
Total non current other assets	<u>-</u>	<u>67,595</u>

At reporting date, the Company was under administration and the other assets were not recoverable at the previous carrying amounts. Impairment charges of \$67,595 was raised during the period to record these assets at the recoverable amounts.

**12. TRADE AND OTHER PAYABLES**

<b>CURRENT</b>		
Trade payables	962,637	980,923
Employee benefits	-	612,030
Sundry payables and accrued expenses	967,624	192,171
Director Honoraria	-	160,000
Other payables	1,496,219	-
Related party payables	<u>-</u>	<u>1,169,783</u>
Total current trade and other payables	<u>3,426,480</u>	<u>3,114,907</u>
<b>NON CURRENT</b>		
Other payables	<u>-</u>	<u>38,706</u>
Total non current trade and other payables	<u>-</u>	<u>38,706</u>

**DGI HOLDINGS LIMITED**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

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**12. TRADE AND OTHER PAYABLES (CONTINUED)**

Under the terms of a Deed of Company Arrangement entered into by the Company on 31 May 2012, the Company will be released of the above liabilities. Information about the Company's exposure to foreign exchange risk is detailed in Note 25.

<b>13. BORROWINGS</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
Other financial liabilities	1,606,582	1,552,602
Lease liability secured	-	5,333
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>	-
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 will be released of the above liabilities. The Company's exposure to interest rate risk is detailed in Note 25.

**14. EMPLOYEE BENEFITS**

Long service leave	31,888	28,000
Provision for employee benefits	<u>501,939</u>	<u>104,893</u>
Total employee benefits	<u>533,827</u>	<u>132,893</u>

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

**15. CONTINGENT ASSETS AND LIABILITIES**

In the opinion of the directors there are no contingent assets or liabilities as at 30 June 2012.

**16. KEY MANAGEMENT PERSONNEL**

Names and positions held of key management personnel in office at any time during the financial year are:

<b>Key Management Person</b>	<b>Position</b>
Mr Roger Steinepreis	Non-Executive Director – Appointed 27 <sup>th</sup> August 2012
Mr George Ventouras	Non-Executive Director – Appointed 27 <sup>th</sup> August 2012
Mr Nick Castleden	Non-Executive Director – Appointed 27 <sup>th</sup> August 2012
Mr Leon Milford	Chairman (Non-Executive) – Resigned 8 <sup>th</sup> March 2012
Mr Malcolm Leahy	Non- Executive Director – Resigned 8 <sup>th</sup> March 2012
Mr Grant Chapman	Non- Executive Director – Resigned 8 <sup>th</sup> March 2012
Ms Luceille Outhred	Chief Executive Officer – Resigned 21 <sup>st</sup> August 2012

At reporting date, the Company was in administration. Information available from the Administrator is 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.



**DGI HOLDINGS LIMITED**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

**17. AUDITOR'S REMUNERATION**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Fees paid to BDO (WA) Pty Ltd for the audit of the Financial Report of the entity	20,000	-
Fees paid or payable to Hayes Knight (SA) Pty Ltd for the audit and review of the Financial Report of the entity	-	58,000

**18. NOTES TO THE STATEMENT OF CASH FLOWS**

**a) Reconciliation of Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows cash includes cash and cash equivalents on hand and at call deposits with banks, and investments in money market instruments net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at Bank	-	2,546
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**b) Reconciliation of operating loss after income tax to net cash flow from operating activities**

Operating (loss) after income tax	(9,733,767)	(2,412,894)
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Non Cash Items

Depreciation	28,850	113,413
Amortisation	-	480,636
Net (gain)/loss on disposal of investments	25,000	(87,717)
Share options expensed	-	116,130
Shares of associated companies net profit	-	(25,000)
Impairment of assets	7,950,110	-

Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:

(Increase)/decrease in trade and other receivables	-	(761,028)
(Increase)/decrease in other assets	-	345,584
(Increase)/decrease in inventories	-	165,414
(Increase)/decrease in trade and other payables	1,296,400	371,863
(Increase)/decrease in employee benefits	-	65,326
Cashflow from operations	<u>(433,407)</u>	<u>(1,628,273)</u>

The above is a result of the Company going into administration and the liabilities being discharged as part of the Deed of Company Arrangement entered into.

**DGI HOLDINGS LIMITED**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

**19. ISSUED CAPITAL**

Movements in ordinary share capital of the Company for the year ended 30 June 2012:

		<b>Number</b>	<b>\$</b>
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>

The Company's Capital Risk Management Policy is detailed in Note 26.

**20. INCOME TAX**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from ordinary activities before income tax expense	(9,733,767)	(2,412,894)
	<u>                    </u>	<u>                    </u>
Prima facie tax benefit on loss from ordinary activities at 30% (2011 30%)	(2,920,130)	(723,868)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	-	105,364
	<u>                    </u>	<u>                    </u>
	(2,920,130)	(618,504)
Movement in unrecognised temporary differences	2,572,461	(40,592)
Research and Development	-	(80,608)
Tax effect of current year timing differences and tax losses for which no deferred tax asset has been recognised	347,669	739,704
	<u>                    </u>	<u>                    </u>
Income tax expense	<u>                    </u>	<u>                    </u>

The directors are in the process of determining the amount of unrecognised deferred tax assets which may be available for utilisation against future taxable profits. At present this amount is uncertain due to the change of ownership and the expected change in business as a result of the recapitalisation proposal. In addition it is not yet appropriate to recognise deferred tax assets in relation to unutilised tax losses or timing differences as the generation of future taxable profits cannot yet be determined as probable.

**DGI HOLDINGS LIMITED**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

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**21. RELATED PARTIES**

**Directors**

The names of persons who were directors of DGI Holdings Ltd at any time during the financial year were as follows: Mr Roger Steinepreis, Mr George Ventouras, Mr Nick Castleden, Mr Leon Milford, Mr Malcolm Leahy, Mr Grant Chapman and Ms Luceille Outhred.

**Other Related Party Transactions**

The Company entered into Administration in December 2011. Information relating to the period prior to this date was not made available. Other than the transactions with Directors disclosed in the Remuneration Report, there have been no other transactions identified.

**22. EARNINGS/(LOSS) PER SHARE**

	<b>2012</b> <b>Cents</b> <b>Per Share</b>	<b>2011</b> <b>Cents</b> <b>Per Share</b>
Basic earnings/(loss) per share	(14.24)	(4.16)
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
	<b>\$</b>	<b>\$</b>
Loss from continuing operations	(9,733,767)	(2,367,315)
Loss attributable to non-controlling equity interest in respect of continuing operations	-	(45,579)
Earnings used to calculate basic EPS from continuing operations	<u>(9,733,767)</u>	<u>(2,412,894)</u>
	<b>2012</b> <b>No.</b>	<b>2011</b> <b>No.</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	68,354,069	58,060,114

**23. EVENTS SUBSEQUENT TO REPORTING DATE**

On 4 September 2012, the Deed of Company Arrangement was effectuated and the Company has been released from external administration. The key details from the Deed of Company Arrangement are outlined below.

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.

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended 30 June 2012

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23. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

**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.

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2012**

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**23. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)**

**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.

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.

**24. 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.

**25. SEGMENT REPORTING**

Following from note 19 above, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended 30 June 2012

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**26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the company. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year under review, the Company has gone into administration and holds no such investments at 30 June 2012.

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

*i) Interest Rate Risk Exposures*

The Company is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Company does not have short or long term debt, and therefore this risk is minimal.

*ii) Credit Risk Exposures*

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

The credit risk on financial assets of the Company which have been recognised on the statement of financial position is the carrying amount, net of any provision for doubtful debts.

The Company is not materially exposed to any individual overseas country or individual customer.

*iii) Foreign currency risk*

The Company operates in Australia and its expenditure and revenue are denominated in Australia dollars. The Company is not exposed to any significant currency risk.

*iv) Market price risk*

The Company is not exposed to market price risk.

**27. CAPITAL RISK MANAGEMENT**

There were no changes in the Group's approach to capital management during the year before entering into administration on 19 December 2012. On exiting administration and successful effectuation of the Deed of Company Arrangement the board will develop a capital risk management policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

## **28. COMMITMENTS AND CONTINGENT LIABILITIES**

As the Company entered into Administration on 19 December 2012 no information was available to determine whether the Company had any commitments or contingent liabilities which required disclosure in the annual financial report. On exiting administration and under the proposed terms of the Deed of Company Arrangement the Company's liabilities and long term commitments are transferred to the Creditors Trust.

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

**DIRECTORS' DECLARATION**

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The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 10 to 27, are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standard AASB 134 – Interim Financial Reporting, the Corporations Regulations and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.
2. 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 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 2012, the statement of 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, 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.

## Basis for Qualified Opinion

Attention is drawn to the comparative figures in the financial report. As a consequence of the inability to access documents from previous advisers, employees, the directors have been unable to obtain the company's records for the year ended 30 June 2011. Due to this limitation of scope we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the comparative information for 30 June 2011. Consequently, we are unable to determine the effect that any adjustments, if any, to these amounts would have on the statement of financial position as at 30 June 2012 and the statement of comprehensive income, statement of changes in equity and the statement of cashflows for the year ended 30 June 2012.

Attention is drawn to the liabilities totalling \$5,966,514 included in the statement of financial position as at 30 June 2012. The company was placed into administration on the 19<sup>th</sup> December 2011 and therefore the company has entered into a deed of company arrangement which is subject to the completion of certain matters that have not been satisfied at the date of this report. Without the completion of the deed of company arrangement, we have been unable to obtain adequate assurance that liabilities have been completely recorded. Due to this limitation of scope we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness of these liabilities as at 30 June 2012. Consequently, we are unable to determine the effect that any adjustments, if any, to these amounts would have on the statement of financial position as at 30 June 2012 and the statement of comprehensive income, statement of changes in equity and the statement of cashflows for the year ended 30 June 2012.

Furthermore, attention is drawn to the key management personnel, related parties, financial risk management objectives and policies, and commitments and contingent liabilities' notes disclosed in Note 16, Note 20, Note 25, and Note 27 respectively, in the financial report. As described in the preceding paragraph, the directors have been unable to obtain all of the company's records for the year ended 30 June 2012. Due to this limitation of scope we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness and presentation of these disclosures. Consequently, we are unable to determine the effect that any adjustments, if any, to these amounts would have on the presentation of the financial report.

## Qualified Opinion

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

- (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 2012 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.

## 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.

### **Basis for Disclaimer of Opinion**

We have not been able to obtain sufficient appropriate audit evidence as the company was placed into administration on the 19<sup>th</sup> December 2011. We are unable to satisfy ourselves as to the payment's made as remuneration to key management personnel for services rendered during the current financial year. Accordingly, we are not in a position to and do not express any assurance in respect of the information presented in the remuneration report for the current year ended 30 June 2012.

### **Disclaimer Opinion**

Because of the significance of the matter described in the basis for disclaimer section, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the remuneration report included in the directors' report for the year ended 30 June 2012 and its compliance with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**



**Peter Toll**  
Director

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

## ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 19 November 2012.

### (a) Distribution schedule and number of holders of equity securities as at 19 November 2012

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
<b>Fully Paid Ordinary Shares (DGI)</b>	142	133	56	168	70	569

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 19 November 2012 is 569 as the fully paid ordinary shares were unquoted on that date.

### (b) 20 Largest holders of quoted equity securities as at 19 November 2012

The names of the twenty largest holders of fully paid ordinary shares (ASX code: DGI) as at 19 November 2012 are:

Rank	Name	Shares	% of Total Shares
1	INTERNATIONAL EQUITIES PTY LTD	4,032,835	11.725
2	ALCARDO INVESTMENTS LIMITED <STYLED 102501 A/C>	2,525,298	7.342
3	PROJECTED INVESTMENTS PTY LTD	1,220,283	3.548
4	BRAINS INCORPORATED PTY LTD	967,381	2.813
5	MRS BARBARA MCCAIG & MR SAMUEL GEORGE MCCAIG <FOUR SQ VENDING MCCAIG SF AC>	879,627	2.557
6	MR HARRISON X MCFALL-KING	750,000	2.181
7	MR PHILIP BANKS & MRS KAREN BANKS <BANKS RETIREMENT FUND A/C>	708,967	2.061
8	MR ANTHONY PATRICK JOYCE & MR FRANCIS JOHN FIELD <EST GEORGENA E BRADSHAW A/C>	635,122	1.847
9	MR JOHN OUTHRED & MRS LUCEILLE OUTHRED <JOLU SUPER FUND A/C>	602,637	1.752
10	AV EXTRAORDINAIRE PTY LTD	560,952	1.631
11	WHI SECURITIES PTY LTD <CROWN CREDIT CORPORATION A/C>	552,833	1.607
12	MR KEVIN JAMES SOPER & MRS IRENE JOYCE SOPER <DIGISLIDE SUPER FUND A/C>	533,663	1.552
13	MARTIN PLACE SECURITIES STAFF SUPERANNUATION FUND PTY LTD <MPSSF NO 2 A/C>	524,542	1.525
14	NATIONAL NOMINEES LIMITED	500,346	1.455
15	MR PETER RUBINSHTEIN & MRS LYUDMILA RUBINSHTEIN & MR NATAN RUBINSHTEIN	473,257	1.376
16	MARTIN PLACE SECURITIES STAFF SUPERANNUATION FUND PTY LTD <MPSSF INVESTMENT A/C>	465,265	1.353
17	MR GARY KURZER & MS VIRGINIA AGHAN <BIGFEATS INVESTMENTS P/L A/C>	440,000	1.279
18	MS LUCEILLE OUTHRED	426,050	1.239
19	MR DARYL LINDON HALL	407,500	1.185
20	MR KEVIN JAMES SOPER AND MRS IRENE JOYCE SOPER <DIGISLIDE SUPER FUND A/C>	390,551	1.135
	<b>TOTAL</b>	<b>20,562,328</b>	<b>29.80</b>

Stock Exchange Listing – Listing has been granted for 34,395,540 fully paid ordinary shares of the Company on issue on the Australian Securities Exchange however, as at 19 November 2012, the fully paid ordinary shares of the Company were suspended from official quotation on the Australian Securities Exchange.

The unquoted securities on issue as at 19 November 2012 are detailed below in part (d).

**(c) Substantial shareholders**

Substantial shareholders in DGI Holdings Ltd as at 19 November 2012 were as follows:

Name	Shares	% of Total Shares
INTERNATIONAL EQUITIES PTY LTD	4,032,835	11.725
ALCARDO INVESTMENTS LIMITED <STYLED 102501 A/C>	2,525,298	7.342

**(d) Unquoted Securities**

The unquoted securities on issue as at 19 November 2012 were as follows:

Security	Number on issue
Unlisted options exercisable at \$2.00, on or before 24 August 2014.	175,000
Unlisted options exercisable at \$0.32044, on or before 9 December 2015.	456,500
Unlisted options exercisable at \$0.50, on or before 30 November 2012.	225,000
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

**(e) Restricted Securities as at 19 November 2012**

No restricted securities were on issue as at 19 November 2012.

**(f) Voting Rights**

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

**(g) Company Secretary**

The Company Secretary is Ms Susan Hunter.

**(h) Registered Office**

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

**(i) Share Registry**

The Company's Share Registry is Boardroom Pty Limited, Level 7, 207 Kent Street, Sydney, NSW, 2000. The contact telephone numbers are 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia).

**(j) On-Market Buy-back**

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

## 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 in the corporate governance information section of the Company’s website at [www.dgiholdings.com.au](http://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.

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 will be 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 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. The current Board is not aware any formal reviews of individual Directors the Board, its Committees and its individual Directors were undertaken during the 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. The current Board of Directors is not aware performance and remuneration reviews were conducted during the financial year. In future, senior executives will undergo performance and remuneration reviews at least annually. Senior executives will be reviewed against a number of qualitative and quantitative factors relevant to their role and position.

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](http://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 Independence of Directors and the ASX Principles & Recommendations. Roger Steinepreis will be a substantial holder via his controlled entities and accordingly will not be 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](http://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](http://www.dgiholdings.com.au).

#### **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](http://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](http://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.

## **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](http://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](http://www.dgiholdings.com.au).

The Continuous Disclosure Policy is available on the Company’s website at [www.dgiholdings.com.au](http://www.dgiholdings.com.au).

## **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 Group 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](http://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 will be 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](http://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. The Chairman and, if appointed, Managing Director/CEO is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a risk register which is monitored and updated by management periodically.

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.

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](http://www.dgiholdings.com.au).

## **Integrity of Financial Reporting**

In future, the Board will receive assurance in writing from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) in accordance with section 295A of the Corporations Act 2001 that:

- the consolidated financial statements of the Company and its controlled entities for the financial 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.

However, for the majority of the 30 June 2012 financial year the Company was in administration and subject to a Deed of Company Arrangement. As such, for the 30 June 2012 financial year the Board has not received receive assurance in writing from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) in accordance with section 295A of the Corporations Act 2001 nor has management reported to the Board regarding the effectiveness of the Company's management of its material business risks.

### **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.

	<b>Male</b>	<b>Female</b>
Board	3	-
Senior Management	-	1
Staff	-	-

The Company's Diversity Policy is available on the Company's website at [www.dgiholdings.com.au](http://www.dgiholdings.com.au).

## 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 (2<sup>nd</sup> 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.
2.4	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 objectives for gender diversity.	Given the size of the Company, no measurable objectives for achieving gender diversity have been set.	Whilst no measurable objectives have been set for achieving gender diversity, the 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.

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
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.
7.2 and 7.3	The Board should receive assurance in writing from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) in accordance with section 295A of the Corporations Act 2001 and management must report to the Board regarding the effectiveness of the Company's management of its material business risks.	For the 30 June 2012 financial year the Board has not received receive assurance in writing from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) in accordance with section 295A of the Corporations Act 2001 nor has management reported to the Board regarding the effectiveness of the Company's management of its material business risks.	For the majority of the 30 June 2012 financial year the Company was in administration and subject to a Deed of Company Arrangement. As such, for the 30 June 2012 financial year the Board has not received receive assurance in writing from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) in accordance with section 295A of the Corporations Act 2001 nor has management reported to the Board regarding the effectiveness of the Company's management of its material business risks. In future financial years the Board will receive assurance in writing from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) in accordance with section 295A of the Corporations Act 2001 and request management report to the Board regarding the effectiveness of the Company's management of its material business risks.
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 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.

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
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.