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ASX Announcement

8th September 2008

2008 Annual Report

Attached is the 2008 Annual Report for MDS Financial Group Limited.

For further information on MDS Financial visit:

www.mdsfinancial.com.au or www.traderdealer.com.au.

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**MDS Financial Group Limited
(Formerly known as MDSnews Limited)**

ABN 90 091 744 884

Annual Financial Report

Year ended 30 June 2008



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Directory

Directors

Sean Rothsey – Executive Chairman
Allan Shek – Executive Director
David Whitfield – Non-executive Director

Company Secretary

Allan Shek

Registered Office

Level 4, 72 Pitt Street
SYDNEY NSW 2000 Australia
Phone: 02 9300 3500
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International
Phone: +61 2 9300 3500
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Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney, New South Wales, 2000
Phone: 02 8234 5000
Fax: 02 8234 5050

Auditors

Nexia Court & Co
Level 29, Tower Building, Australia Square
264 George Street
Sydney, New South Wales, 2000

Stock Exchange

The company's securities are quoted on the official list of the Australian Stock Exchange Limited, the home branch being Sydney.

ASX Code

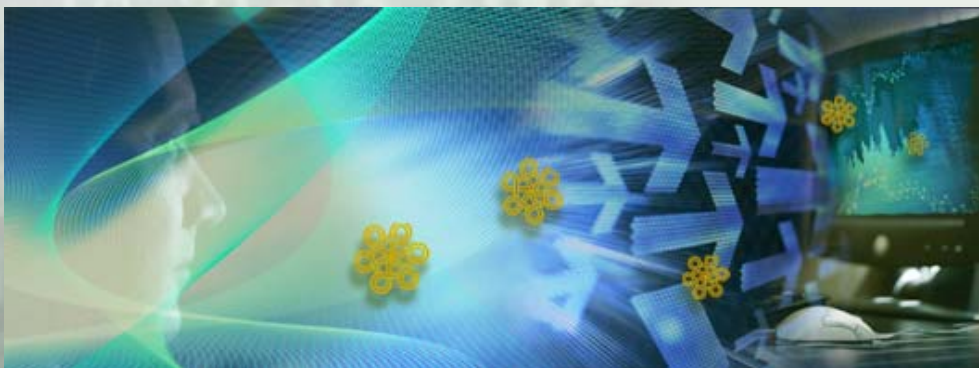
MWS (Shares)

MDS Financial Group Limited is a public company limited by shares and is domiciled in Australia



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Directors' report

1. Directors

The directors present their report together with the financial report of MDS Financial Group Limited (formerly known as MDSnews Limited), (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2008 and the auditor's report thereon.

Name, qualifications and independence status

Experience, special responsibilities and other directorships

Current

Sean Rothsey
Executive Chairman

Over the last 25 years, Sean has been involved in a wide range of industries from many perspectives and has established influential connections in shipping and transport, trading, financial and accounting professions, legal, insurance and underwriting, retail and private banking, film entertainment and marketing. Sean is an exceptional mediator and negotiator and is currently director and chairman of a number of private and public unlisted companies. He also subscribes to corporate social responsibility and is particularly interested in ethical investments. Director since 19 September 2007 – appointed Chairman 7 February 2008.

David Whitfield
FCA
Independent Non-Executive
Director

David Whitfield is a chartered accountant with over 35 years' experience in business and public practice in the areas of corporate advice, taxation, mergers and acquisitions, company reconstructions and public offerings. David Whitfield was previously a partner of a second tier accounting firm for 19 years. Since retiring from public practice, he has acted as a director and chairman of various listed and unlisted companies in the mining, technology and telecommunications areas. David Whitfield is the Chairman of the Audit Committee, the Nomination Committee and Remuneration Committee. Director since 19 January 2005.

Allan Shek
BSc
Director
Company Secretary

Allan Shek has been involved with the Group for the past 10 years, performing various roles within management roles in support, compliance and general management areas of the business. Allan is a member of the Audit Committee, Nomination Committee and Remuneration Committee. Allan also holds the position of Company Secretary. Director since 28 March 2008.

Former

Alun Stevens
MSc FIAA

An actuary with nearly 30 years experience in financial services including life insurance, superannuation, funds management and stock broking. He has held senior managerial positions and has provided management and marketing advice to a number of large Australian financial institutions. He was part of the management team that acquired Bourse Data from St George Bank in 2002. Non-executive Director from 15 December 2006 to July 2007 and February 2008 to March 2008. Alun changed to an Executive Director during July 2007 to February 2008. Retired as a director 28 March 2008.

Leon Hinde

Leon Hinde was the founder and Chief Executive Officer of the former MDSnews group of companies in 1995. He was CEO until December 2006, then undertook business development activities within the Company. Executive Director from 23 June 2005 to 7 February 2008. Non Executive Director from 7 February 2008 – 19 March 2008. Retired as a director 19 March 2008.

Barry Littler
MCom

Barry Littler has been a professional in wholesale financial markets since 1982. In this time Mr Littler has had senior management roles in Australian financial institutions. These roles have encompassed significant line experience in futures, fixed interest, currencies, derivatives, equities and fund management. Mr Littler has lectured for the various Australian financial industry bodies. Mr Littler is also Chief Executive Officer of Alleron Investment Management Limited. Executive Director and Chairman since 23 June 2005. Retired as Director and Chairman 7 February 2008.

Wayne Johnson

Wayne Johnson has over 20 years of business and financial transaction experience gained largely in Australia, New Zealand, Asia and North America. He has founded and helped manage businesses, from start-ups to public companies (including a publicly listed New Zealand Company – SmartPay Limited), and has been instrumental in the sale of technology and investment management based businesses to multinational buyers. Director since 15 December 2006. Retired as a Chief Executive Officer and a director 19 September 2007.

Directors' report

2. Company Secretary

Allan Shek BSc was appointed to the position of company secretary on 20 July 2005. Allan Shek has been involved with the Group for the past 10 years, performing various roles within management roles in support, compliance and general management areas of the business.

3. Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

	Directors Meetings		Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
Current Directors						
Sean Rothsey	8	8				
Allan Shek	2	2				
David Whitfield	11	11	2	2	1	1
Former Directors						
Wayne Johnson	3	3				
Barry Littler	6	6				
Leon Hinde	6	8				
Alun Stevens	9	9	2	2	1	1

A – Number of meeting attended

B – Number of meetings held during the time the director held office during the year

4. Directors' interests in contracts

Mr Sean Rothsey has an interest in the following contracts with the Company or its subsidiaries:

Boxred Service Agreement

For the provision of online marketing and other related services to the company.

Boxred Corporate Advisory agreement

For the provision of corporate advisory assistance to Cube Financial.

5. Corporate governance statement

As required by the ASX Listing Rules, this statement sets out the extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Recommendations") during the year to 30 June 2008. The Company considers that its governance practices are generally consistent, where possible, with the Recommendations except where stated.

5.1. Board of directors

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the board's charter is located on the Company's website (www.mdsfinancial.com.au).

The board has delegated responsibility for operating and administration of the Company to the executive management. Responsibilities are delineated by formal authority delegations.

Directors' report

Board processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a Nomination, Remuneration and an Audit Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds eleven scheduled directors' meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairperson, executive management and company secretary. Standing items include the executive officers' reports, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in the board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Director education

The Group has a process to educate any new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group offices and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors' report on page 4 of this report. It is intended that the composition of the board will be determined using the following principles:

- a minimum of three directors, with a broad range of expertise
- a majority of directors having extensive knowledge of the Company's industries, and those which do not, have extensive experience in significant aspects of auditing and financial reporting, or risk management of large companies
- a majority of independent non-executive directors
- enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities
- a maximum period of ten years service, subject to re-election every three years (except for the managing director).

At present the company does not have a majority of independent directors. After the December 2006 acquisitions of Bourse Data Pty Ltd and The Cube Financial Group Pty Ltd, the Company gained additional directors, who were either executives in the acquired companies or substantial shareholders and could not be classified as independent non-executive directors. During this time the Company was not in a position to increase the board size.

At present, the current board consists of a majority of executive directors involved in the general management of the Company. It is expected that the Company will be in a position to change this during the 2009 financial year with the anticipated appointment of additional independent non-executive directors.

In addition, the Company, at present does not have an independent director as Chairman however the Chairman does not hold the role of Chief Executive Officer. The Company does not presently have a Chief Executive Officer, but has delegated the majority of these duties to the Chief Operating Officer.

Directors' report

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer
- has no material* contractual relationship with the Company or another Group member or other than as a director of the Company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the director's ability to act in the best interests of the Company.

* *the board considers*, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser or at least 10 per cent of the relevant segment's or the director-related business's revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.

5.2. Nomination committee

The nomination committee oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management. The committee makes recommendations to the board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the committee in consultation with the board determines the selection criteria based on the skills deemed necessary. The committee identifies potential candidates and may seek advice from an external consultant. The board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

For the nomination process the committee proposes to use an external facilitator to review the effectiveness of the board, its committees, individual directors and senior executives. The other directors have an opportunity to contribute to the review process. The performance criteria take into account each director's contribution to setting the direction, strategy and financial objectives of the Group, and monitoring compliance with regulatory requirements and ethical standards.

The reviews generate recommendations to the board, which votes on them. The committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the board and the Company. Directors displaying unsatisfactory performance are required to retire.

An annual meeting for the nomination function is held annually unless otherwise required. The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment, including expectations of attendance and preparation for all board meetings, minimum hourly commitment, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

The nomination function also conducts an annual review of the performance of the executive management and the results are discussed at a board meeting.

The nomination committee was established on 24 July 2008 and has not met as at the date of this report. The committee comprises of the following members:

- David Whitfield (Chairperson) – Independent Non-Executive
- Allan Shek – Executive Director
- Sean Rothsey – Executive Chairman

At present the company does not have a majority of independent non-executive directors. After the December 2006 acquisitions of Bourse Data Pty Ltd and The Cube Financial Group Pty Ltd, the Company gained additional directors, who were either executives in the acquired companies or substantial shareholders and could not be classified as independent non-executive directors. During this time the Company was not in a position to increase the board size.

At present, the current board consists of a majority of executive directors involved in the general management of the Company. It is expected that the Company will be in a position to change this during the 2009 financial year with the possible appointment of additional independent non-executive directors.

Directors' report

Further information on the charters and policies relating to nomination is available on the Company's website.

5.3. Remuneration committee

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves of the Company and of other Group executives for the Group. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The executive management are invited to remuneration meetings, as required, to discuss senior executives' performance and remuneration packages but do not attend meetings involving matters pertaining to themselves.

The remuneration committee comprised the following members during the year:

Current

- David Whitfield (Chairperson) – Independent Non-Executive
- Allan Shek – Executive Director

Former

- Alun Stevens – Non-Executive
- Leon Hinde – Non-Executive

The remuneration committee meets twice per year and as required.

The committee met once during the year and committee members' attendance records is disclosed in the table of Directors' meetings on page 5.

At present the company does not have a majority of independent non-executive directors. After the December 2006 acquisitions of Bourse Data Pty Ltd and The Cube Financial Group Pty Ltd, the Company gained additional directors, who were either executives in the acquired companies or substantial shareholders and could not be classified as independent non-executive directors. During this time the Company was not in a position to increase the board size.

At present, the current board consists of a majority of executive directors involved in the general management of the Company. It is expected that the Company will be in a position to change this during the 2009 financial year with the possible appointment of additional independent non-executive directors.

Further information on the charters and policies relating to nomination and remuneration is available on the Company's website.

5.4. Remuneration report – audited

5.4.1. Principles of compensation – audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the five most highly remunerated Company and Group executives.

Directors' report

Details of Key Management Personnel

(i) Directors

David Whitfield	Director – Non-executive (appointed 20 January 2005)
Sean Rothsey	Director – Non-executive (appointed 19 September 2007)
Allan Shek	Director – Executive (appointed 28 March 2008)
	Company Secretary (appointed 1 January 1998)

(ii) Former Directors

Barry Littler	Executive Chairman (appointed 28 June 2005, retired 7 February 2008)
Leon Hinde	Director and Business Development (appointed 28 June 2005, retired 19 March 2008)
Alun Stevens	Director (appointed 15 December 2006, retired 28 March 2008)
Wayne Johnson	Director and Chief Executive Officer (15 December 2006, retired 19 September 2007)

(iii) Executives

Damian Isbister	Chief Operating Officer (appointed 1 July 2008)
Ella Fung	Chief Financial Officer (appointed 8 May 2008)
Craig Foley	Chief Information Officer (appointed 28 February 2008)
David Galtieri	Chief Executive Officer (appointed 11 February 2008, retired 9 May 2008)
Rodney Weston	Chief Operating Officer (appointed 15/12/2006, retired 29 February 2008)

No other changes have occurred between the year end and the date this financial report was authorised for issue.

Compensation levels for key management personnel and secretaries of the Company, and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segment/s' performance
- the Group's performance including:
 - the Group's earnings
 - the growth in share price and delivering constant returns on shareholder wealth
 - the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation, and short and long-term performance based incentives.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Group. In addition, external analysis and advice is obtained when required to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes both short term and long term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan. No bonuses or options were issued during the year.

Directors' report

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going from his usual residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director (other than any executive Director) for so doing in such sum (not being, if the Listing Rules so prohibit, a commission on, or percentage of, profits or of operating revenue) as may be determined by the Board and such remuneration may be either in addition to, or in substitution for, his or their remuneration as herein provided.

As part of each executive director and executive's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the Group to the market, independent reports are obtained from external consultants.

Company performance, shareholder wealth and director and executive remuneration

Compensation has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the general meeting held 15 December 2006, is not to exceed \$200,000 per annum. Directors' base fees are presently up to \$60,000 per annum.

Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of one committee. Non-executive director members who sit on more than one committee are entitled to receive an additional payment of \$2,000 per day for meetings attended.

Directors' report

5.4.2. Directors' and executive officers' remuneration - audited

	Short-Term Benefits		Post employment	Share-based payments		TOTAL
	Salary/ fees	Special Service fees	Superannuation	Shares	Options	
2008	\$	\$	\$	\$	\$	\$
Current						
Sean Rothsey (i)	24,680	14,664	-	-	-	39,344
David Whitfield	60,000	-	-	-	-	60,000
Allan Shek (ii)	114,745	-	10,327	-	-	125,072
Damian Isbister (iii)	-	-	-	-	-	-
Ella Fung (iv)	20,321	-	1,829	-	-	22,150
Craig Foley	130,002	-	11,700	-	-	141,702
Former						
Alun Stevens (v)	-	-	-	-	-	-
Leon Hinde (vi)	94,356	-	8,492	-	-	102,848
Barry Littler (viii)	45,258	-	-	-	-	45,258
Wayne Johnson (ix)	75,000	-	-	-	-	75,000
Rodney Weston (vii)	135,309	-	12,178	-	-	147,487
Total	699,671	14,664	44,526	-	-	758,861
2007						
Barry Littler	72,500	-	-	-	-	72,500
Wayne Johnson	90,000	-	-	-	-	90,000
Leon Hinde	111,976	-	10,061	-	-	122,037
Alun Stevens	20,000	-	-	-	-	20,000
David Whitfield (x)	60,000	137,500	-	-	-	197,500
Rodney Weston (xii)	64,220	-	5,780	-	-	70,000
Allan Shek (xi)	99,742	-	8,979	1,000	8,300	118,021
Total	518,438	137,500	24,820	1,000	8,300	690,058

Notes in relation to the table of directors' and executive officers' remuneration.

- (i) Director fee Payments are for the period from 19 September 2007 to 30 June 2008 and special fee payments are for the period from 2 February 2008 to 30 June 2008.
- (ii) Allan Shek was appointed Director on 28 March 2008.
- (iii) Damian Isbister was appointed Chief Operating Officer on 1 July 2008.
- (iv) Ella Fung was appointed Chief Financial Officer on 8 May 2008.
- (v) Alun Stevens retired on 28 March 2008.
- (vi) Leon Hinde retired on 19 March 2008. Payments are for the period from 1 July 2007 to 19 March 2008.
- (vii) Rodney Weston retired on 29 February 2008.
- (viii) Barry Littler retired on 7 February 2008. Payments are for the period from 1 July 2007 to 7 February 2008.
- (ix) Wayne Johnson retired on 19 September 2007.
- (x) On 30 November 2006, 1,018,518 ordinary shares in MDSnews were issued to The Toddlers Manufacturing Co Pty Ltd (Toddlers), a company controlled by David Whitfield, a director of MDSnews. The issue of shares was made in consideration of the provision of past services of David Whitfield provided by Toddlers. Shareholders approved the issue on 30 November 2006 at the 2006 Annual General Meeting of the Company. The value attributed to these shares was \$0.135 and was included in due diligence expenses and capitalised to the cost of investment in Bourse Data and Cube Financial.
- (xi) On 27 July 2006, 5,000 fully paid ordinary shares of MDS Financial Group Limited were issued to Allan Shek as part of his compensation. The shares were issued as compensation to increase goal congruence between shareholders, directors and executives.
- (xii) Payments are for the period 1 January 2007 to 30 June 2007.

Directors' report

The aggregate compensation of key management personnel of the company and the Group is as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	714,335	655,938	-	-
Post-employment benefits	44,526	24,820	-	-
Share-based payments	-	9,300	-	9,300
	<u>758,861</u>	<u>690,058</u>	<u>-</u>	<u>9,300</u>

5.4.3. Equity instruments - audited

5.4.3.1. Options

No options over ordinary shares were issued or lapsed during the year.

5.4.3.2. Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

5.4.3.3. Exercise of options granted as compensation

During the reporting period, there were no shares issued on the exercise of options previously granted as compensation.

5.5. Audit committee

The audit committee has a documented charter, approved by the board. All members are intended to be non-executive directors with a majority being independent. As identified earlier, with the current board, this is not possible. The Chairperson may not be the Chairperson of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the audit committee during the year were:

Current

- David Whitfield (Chairperson) – Independent Non-Executive
- Allan Shek – Executive Director

Former

- Alun Stevens – Non-Executive
- Leon Hinde – Non-Executive

The internal and external auditors and the executive management are invited to audit committee meetings at the discretion of the committee. The committee met 2 times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 5.

At present the company does not have a majority of independent non-executive directors. After the December 2006 acquisitions of Bourse Data Pty Ltd and The Cube Financial Group Pty Ltd, the Company gained additional directors, who were either executives in the acquired companies or substantial shareholders and could not be classified as independent non-executive directors. During this time the Company was not in a position to increase the board size.

At present, the current board consists of a majority of executive directors involved in the general management of the Company. It is expected that the Company will be in a position to change this during the 2009 financial year with the possible appointment of additional independent non-executive directors.

The chief financial officer declared in writing to the board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 30 June 2008 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually. There was no chief executive officer or equivalent to declare this in writing at balance date as the chief operating officer was appointed on 1 July 2008.

Directors' report

The external auditor met with the audit committee and the board of directors twice during the year without management being present.

The audit committee's charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The responsibilities of the audit committee include:

- reviewing the annual, half-year and concise financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is adequate for shareholder needs
- assessing corporate risk assessment processes
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review
- providing advice to the board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001
- assessing the adequacy of the internal control framework and the Company's code of ethical standards
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The audit committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of result
- review the draft annual and half-year report, and recommend board approval of the financial report
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

5.6. Risk management

Oversight of the risk management system

The board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Group. The chief financial officer has declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the Annual Financial Report for all material operations in the Group and material associates and joint ventures. There was no chief executive officer or equivalent to declare this in writing at balance date as the chief operating officer was appointed on 1 July 2008.

Risk profile

The risk and compliance committee reports to the board quarterly on the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Major risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, development and use of information systems.

Directors' report

Risk management and compliance and control

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The board's policy on internal control is comprehensive. The Company's internal compliance and control systems include:

- *Operating unit controls* – Operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals
- *Functional speciality reporting* – Key areas subject to regular reporting to the board include Treasury operations, legal and insurance matters
- *Investment appraisal* - Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- business transactions are properly authorised and executed
- the quality and integrity of personnel
- financial reporting accuracy and compliance with financial reporting regulatory framework

Quality and integrity of personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

Financial reporting

The chief operating officer and the chief financial officer have declared in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Group's operations are not subject to any significant environmental Commonwealth or State regulation or laws.

5.7. Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflicts of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the Group are set out in note 27 to the financial statements.

Directors' report

Code of conduct

The Group has advised each director, manager and employee that they must comply with the Company's Code of Conduct. The code may be viewed on the Company's website, and it covers the following:

- aligning the behaviour of the board and management with the code of conduct by maintaining appropriate core Company values and objectives
- fulfilling responsibilities to shareholders by delivering shareholder value
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced
- employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and other donations
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution
- compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's
- conflicts of interest
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain
- confidentiality of corporate information
- fair dealing
- protection and proper use of the Company's assets
- compliance with laws
- reporting of unethical behaviour.

Trading in general Company securities by directors and employees

They key elements of the Share Trading Policy are:

- identification of those restricted from trading – directors and senior executives may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
 - except between three and thirty days after either the release of the Company's half-year and annual results to the ASX, the annual general meeting or any major announcement
 - whilst in possession of price sensitive information not yet released to the market
- to raise the awareness of legal prohibitions including transactions with colleagues and external advisers
- to raise awareness that the Company prohibits entering into transactions that limit economic risks related to unvested share based payments and that the Company requires annual declarations of compliance with this particular policy
- to raise awareness that the Company prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period
- to require details to be provided of intended trading in the Company's shares
- to require details to be provided of the subsequent confirmation of the trader
- the identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website.

5.8. Communication with shareholders

The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. The policy can be found on the Company's website.

5.9. General Meetings

The Company requests its auditor to attend each Annual General Meeting and be available to answer questions from shareholders about the conduct of the audit, and the preparation and contents of the auditor's report.

Directors' report

6. Principal activities

The Group provides diversified financial services to retail and wholesale customers through share market advice, analysis, data, online trading and research solutions. The Group consists of four main operating subsidiaries, they are:

MDSnews

The Market Analyser is a sophisticated trading analysis software platform for global investors and traders. Internationalised versions have been developed and distribution relationships exist in South East Asia and the Middle East.

Bourse Data

The Bourse, a trading analysis software platform predominately designed for Australian investors and traders. The Bourse has been a dominant product in the Australian financial markets since its release in 1992. Bourse Data also provides wholesale white labelled solutions to a number of businesses, listed companies and financial information providers in Australia.

The Cube Financial Group

A diversified financial services company provides private client advice, newsletter and education services to clients in Australia and New Zealand. Cube has a range of services designed for the complete beginner who requires the support of licensed professionals to the professional who makes their own decisions.

Trader Dealer Online

Trader Dealer Online delivers the semi-professional and professional Trader or Securities Dealer with a "straight to market" service and free stop loss facility, so traders are in more control of their investment decision. Trader Dealer provides maximum trading flexibility, to allow investors and professional traders to make the most of the markets.

On 2 April 2008, MDSnews Global Pty Ltd acquired the assets of Trader Dealer Pty Ltd from its Administrators. MDSnews Global Pty Ltd changed its name to Trader Dealer Online Pty Ltd and the Group reduced its shareholding in Trader Dealer Online Pty Ltd to 51%.

There were no other significant changes in the nature of the activities of the Group during the year.

7. Objectives

The Group's objectives are to:

- Reduce Group costs from current operations through rationalisations and efficiency gains
- Increase market analysis subscription client base through increased sales and better retention.
- Increase Private Client Advisory client base through increased cross selling into the large client base.
- Increase corporate advisory engagements and revenue by expanding relationships and investing in increased resourcing for the operation.
- Increase profitability
- Develop the brand and market presence so that when asked, our competitors will all nominate us as one of the significant providers in their market.

Directors' report

8. Outlook

The financial results for MDS Financial continue to reflect the major transformation that has been taking place to integrate and build three separate businesses into one unit, a new business acquisition to provide cross selling opportunities and a more holistic product offering and to drive further efficiencies of scale and to rationalize the business during difficult market conditions. The results in the market information business are in line with our expectation and reflect that the group is now established as a single, unified financial services business.

This year reflects virtually all of the major steps towards a consolidated business, and we have moved through that process as planned.

We are seeing evidence that with the transformation and consolidation, what were once quite separate businesses, will now benefit from being one integrated group, with the resulting ongoing cost savings, efficiencies and opportunities providing a solid foundation for the group to grow.

The directors are confident about the future because we know that more investors want to do it themselves. Investors want control and independent information, yet we also know how difficult it is for these investors to find genuine support. Too many providers try to push investors into specific products or investment behaviours, whereas the competitive advantage of MDS Financial is that we provide an alternative to the status quo by giving investors more flexibility and control.

Maintaining independence across service lines such as private client advice, online execution and education is central to the new group's offering, again giving MDS Financial a competitive advantage because this level of independence is something the big end of town cannot deliver.

In the coming months we will release some exciting new services which we think will provide enormous value to existing customers and appeal to all investors who value high quality independent investment tools and support and these products maintain a point of difference which the directors believe will be reflected quickly and positively onto the bottom line of the business.

Operationally we continue to improve our performance and since 30 June 2008 we have relocated our Sydney operation into a CBD location and relocated our Gold Coast office to Varsity Lakes. These moves are expected to further improve efficiencies and considerably reduce costs in the coming year.

We have been tested operationally and financially in recent months as the Australian stock market displayed its most volatile aspects by the ASX200 Index falling:

- 17% for the financial year to 30 June 2008, and
- a bearish outlook going forward.

Significantly for our sector trading volumes and liquidity have also been severely negatively effected.

I am pleased to report that despite these market conditions the company sees continuing customer growth both in cross selling and new client acquisition. This is reflected particularly in the newly established Trader Dealer Online subsidiary where new customer acquisition is now running at levels totally disproportionate to the market conditions with:

- 17.21% growth in July 2008
- 27.97% growth in August 2008 and
- 33.15% growth expected in September 2008.

Our retail customer numbers are approximately 6,000 and the company sees continuing customer growth both in cross selling and new client acquisition in that line of business also.

We have strengthened our prospects going forward by undertaking a complete product rationalisation strategy and to differentiating ourselves from our competitors going forward in this year.

Directors' report

We believe MDS Financial continues to increase in value along with its customer number growth and expect the market to reflect this at some time in the near future as the inherent value and the efforts of growing and adding value to the business are fully understood.

The outlook for the coming year is for the Company to continue its aggressive customer and successful growth strategy.

9. Operational and financial review

In summary, the results for the year, before significant impairment losses are:

	30/6/2008 6 Months \$	31/12/2007 6 Months \$	Year 12 Months \$
(Loss) for the year	(842,267)	(144,856)	(987,123)
Net financing income	(42,844)	(66,096)	(108,940)
Depreciation and amortisation	129,161	102,022	231,183
EBITDA	(755,950)	(108,930)	(864,880)

The result for the 6 months to 30 June 2008 is disappointing due to additional one off expenses relating to discontinued operations (financial planning), bad debt expenses, redundancies and legal fees.

10. Dividends

No dividends were paid or declared by the Company since the end of the previous financial year.

11. Events subsequent to reporting date

On 14 August 2008, the Company announced that it has called an Extraordinary General Meeting for 25 September 2008 to seek approval for:

- A selective buy back for the cancellation of 15,000,000 shares issued to the former shareholders of Cube Financial, amongst other things, to compensate the Company for the underperformance of the Cube Financial business; and
- the issue of up to 30,000,000 ordinary shares in the Company to Placement Investors, as defined in the notice.

There have been no other matters or circumstances, which have arisen since 30 June 2008 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2008, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2008, of the Group.

12. Directors' interests

The relevant interest of each director in the shares or options issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities and Investments Commission in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	MDS Financial Group Limited	
	Ordinary shares	Options over ordinary shares
Mr David Whitfield	2,479,768	-
Mr Sean Rothsey	13,670,000	-
Mr Allan Shek	72,575	1,000,000

Directors' report

13. Share options

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company. No options have been granted since the end of the financial year.

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
31 December 2008	\$0.20	2,960,000
		<u>2,960,000</u>

Shares issued on exercise of options

There were no options exercised during the financial year.

14. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Mr Sean Rothsey, Mr David Whitfield and Mr Allan Shek and the following former directors, Mr Alun Stevens, Mr Leon Hinde and Mr Barry Littler, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

No claims have been made during the year or as at the date of this report.

Insurance premiums

The directors have not included details of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' insurance contracts, as such disclosure is prohibited under the terms of the contract.

15. Non-audit services

During the year Nexia Court & Co, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and by resolution, the directors of the Company are satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

	\$
Taxation and other services	4,590
Financial Services Licenses Audit	4,850
	<u>9,440</u>

Directors' report

16. Lead auditor's independence declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report on page 21.

This report was made with a resolution of the directors.



Sean Rothsey
Chairman

5 September 2008

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**CHARTERED
ACCOUNTANTS**

ABN 71 502 156 733

**LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the directors of MDS Financial Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia Court & Co
Chartered Accountants

Stephen J Rogers
Partner

Sydney
Dated: 28 August 2008

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Graeme J Watman
David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry
Russell Reid

Income Statements

For the year ended June 2008

	Note	Consolidated Entity		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Continuing operations					
Revenue	8	8,079,086	6,575,899	-	325,000
Cost of sales		<u>(2,997,625)</u>	<u>(2,378,653)</u>	-	-
Gross profit		5,081,461	4,197,246	-	325,000
Employee benefits expense	9	3,505,016	3,041,092	-	42,716
Depreciation and amortisation	9	231,183	138,612	-	-
Other expenses	9	<u>2,441,325</u>	<u>1,347,890</u>	<u>267,887</u>	<u>365,498</u>
Results from operating activities		(1,096,063)	(330,348)	(267,887)	(83,214)
Interest received		117,890	134,602	85,226	75,257
Interest paid		<u>(8,950)</u>	<u>(641)</u>	-	-
Net financing income		108,940	133,961	85,226	75,257
Loss before significant items		(987,123)	(196,387)	(182,661)	(7,957)
Significant impairment losses	9 & 12	<u>(6,379,599)</u>	<u>(8,785,810)</u>	<u>(11,483,599)</u>	<u>(8,785,810)</u>
Loss before income tax		(7,366,722)	(8,982,197)	(11,666,260)	(8,793,767)
Income tax	10	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss from continuing operations		(7,366,722)	(8,982,197)	(11,666,260)	(8,793,767)
Discontinued operation					
Loss from discontinued operation		<u>(271,076)</u>	-	-	-
Loss for the year		<u>(7,637,798)</u>	<u>(8,982,197)</u>	<u>(11,666,260)</u>	<u>(8,793,767)</u>
Loss attributed to equity holders		(7,582,224)	(8,982,197)	(11,666,260)	(8,793,767)
Loss attributed to non-controlling interests		<u>(55,574)</u>	-	-	-
		<u>(7,637,798)</u>	<u>(8,982,197)</u>	<u>(11,666,260)</u>	<u>(8,793,767)</u>
		Cents per share	Cents per share		
Basic and diluted earnings per share	18	(4.014)	(6.886)		

All potential ordinary shares, being options to acquire ordinary shares are not considered dilutive, as the exercise of the options would decrease the basic loss per share.

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

As at 30 June 2008

	Note	Consolidated Entity		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Assets					
Cash and cash equivalents	16	1,267,677	2,775,353	894,140	1,821,030
Trade and other receivables	15	372,271	1,346,044	60,329	25,240
Other financial assets	13	-	12,500	-	-
Total current assets		<u>1,639,948</u>	<u>4,133,897</u>	<u>954,469</u>	<u>1,846,270</u>
Trade and other receivables	15	-	-	643,961	563,533
Other financial assets	13	152	111	2,056,120	12,515,894
Plant and equipment	11	422,486	320,337	-	-
Goodwill	12	2,056,120	8,392,114	-	-
Other assets	14	196,352	162,894	-	-
Total non-current assets		<u>2,675,110</u>	<u>8,875,456</u>	<u>2,700,081</u>	<u>13,079,427</u>
Total assets		<u>4,315,058</u>	<u>13,009,353</u>	<u>3,654,550</u>	<u>14,925,697</u>
Trade and other payables	19	893,219	1,935,506	25,109	51,905
Deferred income	23	460,583	487,371	-	-
Employee benefits	21	164,175	268,564	-	-
Total current liabilities		<u>1,517,977</u>	<u>2,691,441</u>	<u>25,109</u>	<u>51,905</u>
Trade and other payables	19	-	-	1,171,909	750,000
Loans and borrowings	20	108,951	-	-	-
Employee benefits	21	134,545	126,529	-	-
Total non-current liabilities		<u>243,496</u>	<u>126,529</u>	<u>1,171,909</u>	<u>750,000</u>
Total liabilities		<u>1,761,473</u>	<u>2,817,970</u>	<u>1,197,018</u>	<u>801,905</u>
Net assets		<u>2,553,585</u>	<u>10,191,383</u>	<u>2,457,532</u>	<u>14,123,792</u>
Equity					
Share capital	17	19,206,135	19,206,135	50,885,021	50,885,021
Share option reserves		24,716	24,716	66,476	66,476
Accumulated losses		(16,621,692)	(9,039,468)	(48,493,965)	(36,827,705)
Total equity attributable to equity holders of the company		2,609,159	10,191,383	2,457,532	14,123,792
Non-controlling interest		(55,574)	-	-	-
Total equity		<u>2,553,585</u>	<u>10,191,383</u>	<u>2,457,532</u>	<u>14,123,792</u>

The above balance sheets should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2008

Consolidated Entity	Notes	Share capital	Share options reserve	Accumulated losses	Non-Controlling Interest	Total equity
		\$	\$	\$	\$	\$
At 1 July 2006		1,963,811	-	(57,271)	-	1,906,540
Issue of share capital to employees	17(b)	18,000	-	-	-	18,000
Issue of share capital to a director related company	17(b)	137,500	-	-	-	137,500
Issue of share capital to shareholders of Bourse Data Pty Ltd	17(b)	8,563,352	-	-	-	8,563,352
Issue of share capital to shareholders of Cube Financial Group Pty Ltd	17(b)	8,563,352	-	-	-	8,563,352
Cancelled share capital as a result of an unmarketable parcel share buy back	17(b)	(39,880)	-	-	-	(39,880)
Loss for the period		-	-	(8,982,197)	-	(8,982,197)
Share-based payment expense		-	24,716	-	-	24,716
At 30 June 2007	17	<u>19,206,135</u>	<u>24,716</u>	<u>(9,039,468)</u>	<u>-</u>	<u>10,191,383</u>
Loss for the year attributable to equity holders		-	-	(7,582,224)	-	(7,582,224)
Loss for the year attributable to non-controlling interest		-	-	-	(55,574)	(55,574)
At 30 June 2008	17	<u>19,206,135</u>	<u>24,716</u>	<u>(16,621,692)</u>	<u>(55,574)</u>	<u>2,553,585</u>

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

Statement of changes in equity

For the year ended 30 June 2008

Company		Share capital	Share options reserve	Accumulated losses	Non-Controlling Interest	Total equity
		\$	\$	\$	\$	\$
At 1 July 2006		33,642,697	41,760	(28,033,938)	-	5,650,519
Issue of share capital to employees	17(b)	18,000	-	-	-	18,000
Issue of share capital to a director related company	17(b)	137,500	-	-	-	137,500
Issue of share capital to shareholders of Bourse Data Pty Ltd	17(b)	8,563,352	-	-	-	8,563,352
Issue of share capital to shareholders of Cube Financial Group Pty Ltd	17(b)	8,563,352	-	-	-	8,563,352
Cancelled share capital as a result of an unmarketable parcel share buy back	17(b)	(39,880)	-	-	-	(39,880)
Loss for the period		-	-	(8,793,767)	-	(8,793,767)
Share-based payment expense		-	24,716	-	-	24,716
At 30 June 2007	17	<u>50,885,021</u>	<u>66,476</u>	<u>(36,827,705)</u>	<u>-</u>	<u>14,123,792</u>
Loss for the year		-	-	(11,666,260)	-	(11,666,260)
At 30 June 2008	17	<u><u>50,885,021</u></u>	<u><u>66,476</u></u>	<u><u>(48,493,965)</u></u>	<u><u>-</u></u>	<u><u>2,457,532</u></u>

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

Statements of cash flows

For the year ended 30 June 2008

	Note	Consolidated Entity		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts from customers		10,181,271	7,328,002	-	325,000
Cash paid to suppliers and employees		(11,574,094)	(7,504,484)	(136,584)	(165,757)
Interest paid		(8,950)	(641)	-	-
Net cash from operating activities	16(a)	<u>(1,401,773)</u>	<u>(177,123)</u>	<u>(136,584)</u>	<u>159,243</u>
Cash flows from investing activities					
Interest received		117,890	134,602	85,226	75,257
Proceeds from disposal of plant and equipment		1,000	-	-	-
Acquisition of plant & equipment		(346,244)	(119,472)	-	-
Cash component from acquisition of subsidiary		-	962,040	-	-
Payment for due diligence costs		-	(95,562)	-	(78,680)
Proceeds from disposal of other non-current assets		12,500	-	-	-
Payment for other non-current assets		-	(12,500)	-	-
Net cash from investing activities		<u>(214,854)</u>	<u>869,108</u>	<u>85,226</u>	<u>(3,423)</u>
Cash flows from financing activities					
Payment for share buy back		-	(32,000)	-	(32,000)
Proceeds from borrowings		-	-	-	186,467
Loan to subsidiaries		-	-	(875,532)	-
Loan from non-controlling shareholder		108,951	-	-	-
Net cash from financing activities		<u>108,951</u>	<u>(32,000)</u>	<u>(875,532)</u>	<u>154,467</u>
Net (decrease)/increase in cash and cash equivalents		(1,507,676)	659,985	(926,890)	310,287
Cash and cash equivalents at 1 July		<u>2,775,353</u>	<u>2,115,368</u>	<u>1,821,030</u>	<u>1,510,743</u>
Cash and cash equivalents at 30 June	16(b)	<u><u>1,267,677</u></u>	<u><u>2,775,353</u></u>	<u><u>894,140</u></u>	<u><u>1,821,030</u></u>

Notes to the financial statements

1. Reporting entity

MDS Financial Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 4, 72 Pitt Street, SYDNEY NSW 2000. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the 'Group').

2. Basis of preparation

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 5 September 2008.

b) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods.

3. Significant accounting policies

The following is a summary of material accounting policies adopted by the Group in the preparation and presentation of the consolidated financial statements. The accounting policies have been consistently applied, to all periods presented and Group entities unless otherwise stated.

a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

On 2 April 2008, MDSnews Global Pty Ltd acquired the assets of Trader Dealer Pty Ltd from its Administrators. MDSnews Global Pty Ltd changed its name to Trader Dealer Online Pty Ltd and its parent company reduced its shareholding in Trader Dealer Online Pty Ltd to 51%.

The consolidated income statement is that of the Group, comprising the results of Bourse Data Pty Ltd, The Cube Financial Pty Ltd, MDS Financial Group Limited and its subsidiaries Market Data Services Pty Ltd, MDSnews Australia Pty Ltd, MDSnews.com Pty Ltd and MDSnews Solutions Pty Ltd, and the results of Trader Dealer Online Pty Ltd (formerly known as MDSNews Global Pty Ltd)

Notes to the financial statements

b) Revenue recognition

- i. Sale of goods
 Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ii. Rendering of services
 Revenue from the provision of services to customers is recognised upon delivery of the service to the customer. Revenue received that relates to the provision for future services is accounted for as deferred income (note 23).
- iii. Interest revenue
 Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.
- iv. Commissions
 When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

All revenue is stated net of the amount of goods and services tax (GST).

c) Cash and equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions.

d) Plant and equipment

Plant and equipment and leasehold improvements and are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The depreciable amounts of all fixed assets are depreciated on a reducing balance basis over their estimated useful lives commencing from the time the asset is held ready for use.

	2008	2007
Plant and equipment:	11.3% to 40%	11.3% to 40%
Leasehold improvements	7.5% to 20%	7.5% to 20%

e) Leased assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the financial statements

f) Intangible assets

- i. Goodwill
Goodwill arises on the acquisition of subsidiaries.

For acquisitions on or after 1 January 2003, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Subsequent to initial recognition, Goodwill is recognised at cost less accumulated impairment losses.

g) Impairment

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Tangible assets

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Goodwill

Recoverable amount is the estimated future after tax earnings multiplied by a multiple that takes into consideration the nature of the asset (or cash-generating unit).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

An impairment loss in respect of goodwill is not reversed.

Notes to the financial statements

h) Income tax

i. Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

ii. Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination), which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

iii. Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

iv. Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 January 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is MDS Financial Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are allocated among the entities in the group using a 'group allocation method' approach.

Notes to the financial statements

i) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

j) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

k) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment loss.

Notes to the financial statements

l) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

m) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

n) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

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

Notes to the financial statements

p) Foreign Currencies

i. Functional and presentation currency

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the consolidated and parent entity's functional and presentation currency.

ii. Transactions and balances

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

s) Adoption of new revised accounting standards

In the current year, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

4. Determination of fair values

A number of Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. *Plant and equipment*

The fair value of plant and equipment recognised as a result of a business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

ii. *Financial assets and liabilities*

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

Notes to the financial statements

5. Financial Risk Management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the company and group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Board of Directors have established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a commercial, retail or other, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Group's trade and other receivables relate mainly to the Group's commercial, retail and other customers.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

- Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Currency risk

The Group is exposed to currency risk on purchases that are dominated in a currency other than the respective functional currencies of Group entities, being the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are AUD and NZD.

Notes to the financial statements

Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates is minimised by changing to fixed rate borrowings when interest rates are volatile.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. All assets and liabilities are held in Australia.

a) Business segments

The Group comprises the following main business segments:

- Data subscriptions – Provision of financial market data and analysis tools for sophisticated investors.
- Brokerage commissions – Private client trading activity.
- Data royalties – Products used in the United Kingdom.
- Other – Other includes Corporate Advisory and Financial Planning.

b) Geographical segments

All business segments are managed in Australia. The data royalties originate from a source within the United Kingdom.

	Consolidated revenue		Consolidated result	
	2008	2007	2008	2007
	\$	\$	\$	\$
Continuing operations				
Australia				
Data subscriptions	7,083,710	5,532,147	238,709	103,480
Brokerage commissions	865,671	565,945	(702,696)	(206,960)
Impairment of investment	-	-	(6,379,599)	-
Other	247,595	247,334	(523,136)	(92,907)
United Kingdom				
Data royalties	-	230,473	-	-
	<u>8,196,976</u>	<u>6,575,899</u>	<u>(7,366,722)</u>	<u>(196,387)</u>
Discontinued operations				
Australia				
Other	72,802	-	(271,076)	-
United Kingdom				
Data royalties	180,699	-	-	-
	<u>253,501</u>	<u>-</u>	<u>(271,076)</u>	<u>-</u>
	<u>8,450,477</u>	<u>6,575,899</u>	<u>(7,637,798)</u>	<u>(196,387)</u>

During December 2007 the board conducted a strategic review of the Cube Financial Business. As a result, the company decided to focus its activities on products and services related to financial markets and to no longer provide broad financial planning advice in its current form. In May 2008 the strategic review was concluded and the company closed the financial planning business unit.

Notes to the financial statements

7. Acquisitions

2008

Acquisition of business

During the financial year, MDSnew Global Pty Ltd bought plant and equipment and some intangible assets including client lists, database, trading software licenses, websites and domains, former staff details, telephone and fax numbers from the administrator of Trader Dealer Pty Ltd for \$75,000. The market value of plant and equipment at the time of the purchase was \$31,295. MDSnew Global Pty Ltd was renamed to Trader Dealer Online Pty Ltd on 8 April 2008. MDSnews.com Pty Ltd owns 51% and Boxred Pty Ltd (a company associated with Sean Rothsey) owns 49% of Trader Dealers Online Pty Ltd as at balance date.

2007

Acquisition of subsidiaries

On 15 December 2006 the shareholders of MDS Financial Group Limited (MDSnews) approved the acquisition of Bourse Data Pty Ltd (Bourse Data) and The Cube Financial Group Pty Ltd (Cube Financial). MDSnews acquired 100% of the issued share capital of Bourse Data for the issue of 63,432,235 ordinary shares to the Bourse Data Shareholders and also acquired 100% of the issued share capital of Cube Financial for the issue of 63,432,235 ordinary shares to the Cube Financial Shareholders. The value attributable to these shares was \$0.135. These transactions have been accounted for using the acquisition method of accounting.

The net assets of Bourse Data acquired in the business combination, and the goodwill arising, are as follows:

	Bourse Data's Carrying amount Before consolidation	Fair value adjustments	Fair value
	\$	\$	\$
Net assets acquired:			
Cash and cash equivalents	941,913	-	941,913
Trade and other receivables	329,635	-	329,635
Other financial assets	91,000	-	91,000
Plant and equipment	240,226	-	240,226
Trade and other payables	(376,764)	-	(376,764)
Provision for annual leave and long service leave	(269,508)	-	(269,508)
Deferred tax liabilities	(17,518)	-	(17,518)
Other	(47,762)	-	(47,762)
Unearned income	(384,539)	-	(384,539)
	506,683	-	506,683
Goodwill arising on acquisition			8,056,669
Total consideration			8,563,352

The net liabilities of Cube Financial acquired in the business combination, and the goodwill arising, are as follows:

	Cube Financial's Carrying amount Before consolidation	Fair value adjustments	Fair value
	\$	\$	\$
Net assets acquired:			
Cash and cash equivalents	20,127	-	20,127
Trade and other receivables	383,227	-	383,227
Other financial assets	28,500	-	28,500
Plant and equipment	53,431	-	53,431
Trade and other payables	(773,232)	-	(773,232)
Provision for annual leave and long service leave	(36,894)	-	(36,894)
	(324,841)	-	(324,841)
Goodwill arising on acquisition			8,888,193
Total consideration			8,563,352

Bourse Data and Cube Financial became wholly owned on acquisition and have joined the Company's tax-consolidated group.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Bourse Data and Cube Financial. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Bourse Data and Cube Financial. These benefits are not recognised separately from goodwill, as the future economic benefits arising from them cannot be reliably measured.

Notes to the financial statements

MDSnews also acquired the customer lists and customer relationships of Bourse Data and Cube Financial as part of the acquisition. These assets were not able to be reliably measured and separately recognised from goodwill because they are not capable of being separated from MDSnews and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

The acquisitions of Bourse Data and Cube Financial were completed on 18 December 2006. The Consolidated Income Statement includes any trading results from Bourse Data and Cube Financial as from date of acquisition. The Consolidated Balance Sheet at 30 June 2008 includes the assets and liabilities of Bourse Data and Cube Financial as at that date.

8. Revenue

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Continuing Operations				
Sales				
Revenue from sale of goods	9,286	682,926	-	-
Revenue from services	8,069,800	5,662,500	-	-
Other income				
Royalty income	-	230,473	-	-
Management fee	-	-	-	325,000
	<u>8,079,086</u>	<u>6,575,899</u>	<u>-</u>	<u>325,000</u>
Discontinued Operation				
Revenue from services	72,802	-	-	-
Royalty income	180,699	-	-	-
	<u>8,332,587</u>	<u>6,575,899</u>	<u>-</u>	<u>325,000</u>

Notes to the financial statements

9. Expenses

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Employee benefits expense				
<i>Continuing Operations</i>				
Wages and salaries	3,048,046	2,631,738	-	-
Workers' compensation costs	8,941	2,832	-	-
Superannuation costs	265,599	231,674	-	-
Payroll tax	182,430	132,132	-	-
Expense of share-based payments	-	42,716	-	42,716
	<u>3,505,016</u>	<u>3,041,092</u>	<u>-</u>	<u>42,716</u>
<i>Discontinued Operation</i>				
Wages and salaries	170,361	-	-	-
Workers' compensation costs	142	-	-	-
Superannuation costs	12,333	-	-	-
Payroll tax	12,192	-	-	-
	<u>195,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total employee benefits expense	<u>3,700,044</u>	<u>3,041,092</u>	<u>-</u>	<u>42,716</u>
Depreciation of non-current assets				
<i>Continuing Operations</i>				
Plant and equipment	226,989	136,370	-	-
Leasehold improvements	4,194	2,242	-	-
Total depreciation of non-current assets	<u>231,183</u>	<u>138,612</u>	<u>-</u>	<u>-</u>
Significant impairment losses				
<i>Continuing Operations</i>				
Impairment loss on investment	-	8,785,810	10,459,774	-
Impairment loss on goodwill	6,379,599	-	-	-
Impairment loss on intercompany loan	-	-	1,023,825	-
	<u>6,379,599</u>	<u>8,785,810</u>	<u>11,483,599</u>	<u>-</u>
Other expenses				
<i>Continuing Operations</i>				
Communication costs	343,913	176,006	-	-
Consultancy fees	241,934	160,655	-	-
Marketing expenses	163,777	103,319	-	-
Occupancy costs	577,943	330,297	-	-
Impairment loss on trade receivables	48,257	-	-	-
Bad debt written off	225,940	-	-	-
Other expenses	1,020,260	577,613	267,887	365,498
	<u>2,622,024</u>	<u>1,347,890</u>	<u>267,887</u>	<u>365,498</u>
<i>Discontinued Operation</i>				
Marketing expenses	15,373	-	-	-
Occupancy costs	26,442	-	-	-
Other expenses	22,264	-	-	-
	<u>64,079</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other expenses	<u>2,686,103</u>	<u>1,347,890</u>	<u>267,887</u>	<u>365,498</u>

Notes to the financial statements

10. Income tax

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Income Tax Expense				
Loss from Ordinary Activities	(7,637,798)	(8,982,197)	(11,666,260)	(8,793,767)
Prima facie tax on loss from ordinary activities at 30% (2007: 30%)	(2,291,339)	(2,694,659)	(3,499,878)	(2,638,130)
Add tax effect of:				
Share and option based payments	-	12,815	-	12,815
Impairment loss on investments	-	2,635,743	3,137,932	2,635,743
Impairment loss on goodwill	1,913,880	-	-	-
Entertainment (50%)	1,135	-	-	-
Accrued PAYG	11,356	-	-	-
Various timing differences	15,348	20,470	310,304	(63,294)
Current year tax losses not recognised	349,620	25,631	51,642	52,866
Income tax expense	-	-	-	-

The benefits of carried forward losses have not been brought to account, as the timing and realisation can not be reliably estimated. The carried forward losses are calculated at being \$4,597,155.

Notes to the financial statements

11. Plant and equipment

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Plant and equipment - at cost	1,341,924	1,026,711	-	-
Accumulated depreciation	(926,005)	(717,134)	-	-
	<u>415,919</u>	<u>309,577</u>	<u>-</u>	<u>-</u>
Leasehold improvement - at cost	80,692	80,692	-	-
Accumulated depreciation	(74,125)	(69,932)	-	-
	<u>6,567</u>	<u>10,760</u>	<u>-</u>	<u>-</u>
Total plant and equipment - net book value	<u>422,486</u>	<u>320,337</u>	<u>-</u>	<u>-</u>

Reconciliations

Reconciliations of the carrying amount of plant and equipment at the beginning and end of the current financial year

Plant and equipment

Carrying amount at beginning of year	309,577	45,820	-	-
Additions	346,244	413,129	-	-
Disposals	(12,912)	(13,002)	-	-
Depreciation	(226,990)	(136,370)	-	-
Carrying amount at end of year	<u>415,919</u>	<u>309,577</u>	<u>-</u>	<u>-</u>

Leasehold improvements

Carrying amount at beginning of year	10,760	-	-	-
Additions	-	13,002	-	-
Depreciation	(4,193)	(2,242)	-	-
Carrying amount at end of year	<u>6,567</u>	<u>10,760</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

12. Goodwill

	Cube Financial \$	Bourse Data \$	Trader Dealer Online \$	Consolidated Entity \$
2007				
Balance at beginning of financial year	-	-	-	-
Balance at acquisition	8,888,193	8,056,669	-	16,944,862
Costs capitalised	116,531	116,531	-	233,062
Impairment loss	(5,736,088)	(3,049,722)	-	(8,785,810)
Carrying amount at end of financial year	<u>3,268,636</u>	<u>5,123,478</u>	<u>-</u>	<u>8,392,114</u>
2008				
Balance at beginning of financial year	3,268,636	5,123,478	-	8,392,114
Balance at acquisition	-	-	43,605	43,605
Impairment loss	(3,268,636)	(3,067,358)	(43,605)	(6,379,599)
Carrying amount at end of financial year	<u>-</u>	<u>2,056,120</u>	<u>-</u>	<u>2,056,120</u>

13. Other financial assets

	Consolidated Entity		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Current				
Investments in listed securities at fair value	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>-</u>
Non-current				
Investments in subsidiaries				
-MDS group companies	-	-	4,175,000	4,175,000
-Bourse Data Pty Ltd	-	-	5,513,630	5,513,630
-The Cube Financial Group Pty Limited	-	-	2,827,264	2,827,264
Impairment loss				
-MDS group companies	-	-	(4,175,000)	-
-Bourse Data Pty Ltd	-	-	(3,457,510)	-
-The Cube Financial Group Pty Limited	-	-	(2,827,264)	-
Investments in associates	152	111	-	-
	<u>152</u>	<u>111</u>	<u>2,056,120</u>	<u>12,515,894</u>

14. Other assets

	Consolidated Entity		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Non-current				
Bonds and guarantees	<u>196,352</u>	<u>162,894</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

15. Trade and other receivables

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Trade receivables	303,832	1,104,399	-	-
Impairment loss	(48,257)	-	-	-
	<u>255,575</u>	<u>1,104,399</u>	<u>-</u>	<u>-</u>
Other receivables	45,467	241,646	-	25,240
Prepayments	71,229	-	60,329	-
	<u>372,271</u>	<u>1,346,045</u>	<u>60,329</u>	<u>25,240</u>
Non-current				
Loans to subsidiaries	-	-	1,667,786	563,533
Impairment loss	-	-	(1,023,825)	-
	<u>-</u>	<u>-</u>	<u>643,961</u>	<u>563,533</u>

Notes to the financial statements

16. Cash and cash equivalents

	Note	Consolidated Entity		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
(a) Reconciliation of loss for the year to net cash from operating activities					
Loss for the year		(7,637,798)	(8,982,197)	(11,666,260)	(8,793,767)
Adjustments for:					
Depreciation and amortisation		231,183	138,612	-	-
Impairment loss on investments		-	8,785,810	10,459,774	8,785,810
Impairment loss on goodwill		6,379,599	-	-	-
Impairment loss on intercompany loan		-	-	1,023,825	-
Impairment loss on trade receivables		48,257	-	-	-
Bad debt written off		225,940	-	-	-
Loss on disposal of plant and equipment		11,912	-	-	-
Due diligence costs		-	-	-	216,180
Net financing income		(108,940)	(133,961)	(85,226)	(75,257)
Share based payments		-	42,716	-	42,716
Changes in working capital and provisions					
Change in trade and other receivables		699,577	(460,909)	(35,089)	(25,128)
Change in provision for doubtful debts		-	-	-	-
Change in other assets		(33,458)	34,349	-	39,795
Change in loan to related party		(41)	(11)	-	-
Change in trade and other creditors		(1,050,573)	376,993	(26,796)	(31,106)
Change in deferred income		(26,788)	102,832	-	-
Change in provisions for employee benefits		(96,374)	(63,839)	-	-
Change in deferred income tax liability		-	(17,518)	-	-
Change in net intercompany balances		(664)	-	193,188	-
Change in goodwill		(43,605)	-	-	-
Net cash from operating activities		<u>(1,401,773)</u>	<u>(177,123)</u>	<u>(136,584)</u>	<u>159,243</u>
(b) Cash and cash equivalents					
		Consolidated Entity		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash at bank		<u>1,267,677</u>	<u>2,775,353</u>	<u>894,140</u>	<u>1,821,030</u>

Notes to the financial statements

(c) Businesses acquired

Consolidated

During 2008 financial year one businesses was acquired with no acquisition of cash.

During 2007 financial year two businesses were acquired. Details of the acquisition are as follows:

Consideration

Ordinary shares

2007

\$

17,126,704

17,126,704

Fair value of net assets acquired

Current assets:

Cash and cash equivalents

962,040

Other receivables

712,862

Other assets

119,500

Non-current assets:

Plant and equipment

293,657

Current liabilities:

Trade and other payables

1,149,996

Provision for annual leave and long service

306,402

Deferred tax liabilities

17,518

Deferred income

384,539

Other liabilities

47,762

Net assets acquired

181,842

17. Share capital

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Ordinary shares	<u>19,206,135</u>	<u>19,206,135</u>	<u>50,885,021</u>	<u>50,885,021</u>
Movement in issued shares for the year:				
	2008	2007	2008	2007
	No. of Ordinary Shares		\$	\$
Opening number of shares	190,296,705	62,581,008	50,885,021	33,642,697
Issued during the year (a) & (b)	-	127,715,697	-	17,242,324
Closing number of shares	<u>190,296,705</u>	<u>190,296,705</u>	<u>50,885,021</u>	<u>50,885,021</u>

Notes to the financial statements

(a) There were no ordinary shares issued during the 2008 financial year.

(b) Issued ordinary shares during the 2007 financial year:

	2007 No. of Ordinary Shares	2007 \$
On 27 July 2006, issue to staff (as part of remuneration package at \$0.20 per share)	75,000	15,000
On 28 July 2006, issue to staff (as part of remuneration package at \$0.20 per share)	15,000	3,000
On 28 July 2006, cancelled share capital as a result of an unmarketable parcel share buy back	-257,291	-39,880
On 30 November 2006, issue to a director related company (in consideration for the provision of past services)	1,018,518	137,500
On 18 December 2006, issue to Bourse Data Shareholders (for the acquisition of Bourse Data by MDS Financial Group Limited)	63,432,235	8,563,352
On 18 December 2006, issue to Cube Financial Shareholders (for the acquisition of Cube Financial by MDS Financial Group Limited)	63,432,235	8,563,352
	<u>127,715,697</u>	<u>17,242,324</u>

(c) Terms and conditions of issued capital:

Ordinary shares have the right to receive dividends as declared, and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Notes to the financial statements

18. Earnings per share

	Consolidated Entity	
	2008	2007
Net loss used in calculation of basic and diluted earnings per share (\$)	(7,637,798)	(8,982,197)
Basic and diluted earnings/(loss) per share (cents per share)	(4.014)	(6.886)
Basic loss per share calculated using the outstanding number of shares 190,296,705 (2007:190,296,705) at year end (cents per share) as the denominator	(4.014)	(4.720)
Weighted average number of shares used in basic and diluted earnings per share	<u>190,296,705</u>	<u>130,447,668</u>

All potential ordinary shares, being options to acquire ordinary shares and conversion of notes into shares, are not considered dilutive as the exercise of the options or conversion of notes would decrease the basic loss per share.

19. Trade and other payables

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Trade payables	857,048	1,916,866	14,588	51,905
Other payables	-	4,846	-	-
Accruals	36,171	13,794	10,521	-
	<u>893,219</u>	<u>1,935,506</u>	<u>25,109</u>	<u>51,905</u>
Non-current				
Loans from subsidiaries	-	-	1,171,909	750,000

The average credit period on purchases of goods and services is 30 days.

20. Loans and borrowings

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Non-current				
Loans from a related party	<u>108,951</u>	<u>-</u>	<u>-</u>	<u>-</u>

The loan was made from BoxRed Pty Ltd (a company associated with Sean Rothsey) to Trader Dealer Online Pty Ltd, a subsidiary of the Company. Repayment term is 24 months from 16 April 2008, the date of initial advance. The interest rate on the loan is 9.25% per annum. The loan is unsecured.

Notes to the financial statements

21. Employee benefits

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Liability for annual leave	164,175	268,564	-	-
Non-current				
Liability for long service leave	134,545	126,530	-	-

22. Share-based payments

On 20 July 2005 the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Company.

Compensation Options: Granted and vested during the year

No options were issued during the year ended 30 June 2008.

Options issued as part of remuneration for the year ended 30 June 2007

Options over the ordinary shares of MDS Financial Group Limited are issued to directors and executives as part of their remuneration. At present the options are not issued based on performance criteria, but will be issued to the majority of directors and executives of MDS Financial Group Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

2008							
	Vested number	Granted number	Grant date	Value per option at grant date	Exercise Price \$	Expiry Date	First Exercise Date
-	-	-	-	-	-	-	-
2007							
	Vested number	Granted number	Grant date	Value per option at grant date	Exercise Price \$	Expiry Date	First Exercise Date
Allan Shek	1,000,000	1,000,000	11/10/2006	\$0.00835	\$0.20	31/12/2008	31/12/2008
Craig Foley	1,000,000	1,000,000	11/10/2006	\$0.00835	\$0.20	31/12/2008	31/12/2008

The options issued in 2007 have been valued at the issue date at \$0.00835 per share using the Black-Scholes model.

Notes to the financial statements

The Black-Scholes model is critically dependant upon the volatility of the relevant share price. In this instant case, the use of the Black-Scholes model is seen to be subjective for the following reasons:

- trading in the shares of the Company has only recently recommenced;
- as there has been no share trading history a volatility of 0.25 has been adopted; and
- the Black-Scholes model assumes that there is a liquid market for options. The 2,960,000 options will not be listed and, accordingly, a marketability discount would generally be applicable.

Inputs into the model	Director options
Grant date share price	\$0.20
Exercise price	\$0.20
Volatility	0.25
Option life	263 days
Dividend yield	-
Risk-free interest rate	5.75%

The following reconciles the outstanding options at the beginning and end of the financial year.

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the financial period	2,960,000	\$0.20	2,000,000	\$0.20
Granted during the period	-	-	2,960,000	\$0.20
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	2,000,000	\$0.20
Balance at the end of the financial period	2,960,000	\$0.20	2,960,000	\$0.20

Notes to the financial statements

23. Deferred income

Deferred income, classified as current, consists of customer subscription fees paid in advance for the provision of services expected to be earned over the next 12 months.

24. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
	\$	\$
Cash and cash equivalents	1,267,677	2,775,353
Trade and other receivables	372,271	1,346,045
Other assets	196,352	162,894
	<u>1,836,300</u>	<u>4,284,292</u>

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2008	2007
	\$	\$
Commercial customers	61,480	63,747
Retail customers	232,376	388,870
Other (brokerage contracts)	9,976	651,781
	<u>303,832</u>	<u>1,104,398</u>

The Group's most significant customer, an Australian retailer, accounts for \$77,000 of the trade receivables carrying amount at 30 June 2008 (2007: \$115,362)

Impairment losses

The aging of the Group's trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2008	2008	2007	2007
	\$	\$	\$	\$
Not past due	180,990	1,068	766,066	-
Past due 0-30 days	36,858	2,526	(2,583)	-
Past due 31-120 days	85,984	44,663	340,916	-
More than one year	-	-	-	-
	<u>303,832</u>	<u>48,257</u>	<u>1,104,399</u>	<u>-</u>

Notes to the financial statements

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Carrying amount	
	2008	2007
	\$	\$
Balance at 1 July	-	-
Impairment loss recognised	(48,257)	-
Balance at 30 June	<u>48,257</u>	<u>-</u>

Based on historic default rate, allowances for impairment were made as follows:

Not past due	0%
Past due 0-30 days	2.5%
Past due 31-60 days	5%
Past due 61-90 days	35%
Past due > 90 days	90%

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying Amount	Contractual cash flows	6 months or less	More than 5 years
Consolidated				
Non-derivative financial liabilities				
30-Jun-08				
Trade and other payables	893,219	(893,219)	(893,219)	-
Loans from a related party	108,951	(108,951)	-	(108,951)
30-Jun-07				
Trade and other payables	1,921,712	(1,921,712)	(1,921,712)	-
Company				
Non-derivative financial liabilities				
30-Jun-08				
Trade and other payables	25,109	(25,109)	(25,109)	-
Loans from subsidiaries	1,171,909	(1,171,909)	-	(1,171,909)
30-Jun-07				
Trade and other payables	51,905	(51,905)	(51,905)	-
Loans from subsidiaries	750,000	(750,000)	-	(750,000)

Interest rate risk

At reporting date the interest rate profile of the company's and the group's interest-bearing financial instruments was:

	Consolidated Entity		Company	
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
	2008	2007	2008	2007
	\$	\$	\$	\$
Variable rate instruments				
Financial assets	1,445,032	2,938,247	894,140	1,821,030
Financial liabilities	(108,951)	-	-	-
	<u>1,336,081</u>	<u>2,938,247</u>	<u>894,140</u>	<u>1,821,030</u>

Notes to the financial statements

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated Entity		Company	
	Equity 100bp Increase	Profit or loss 100bp Increase	Equity 100bp Increase	Profit or loss 100bp Increase
30-Jun-08				
Variable rate instruments	13,291	13,291	8,941	8,941
Cash flow sensitivity (net)	<u>13,291</u>	<u>13,291</u>	<u>8,941</u>	<u>8,941</u>
30-Jun-07				
Variable rate instruments	29,382	29,382	18,210	18,210
Cash flow sensitivity (net)	<u>29,382</u>	<u>29,382</u>	<u>18,210</u>	<u>18,210</u>

Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated Entity		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Less than one year	327,429	593,600	-	-
Between one and five years	315,878	292,292	-	-
More than five years	-	-	-	-
	<u>643,307</u>	<u>885,892</u>	<u>-</u>	<u>-</u>

26. Contingencies and commitments

Contingent liabilities

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are of the opinion that provision are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

	Consolidated Entity		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Guarantees	<u>177,355</u>	<u>162,894</u>	<u>-</u>	<u>-</u>

The group has executed in favour of their bankers, guarantees.

Commitments

The directors are of the opinion that none exist.

Notes to the financial statements

27. Related Party Disclosures

- (a) The consolidated financial statements include the financial statements of MDS Financial Group Limited and its controlled entities listed below:

	Country of Incorporation	Percentage Owned	
		2008	2007
Parent Entity:			
MDS Financial Group Limited	Australia		
Subsidiaries of MDS Financial Group Limited			
MDSnews.com Pty Ltd (formerly known as MDSnews.com Limited)	Australia	100	100
MDSnews Australia Pty Ltd	Australia	100	100
Market Data Services Pty Ltd	Australia	100	100
MDS Financial Services Pty Ltd (formerly known as MDSnews Solutions Pty Ltd)	Australia	100	100
Bourse Data Pty Ltd	Australia	100	100
The Cube Financial Group Pty Ltd	Australia	100	100
Subsidiary of MDSnews.com Pty Ltd (formerly known as MDSnews.com Limited)			
Trader Dealer Online Pty Ltd (formerly known as MDSnews Global Pty Ltd)	Australia	51	100

During the financial year, MDSnew Global Pty Ltd bought plant and equipment and some intangible assets including client lists, database, trading software licenses, websites and domains, former staff details, telephone and fax numbers from the administrator of Trader Dealer Pty Ltd for \$75,000. The market value of plant and equipment at the time of the purchase was \$31,295. MDSnew Global Pty Ltd was renamed to Trader Dealer Online Pty Ltd on 8 April 2008. MDSnews.com Pty Ltd owns 51% and Boxred Pty Ltd (a company associated with Sean Rothsey) owns 49% of Trader Dealers Online Pty Ltd as at balance date.

- (b) Transactions with directors and their related entities in the normal course of business and on an arms length basis.

	2008	2007
	\$	\$
Consultancy fees were paid to the following companies:		
Pinefilm Entertainment Pty Ltd , a company associated with Sean Rothsey, the current chairman (for the period from 19 September 2007 to 30 June 2008)	39,344	-
BoxRed Pty Ltd, a company associated with Sean Rothsey, the current chairman (for the period from 19 September 2007 to 30 June 2008)	72,500	-
Global Equity Management Pty Ltd, a company associated with Leon Hinde, a director in 2007	-	111,976
Blueridge Enterprises Pty Ltd, a company associated with Barry Littler, the chairman in 2007 (for the period from 1 July 2007 to 7 February 2008.	45,258	72,500
Toddlers Manufacturing Co Pty Ltd (Toddlers), a company controlled by David Whitfield, a current director.	-	137,500

Notes to the financial statements

(c) Number of options held by key management personnel

2008							
	Balance 1/7/07	Granted as compensation	Options exercised	Net change other	Balance 30/6/08	Total vested 30/6/08	Total exercisable 30/6/08
MDS Financial Group Limited:							
Allan Shek	1,000,000	-	-	1,000,000	1,000,000	1,000,000	1,000,000
Craig Foley	1,000,000	-	-	1,000,000	1,000,000	1,000,000	1,000,000

2007							
	Balance 1/7/06	Granted as compensation	Options exercised	Net change other	Balance 30/6/07	Total vested 30/6/06	Total exercisable 30/6/07
MDS Financial Group Limited:							
Barry Littler	500,000	-	-	(500,000)	-	-	-
Leon Hinde	500,000	-	-	(500,000)	-	-	-
David Whitfield	500,000	-	-	(500,000)	-	-	-
Bruce Ind	500,000	-	-	(500,000)	-	-	-
Allan Shek	-	1,000,000	-	1,000,000	1,000,000	1,000,000	1,000,000

- (d) Shares issued on exercise of compensation options (consolidated)
 No shares were issued to key management personnel on exercise of compensation options during the financial year.
- (e) Loans to key management personnel (consolidated)
 There were no loans to key management personnel at any time during the current or prior financial year.
- (f) Number of shares held by key management personnel

2008						
	Balance 1/7/07	Received as compensation	Acquired/ (Disposed)	Net change		Balance 30/6/08
				Issued on completion of acquisition	Other	
MDS Financial Group Limited						
Sean Rothsey	13,670,000	-	-	-	-	13,670,000
Barry Littler	4,000,000	-	-	-	-	4,000,000
Leon Hinde	22,294,722	-	(100,000)	-	-	22,194,722
Wayne Johnson	25,415,199	-	(300,000)	-	-	25,115,199
David Whitfield	2,479,768	-	-	-	-	2,479,768
Alun Stevens	20,923,737	-	-	-	-	20,923,737
Allan Shek	72,575	-	-	-	-	72,575
Rodney Weston	6,979,073	-	(124,437)	-	-	6,854,636
Damian Isbister	-	-	1,326,632	-	-	1,326,632
Craig Foley	72,575	-	-	-	-	72,575

Notes to the financial statements

2007	Net change					Balance 30/6/07
	Balance 1/7/06	Received as compensation	Options exercised	Issued on completion of acquisition	Other	
MDS Financial Group Limited						
Barry Littler	2,000,000	-	2,000,000	-	-	4,000,000
Leon Hinde	34,544,722	-	(12,250,000)	-	-	22,294,722
Wayne Johnson	-	-	-	25,415,199	-	25,415,199
David Whitfield	1,461,250	1,018,518	-	-	-	2,479,768
Alun Stevens	-	-	-	20,923,737	-	20,923,737
Allan Shek	67,575	5,000	-	-	-	72,575
Rodney Weston	-	-	-	6,979,073	-	6,979,073
MDSnews.com Limited (name changed to MDSnews.com Pty Ltd)						
Leon Hinde	60,000,000	-	-	-	(60,000,000)	-
Barry Litter	-	3,196,193	-	-	(3,196,193)	-
Allan Shek	100,000	-	-	-	(100,000)	-

28. Subsequent Events

On 14 August 2008, the Company announced that it has called an Extraordinary General Meeting for 25 September 2008 to seek approval for:

- A selective buy back for the cancellation of 15,000,000 shares issued to the former shareholders of Cube Financial, amongst other things, to compensate the Company for the underperformance of the Cube Financial business; and
- the issue of up to 30,000,000 ordinary shares in the Company to Placement Investors, as defined in the notice.

There have been no other matters or circumstances, which have arisen since 30 June 2008 that has significantly affected or may significantly affect:

- (d) the operations, in financial years subsequent to 30 June 2008, of the Group, or
- (e) the results of those operations, or
- (f) the state of affairs, in financial years subsequent to 30 June 2008, of the Group.

Notes to the financial statements

29. Auditor's remuneration

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit services				
Auditors of the company - Nexia Court & Co				
Audit and review of financial report	52,130	25,000	52,130	25,000
Other auditors				
Audit and review of financial report - underprovided in 2006	-	5,650	-	5,650
Other services				
Auditors of the company - Nexia Court & Co				
Taxation services	4,590	-	4,590	-
Other financial services	4,850	4,660	4,850	4,660
Other auditors				
Other financial services	-	6,070	-	6,070

30. Going Concern

The financial report of the Group has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a net loss of \$7,637,798 for the year ended 30 June 2008 (2007: net loss \$8,982,197) and experienced a net decrease in cash and cash equivalents of \$1,507,676 for the year ended 30 June 2008 (2007: net increase \$659,985).

The directors of the parent entity of the Group are of the view that a going concern basis is appropriate as during the year they have taken action to cease current and future trading activity and investment in the Group's loss-making financial planning business and the UK data supply business segments. The directors will focus future efforts on profitable domestic data subscriptions, and brokerage commissions and other business segments. The directors of the parent entity of the Group believe that these actions were necessary in the circumstances and expect to return the Group to profitability in the future.

The directors also have taken steps subsequent to 30 June 2008 to ensure the Group continues as a going concern. On 14 August 2008, the Company announced that it has called an Extraordinary General Meeting for 25 September 2008 to seek approval for:

- A selective buy back for the cancellation of 15,000,000 shares issued to the former shareholders of Cube Financial, amongst other things, to compensate the Company for the underperformance of the Cube Financial business; and
- the issue of up to 30,000,000 ordinary shares in the Company to Placement Investors, as defined in the notice.

The directors are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above.

MDS Financial Group Limited

Directors' Declaration

1. In the opinion of the directors of MDS Financial Group Limited (the 'Company'):
 - a. The financial statements and notes and the remuneration disclosures that are contained in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b. the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).
 - c. the remuneration disclosures in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosure, the Corporations Act 2001 and the Corporations Regulations 2001 and
 - d. there was reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief financial officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors.



Sean Rothsey
Chairman

Sydney
5 September 2008

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CHARTERED
ACCOUNTANTS

ABN 71 502 154 733

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MDS FINANCIAL GROUP LIMITED**

Report on the financial report

We have audited the accompanying financial report of MDS Financial Group Limited (the 'Company') which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity, and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes, and the directors' declaration of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 8 to 12 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the group and the company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditors' 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 auditors' 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 entity's preparation and fair presentation of the financial report 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 entity'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 and the remuneration disclosures contained in the director's report.

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

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Sean P Urquhart
Robert Mayberry
Russell Reid

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MDS FINANCIAL GROUP LIMITED
(Continued)**



**CHARTERED
ACCOUNTANTS**
ABN 71 502 156 733

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, provided to the directors of MDS Financial Group Limited on 28 August 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditors' opinion on the financial report

In our opinion:

- a** the financial report of MDS Financial Group Limited is in accordance with the Corporations Act 2001, including:
 - i** giving a true and fair view of the company's and the group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
 - ii** complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b** the financial report of the group and company also comply with International Financial Reporting Standards as disclosed in Note 2

Auditors' opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 8 to 12 of the directors' report comply with Accounting Standard AASB 124.

Significant Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, we draw attention to note 30 of the financial statements of the group. The directors of the parent company of the group have acted to discontinue operations in two of its loss-making business segments and focus future efforts on other continuing business segments. Additionally, subsequent to balance date, the directors of the parent company have taken steps to raise additional capital from investors. Should the after balance date capital raising strategy not proceed or should the revised business segment strategy result in further significant losses and cash deficits, then there is significant uncertainty as to whether the company and the group can continue as a going concern.

Nexia Court & Co
Chartered Accountants

Sydney
Dated: 5 September 2008

Stephen J Rogers
Partner

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- David R Cust
- Craig J Wilford
- Sean P Urquhart
- Robert Mayberry
- Russell Reid

ADDITIONAL ASX INFORMATION (un-audited)

SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 3 September 2008.

1. Top 20 Shareholders

The names of the twenty largest shareholders of each class of listed securities are listed below:

	Name	No of Ordinary Shares Held	Percentage of Issued Capital
1	Baroda Hill Investments Limited	23,946,000	12.58
2	Alun Stevens & Associates Pty Ltd <The Stevens Family A/C>	20,923,737	11.00
3	Ms Loetitia Henriette Tibi	18,448,300	9.69
4	Global Equity Management Pty Ltd	15,672,361	8.24
5	Merkin Management Pty Ltd <Rothsey Super Fund A/C>	13,670,000	7.18
6	Mr Stephen John Bradley + Mrs Sebastiana Diana Brady <S & D Brady Family A/C>	10,154,254	5.34
7	Mr Stiven Razmovski + Mrs Trajanka Razmovski <The Razz A/C>	9,862,552	5.18
8	IWSFT Corporate Trustee Limited	8,017,036	4.21
9	Drae Investments Pty Ltd <D & A Galtieri Family A/C>	7,940,000	4.17
10	Mr Rodney James Weston + Mrs Jessica Elizabeth Weston <Weston Family A/C>	6,604,636	3.47
11	Mr Peter Edmonds + Mrs Diana Edmonds <The Edmonds A/C>	6,575,034	3.46
12	Leon Hinde	6,522,361	3.43
13	Ms Lay Kee Tay	5,553,700	2.92
14	Mr Ming Chen	4,114,200	2.16
15	Mr Jeffrey Harrington	2,390,000	1.26
16	Mr Charles Whit Chapman+ Mrs Morne Chapman <Ruinsig Family A/C>	2,097,873	1.10
17	Blueridge Enterprises Pty Ltd	2,000,000	1.05
18	Barry Littler	2,000,000	1.05
19	The Toddlers Manufacturing Company Pty Ltd	1,701,153	0.89
20	Straight Jacket Capital Pty Ltd	1,326,632	0.70
	TOTALS	169,519,829	89.08

2. Distribution of equity securities

Analysis of number of ordinary shareholders by size of holding.

Category	Number of Shareholders
1 – 500	78
501 – 1,000	16
1,001 – 5,000	24
5,001 – 10,000	117
10,001 – 100,000	188
100,000 and over	57
	480

3. Restricted Securities

There are no restricted securities on issue.

ADDITIONAL ASX INFORMATION (un-audited)

4. Voting Rights

The voting rights attaching to ordinary shares, set out in the Company's Constitution are:

- (a) at meetings of members, each member is entitled to vote in person or by proxy, attorney or representative; and
- (b) on a show of hands, every person present who is a member has one vote, and on a poll every member present has a vote for each fully paid share owned.

There are no voting rights attached to un-listed ordinary shares or unlisted options. Voting rights will be attached to un-listed ordinary shares once issued and to options upon exercise.

5. On-market buy back

There is no current on-market buy back.



mdsfinancial
GROUP LIMITED