mdsfinancial
GROUP LIMITED

2009 ANNUAL REPORT

asx announcement | 30TH SEPTEMBER 2009

MDS Financial Group Limited has today released their 2009 Annual Report.

The full report is attached to this document or alternatively can be downloaded from the Investor Relations section of the MDS Financial Group website at;
www.mdsfinancial.com.au/InvestorRelations.aspx

Regards,

Sean Rothsey
Chairman

-END-

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MDS Financial Group Limited

ABN 90 091 744 884

Annual Financial Report

Year ended 30 June 2009

Directory

Directors	Sean Peter Rothsey - Non-executive Chairman Damian Wayne Isbister - Executive Director Bruce Richard Sydney Symon - Executive Director
Company Secretary	Allan Nicholas Shek
Registered Office	Level 1, Rialto North Tower, 525 Collins Street MELBOURNE VIC 3000 Australia Phone: 03 9617 0600 Fax: 03 9617 0699 International Phone: +61 3 9617 0600 Fax: +61 3 9617 0699
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 incorporated and domiciled in Australia

Contents

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 2009. The Company considers that its governance practices are generally consistent, where possible, with the Recommendations except where stated.

1.1. 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 are 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.

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 endeavours to hold scheduled directors' meetings on a monthly basis throughout the 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.

Corporate Governance Statement

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 13 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. At that time the Company was not in a position to increase the board size.

On 27 November 2008 Mr Symon and Mr Isbister were appointed to the Board to fill vacancies. Subsequently, on 1 February 2009, Mr Rothsey relinquished his Executive duties, transferring those duties to Mr Isbister and Mr Symon, in order to engender a greater degree of objectivity and independence in what remains a small board.

At present, the current board continues to consist of a majority of executive directors involved in the general management of the Company. The Directors are of the view that maintaining that structure was appropriate to the circumstances of the Group as the Board restructured its operations and repositioned its business. It is anticipated that appointment of additional independent non-executive directors will occur during the 2010 financial year.

In addition, the Company, at present does not have an independent director as Chairman however the Chairman is no longer an executive officer of the company.

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.

Corporate Governance Statement

1.2. 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:

- Damian Isbister – Executive Director (Chairman)
- Sean Rothsey – Non-executive Chairman

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. At that time the Company was not in a position to increase the board size.

During the 2009 financial year, Mr Symon and Mr Isbister were appointed to the board to fill vacancies and Mr Rothsey (Chairman) relinquished his Executive duties. At present, the current board continues to consist of a majority of executive directors involved in the general management of the Company. The Directors are of the view that maintaining that structure was appropriate to the circumstances of the Group as the Board restructured its operations and repositioned its business. It is anticipated that appointment of additional independent non-executive directors will occur during the 2010 financial year.

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

1.3. 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.

Corporate Governance Statement

The remuneration committee comprised the following members during the year:

Current
- Richard Symon – Executive Director (Chairman)
- Damian Isbister – Executive Director

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

The committee met once during the year and committee members' attendance records is disclosed in the table of Directors' meetings on page 14.

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. At that time the Company was not in a position to increase the board size.

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

1.4. 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
- Damian Isbister – Executive Director (Chairman)
- Richard Symon – Executive Director

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

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 14.

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. At that time the Company was not in a position to increase the board size.

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Corporate Governance Statement

The chief financial officer and chief executive 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 2009 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.

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.

1.5. 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 executive officer and chief financial officer have 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.

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.

Corporate Governance Statement

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.

1.6. 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.

Corporate Governance Statement

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.

1.7. 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.

1.8. 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

The directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2009.

Principal Activities and Significant Changes in the Nature of Activities

The principal activities of the consolidated group during the financial year were the provision of diversified financial services to retail and wholesale clients comprising:

- sophisticated trading analysis software;
- financial markets data;
- research; and,
- on-line trading and execution.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results and Review of Operations for the Year

Operating Results

The consolidated loss of the consolidated group amounted to $544,379, after providing for income tax and eliminating minority equity interests. This represented a 93% improvement on the result reported for the year ended 30 June 2008 which was adversely affected by significant impairment losses.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) was a loss of $542,171.

Review of Operations

Overall revenue of $6,479,644 represents a 20% decline on that reported for the year ended 30 June 2008. In part this reflects the decision to cease unprofitable and marginal activities. The impact of the Global Financial Crisis on financial markets generally and, in particular, on the activity of retail investors contributed to a general decline in subscriptions revenue of 23% over the year. Conversely, brokerage and commissions revenue increased by 13% reflecting the underlying growth in the Group's online trading and execution business, which increased by over 25% in the second half of the year.

Expenses of $7,198,547 represent a reduction of 22% on those reported for the year ended 30 June 2008 and reflect the benefits associated with cost reduction initiatives, business restructuring and the re-negotiation of supply contracts.

In summary, the results for the year, before significant impairment losses and excluding discontinued operations are:

	Six Months ended 30 Jun-09 $	Six Months ended 31-Dec-08 $	Full Year Ended 30 Jun-09 $
Loss	(50,769)	(644,717)	(695,486)
Net financing income	(5,947)	(17,470)	(23,417)
Depreciation and amortisation	88,790	87,942	176,732
EBITDA	32,074	(574,245)	(542,171)

The result for the 6 months to 30 June 2009 is a significant turn-around and reflects a continuing trend towards profitability brought about by the restructuring of operations and the renegotiation of key contractual relationships.

Directors' Report

Financial Position

The net assets of the consolidated group have declined by $500,896 from 30 June 2008 to $2,052,689 in 2009. This decrease is directly attributable to the operating performance of the group.

Cash and cash equivalents fell by $606,493 for the year to $661,184. However, in line with the turn-around experienced in profitability, cash flow was positive during the second half of the year with cash balances increasing by $81,236 from $579,948 at 31 December 2008.

The directors have announced their intention to seek shareholder approval at an Extraordinary General Meeting to be held on 14 October 2009 to raise additional share capital during the 2010 financial year in order to provide an additional $3,000,000 working capital to the Group.

The Group has no borrowings.

Dividends Paid or Recommended

No dividends have been paid or declared for payment during the financial year.

After Balance Date Events

On 15 September 2009, the Company issued a Notice of Extraordinary General Meeting to be held on 14 October 2009 together with an Explanatory Memorandum to seek approval from shareholders for:

- an issue of shares and options to Placement Investors;
- consent for certain Directors of the Company to participate in the Placements; and,
- the acquisition of all shares in Trader Dealer Online Pty Ltd held by BoxRed Pty Ltd.

Other than the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Future Developments, Prospects and Business Strategies

The Group has consolidated over a difficult trading period. It is now in a position to build on the transformation and integration of its businesses towards a more holistic product offering providing market data, analysis and charting tools, order placement, execution and settlement as a straight-through, seamless process.

Since 30 June 2009, Trader Dealer Online Pty Ltd has increased its client base by 27% with only limited marketing effort. The company continues to make sound month by month progress towards profitability with its revenue for the first two months of the 2010 financial year being twice that of the previous corresponding period.

Polling existing customers and prospects over the past 12 months indicates that they choose Trader Dealer Online Pty Ltd's services over its competitors for two fundamental reasons: platform reliability and low fees.

Based on client feedback, the company has focused on improving the back-end infrastructure from which its solutions operate: improving stability and minimising the costs associated with adding new customers. On 1 September 2009, the company announced that it had entered into an agreement with ANZIEX Limited, a wholly owned subsidiary of InvestorFirst Limited (ASX: INQ), for the provision of wholesale broking services to Trader Dealer Online Pty Ltd. This facility will deliver further significant benefits in terms of functionality and cost savings. In addition, new solutions arising from in-house software development are expected to be launched into a beta environment in the fourth week of September 2009 and into full production as a robust and scalable service in December 2009.

In conjunction with these developments, throughout the year the company has taken the opportunity to develop a new Client Relationship Management (CRM) solution to address many legacy issues. This was identified as a priority to enable the company to continue to offer a high level of customer service to its existing customer base and to accommodate anticipated increases in client numbers and requirements as well as promoting the effective implementation of cross selling strategies. The company has commenced to roll this solution out though the Group and anticipate that by the end of the year, the whole Group will be running off one scalable, open source CRM.

The directors believe that the company is well positioned to return to profitability in the 2010 year.

Directors' Report

Information on Directors

Name, qualifications and independence status	*Experience, special responsibilities and other directorships*
Current	
Sean Peter Rothsey Non-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. A Director since 19 September 2007, Sean was appointed Executive Chairman on 7 February 2008, relinquishing Executive duties from 1 February 2009.
Damian Wayne Isbister Executive Director	Damian has been involved in the financial markets since 1998 and has held various roles in this sector. Damian has an excellent knowledge of information technology issues, including web based services and has a particular interest in online media and marketing. Damian also brings skills obtained from advising companies in the mining, IT, financial services and consumables sectors. Damian was previously Investment Manager for an MDS Financial Group subsidiary company and brings a strong supply and distribution dynamic to the team. Director since 27 November 2008.
Bruce Richard Sydney Symon Executive Director	Richard has held various positions in financial services over 25 years including CEO of NSX Ltd, (National Stock Exchange), Executive Director of the Stockbroking Association – SDIA and Director of Client Services at Prudential-Bache Securities. In 1997 he co-founded one of Australia's first online stockbrokers, ShareTrade – Australian Stockbroking, which was acquired by ASX listed eCorp Ltd, Publishing and Broadcasting Ltd's internet company which became Charles Schwab Australia. Richard has extensive experience in multi channel enterprises, corporate advisory, compliance and education. He is currently Chair of the Financial Services Foundation, Growth Markets Organisation and a Fellow of FINSIA. Director since 27 November 2008.
Former	
David Ronald Whitfield FCA Independent Non-Executive Director	David 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 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. Director from 19 January 2005 until 27 November 2008.
Allan Shek BSc Director Company Secretary	Allan has been involved with the Group for the past 11 years, performing various roles within management roles in support, compliance and general management areas of the business. Allan was a member of the Audit Committee, Nomination Committee and Remuneration Committee. Allan also holds the position of Company Secretary. Director from 28 March 2008 until 27 November 2008.

Directors' Report

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:

	Ordinary shares	Options over ordinary shares
Mr Sean Rothsey	35,041,988	-
Mr Damian Isbister	1,326,632	2,000,000
Mr Richard Symon	2,045,000	-

Company Secretary

The following person held the position of company secretary at the end of the financial year: Mr Allan Nicholas Shek – Bachelor of Science and Certificate in Governance Practice and Administration. Allan Shek has been involved with the Group for the past 11 years, performing various roles within management roles in support, compliance and general management areas of the business. Mr Shek was appointed to the position of company secretary on 20 July 2005.

Meetings of Directors

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	
Current Directors	**A**	**B**	**A**	**B**	**A**	**B**
Sean Rothsey	10	10	-	-	-	-
Damian Isbister	5	5	2	2	1	1
Richard Symon	5	5	2	2	1	1
Former Directors						
Allan Shek	5	5	-	-	-	-
David Whitfield	5	5	-	-	-	-

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

Indemnifying Officers or Auditor

The Company has agreed to indemnify the following current directors of the Company: Mr Sean Rothsey, Mr Damian Isbister and Mr Richard Symon; and, the following former directors: Mr David Whitfield, Mr Allan Shek, 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.

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.

Directors' Report

Options

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

Expiry date	Exercise price	Number of shares
27 November 2010	$0.05	2,000,000
		2,000,000

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

Proceedings on Behalf of Company

On 30 June 2009 Bourse Data Pty Ltd, a subsidiary of the company, entered a claim in the Magistrates Court of Queensland for the recovery of an amount of $16,822 owed by a trade debtor. The defendant has disputed the claim. The directors are of the view that the amount of the claim is fully recoverable.

Other than the above matter, no person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not party to such proceedings during the year.

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 2009:

Taxation and other services	$4,590

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 20.

Remuneration Report

Remuneration report – audited

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.

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 were paid during the year. Details of options issued during the year are set out on pages 18 and 19.

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.

Remuneration Report

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. Performance evaluations for directors and senior executives took place during this reporting period and was in accordance with the processes detailed in this section.

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.

Employment Details of Members of Key Management Personnel and other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extend different, among the five Group Executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

			Proportion of elements of remuneration related to performance			Proportion of elements of remuneration not related to performance	
Group Key Management Personnel	**Position held as at 30 June 2009 and any change during the year**	**Contract details (duration and termination)**	**Non-salary cash-based incen-tives %**	**Shares/ Units %**	**Options/ Rights %**	**Fixed Salary/ Fees %**	**Total %**
Mr S Rothsey	Chairman (Non-executive)	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr C Foley	Chief Information Officer	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Ms E Fung	Chief Financial Officer Retired 11 June 2009	No fixed term. 3 months notice required to terminate. (Retired 11 June 2009)	-	-	-	100	100
Mr D Isbister	Director (Executive) Commenced 27 November 2008. Chief Executive Officer – Software and On-line Trading	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr A Shek	Group Company Secretary Ceased as Director on 27 November 2008.	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr R Symon	Director (Executive) Commenced 27 November 2008	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr D Whitfield	Chairman (Independent Non-executive) Retired 27 November 2008	No fixed term. 1 Month notice required to terminate. (Retired 27 November 2008)					

The employment terms and conditions of key management personnel and Group executives are formalised in contracts of employment.

Remuneration Report

Changes in Directors and Executives Subsequent to Year-end

On 1 July 2009, Mr D Isbister commenced as Chief Executive Officer – Software and On-line Trading and Mr A Iremonger commenced as Chief Financial Officer.

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

Directors' and executive officers' remuneration – audited

Remuneration shown below relates to the period in which the director or executive was a member of key management personnel.

		Short-term benefits		Post-employment benefits		Long-term benefits		Equity–settled share-based payments		
Group Key Management Personnel		Salary fees and leave $	Other $	Pension and super-annuation $	Other $r	LSL $	Termin-ation Benefits $	Shares $	Options/ Rights $	Total $
Mr S Rothsey	2009	60,000	23,333	-	-	-	-	-	-	83,333
	2008	24,680	14,664	-	-	-	-	-	-	39,344
Mr C Foley	2009	130,000	-	11,700	-	-	-	-	-	141,700
	2008	130,002	-	11,700	-		-	-	-	141,702
Ms E Fung	2009	144,845	2,249	12,407	-	-	-	-	-	159,501
	2008	20,321	-	1,829	-		-	-	-	22,150
Mr D Isbister	2009	147,464	-	-	-	-	-	-	3,080	150,544
	2008	-	-	-	-	-	-	-	-	-
Mr A Shek	2009	136,967	-	8,100	-	-	-	-	-	145,067
	2008	114,745	-	10,327	-	-	-	-	-	125,072
Mr R Symon	2009	90,000	-	-	-	-	-	-	-	90,000
	2008	-	-	-	-	-	-	-	-	-
Mr D Whitfield	2009	25,000	-	-	-	-	-	-	-	25,000
	2008	60,000	-	-	-	-	-	-	-	60,000
Total	2009	734,276	25,582	32,207	-	-	-	-	3,080	795,145
	2008	349,748	14,664	23,856	-	-	-	-	-	388,268

Securities Received that are not Performance Related

On 27 November 2008, Mr D Isbister was issued 2,000,000 options for nil consideration as consideration for agreeing to assume the position of Chief Operating Officer and as a long-term performance incentive. The options, which expire on 27 November 2010, are fully vested and are exercisable at a price of 5 cents.

Aggregate compensation of Key Management Personnel

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

	Consolidated		Company	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Short-term employee benefits	766,108	714,335	-	-
Post-employment benefits	32,207	44,526	-	-
Share-based payments	3,080	-	-	-
	801,395	758,861	-	-

Remuneration Report

Equity instruments - audited

Options

On 27 November 2008 2,000,000 options were issued to KMP. These options have an exercised price of $0.05 and expire on 27 November 2010.

On 31 December 2008, 2,000,000 options issued to KMP on 11 October 2006 expired.

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.

Exercise of options granted as compensation

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

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Sean Rothsey
Chairman

30 September 2009

NEXIA COURT & CO
NEXIA INTERNATIONAL
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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 2009 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.

Nexia Court & Co
Chartered Accountants

David Gallery
Partner

Sydney
Dated: *30 September 2009*

Income Statements

For the year ended June 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
Continuing Operations					
Revenue	2	6,479,644	8,079,086	-	-
Expenses					
Data fees		(2,150,564)	(2,298,813)	-	-
Execution and clearing		(476,741)	(53,301)	-	-
Employee benefits	3	(2,735,227)	(3,700,044)	(9,955)	-
Occupancy		(350,273)	(642,271)	-	-
Telecommunications		(367,315)	(465,862)	-	-
Marketing		(66,152)	(144,095)	-	-
General and administrative		(520,882)	(781,405)	(326,034)	(267,887)
Depreciation	3	(176,732)	(231,183)	-	-
Other		(354,661)	(858,175)	-	-
Results from operating activities		(718,903)	(1,096,063)	(335,989)	(267,887)
Interest received		44,993	117,890	23,298	85,226
Interest paid		(21,576)	(8,950)	-	-
Net financing income		23,417	108,940	23,298	85,226
Loss before significant items		(695,486)	(987,123)	(312,691)	(182,661)
Significant impairment losses		-	(6,379,599)	(717,032)	(11,483,599)
Loss before income tax		(695,486)	(7,366,722)	(1,029,723)	(11,666,260)
Income tax expense	4	-	-	-	-
Loss from continuing operations		(695,486)	(7,366,722)	(1,029,723)	(11,666,260)
Discontinued operation					
Profit (loss) from discontinued operation		13,446	(271,076)	-	-
Loss for the year		(682,040)	(7,637,798)	(1,029,723)	(11,666,260)
Loss attributable to minority equity interest		137,661	55,574	-	-
Loss attributable to members of the parent entity		(544,379)	(7,582,224)	(1,029,723)	(11,666,260)

	Note	Cents per share	Cents per share
Basic and diluted losses per share	8	(0.382)	(4.014)

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 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
Assets					
Cash and cash equivalents	9	661,184	1,267,677	240,493	894,140
Trade and other receivables	10	477,499	301,042	-	-
Other Assets	11	122,704	71,229	71,233	60,329
Total current assets		1,261,387	1,639,948	311,726	954,469
Trade and other receivables	10	-	-	107,674	643,961
Other financial assets	12	152	152	2,056,120	2,056,120
Plant and equipment	14	257,114	422,486	-	-
Intangible assets	15	2,270,208	2,056,120	-	-
Other assets	11	187,734	196,352	-	-
Total non-current assets		2,715,208	2,675,110	2,163,794	2,700,081
Total assets		3,976,595	4,315,058	2,475,520	3,654,550
Trade and other payables	16	1,139,404	893,219	155,974	25,109
Deferred income	17	591,623	460,583	-	-
Employee benefits	18	115,111	164,175	-	-
Total current liabilities		1,846,138	1,517,977	155,974	25,109
Trade and other payables	16	-	-	925,088	1,171,909
Loans and borrowings	19	-	108,951	-	-
Employee benefits	18	77,768	134,545	-	-
Total non-current liabilities		77,768	243,496	925,088	1,171,909
Total liabilities		1,923,906	1,761,473	1,081,062	1,197,018
Net assets		2,052,689	2,553,585	1,394,458	2,457,532
Equity					
Share capital	20	19,169,655	19,206,135	50,848,590	50,885,021
Share options reserve	29	3,080	24,716	3,080	66,476
Accumulated losses		(17,120,265)	(16,621,692)	(49,457,212)	(48,493,965)
Parent interest		2,052,470	2,609,159	1,394,458	2,457,532
Minority equity interest		219	(55,574)	-	-
Total equity		2,052,689	2,553,585	1,394,458	2,457,532

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

Statements of Changes in Equity

For the year ended 30 June 2009

Consolidated Group	Share Capital $	Share Options Reserve $	Accumulated Losses $	Minority Interest $	Total Equity $
At 30 June 2007	19,206,135	24,716	(9,039,468)	-	10,191,383
Loss attributable to members of parent entity	-	-	(7,582,224)	-	(7,582,224)
Loss attributable to minority interest	-	-	-	(55,574)	(55,574)
At 30 June 2008	**19,206,135**	**24,716**	**(16,621,692)**	**(55,574)**	**2,553,585**
Conversion of subsidiary company debt into equity	-	-	-	214,495	214,495
Transaction costs	(36,431)	-	-	-	(36,431)
Transfer from reserve	-	(24,716)	24,716	-	-
Share based payments	-	3,080	-	-	3,080
Loss attributable to members of parent entity	-	-	(544,379)	-	(544,379)
Loss attributable to minority interest	-	-	-	(137,661)	(137,661)
Prior year adjustment of minority interest	(49)	-	21,090	(21,041)	-
At 30 June 2009	**19,169,655**	**3,080**	**(17,120,265)**	**219**	**2,052,689**

Parent Entity	Share Capital $	Share Options Reserve $	Accumulated Losses $	Minority Interest $	Total Equity $
At 30 June 2007	50,885,021	66,476	(36,827,705)	-	14,123,792
Loss attributable to members of parent entity	-	-	(11,666,260)	-	(11,666,260)
At 30 June 2008	**50,885,021**	**66,476**	**(48,493,965)**	**-**	**2,457,532**
Transaction costs	(36,431)	-	-	-	(36,431)
Transfer from reserve	-	(66,476)	66,476	-	-
Share based payments	-	3,080	-	-	3,080
Loss attributable to members of parent entity	-	-	(1,029,723)	-	(1,029,723)
At 30 June 2009	**50,848,590**	**3,080**	**(49,457,212)**	**-**	**1,394,458**

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

Cash Flow Statements

For the year ended 30 June 2009

	Note	Consolidated Group		Parent Entity	
		2009	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
Cash flows from operating activities					
Cash receipts from customers		6,725,558	10,181,271	-	-
Cash paid to suppliers and employers		(7,172,340)	(11,574,094)	(212,948)	(136,584)
Interest paid		(21,576)	(8,950)	-	-
Net Cash from operating activities	24	(468,358)	(1,401,773)	(212,948)	(136,584)
Cash flows from investing activities					
Interest received		44,993	117,890	23,298	85,226
Proceeds from disposal of plant and equipment		-	1,000	-	-
Acquisition of plant and equipment		(38,153)	(346,244)	-	-
Acquisition of intangible asset		(214,088)	-	-	-
Proceeds from disposal of other non-current assets		-	12,500	-	-
Net cash from investing activities		(207,248)	(214,854)	23,298	85,226
Cash flows from financing activities					
Loans to subsidiaries		-	-	(427,566)	(875,532)
Loan from non-controlling shareholder		105,544	108,951	-	-
Transaction costs of share buy-back		(36,431)	-	(36,431)	-
Net cash from financing activities		69,113	108,951	(463,997)	(875,532)
Net decrease in cash and cash equivalents		(606,493)	(1,507,676)	(653,647)	(926,890)
Cash and cash equivalents at 1 July		1,267,677	2,775,353	894,140	1,821,030
Cash and cash equivalents at 30 June	24	661,184	1,267,677	240,493	894,140

The above statements of cash flows in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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Notes to the Financial Statements

This financial report includes the consolidated financial statements and notes of MDS Financial Group Limited and controlled entities (“Consolidated Group” or “Group”), and the separate financial statements and notes of MDS Financial Group Limited as an individual parent entity (“Parent Entity”).

Note 1: Statement of Significant Accounting Policies

Basis of preparation

i) 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 Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the 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 28 August 2009. The Company has the power to amend and reissue the financial report.

ii) 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.

iii) 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.

iv) Financial and presentation currency

These consolidated financial statements are presented in Australian Dollars, which is the Company’s and the Group’s functional currency.

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.

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. (Refer note 17).

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 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.

	2009	**2008**
Plant and equipment:	11.3% to 50%	11.3% to 50%
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. 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.

ii. Software development
Software development costs are capitalised where, in the opinion of the directors, the project will deliver future economic benefits and these benefits can be measured reliably.

Software development costs are carried at cost less accumulated amortisation and accumulated impairment losses. Software development has a finite life and is amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Software development costs have not been amortised because the software is not ready for use.

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.

Software development
No impairment losses have been recognised for any software development in the 2009 financial year (2008: $nil)

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.

i) Employee benefits

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

Notes to the Financial Statements

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.

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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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.

Notes to the Financial Statements

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.

p) Foreign Currencies

i. <u>Functional and presentation currency</u>
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. <u>Transactions and balances</u>
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) 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

Note 2. Revenue

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Continuing Operations				
Subscriptions	5,649,172	7,334,727	-	-
Brokerage and commissions	830,472	735,073	-	-
Other	-	9,286		
	6,479,644	8,079,086	-	-
Discontinued Operation				
Revenue from services	41,525	72,802	-	-
Royalty income	-	180,699	-	-
	6,521,169	8,332,587	-	-

During 2009, the Group continued to receive revenue in the form of trailing fee commissions from the discontinued operations of its subsidiary The Cube Financial Group Limited.

Notes to the Financial Statements

Note 3. Expenses

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Employee benefits expense				
Continuing Operations				
Wages and salaries	2,250,510	3,048,046	-	-
Workers' compensation costs	9,084	8,941	-	-
Superannuation costs	277,932	265,599	-	-
Payroll tax	194,621	182,430	-	-
Expense of share based payments	3,080	-	-	-
	2,735,227	3,505,016	-	-
Discontinued Operation				
Wages and salaries	-	170,361	-	-
Workers' compensation costs	-	142	-	-
Superannuation Costs	-	12,333	-	-
Payroll tax	-	12,192	-	-
	-	195,028	-	-
Total employee benefits expense	2,735,227	3,700,044	-	-
Depreciation of non-current assets				
Continuing operations				
Plant and equipment	170,281	226,990	-	-
Leasehold improvements	6,451	4,193	-	-
Total depreciation of non-current assets	176,732	231,183	-	-
Significant impairment losses				
Continuing operations				
Impairment loss on investment	-	-	1,600,000	10,459,774
Impairment loss on goodwill	-	6,379,599	-	-
Impairment loss on inter-company loan	-	-	(882,968)	1,023,825
	-	6,379,599	717,032	11,483,599

During 2009, Impairment losses arose in relation to the capitalisation of loans made by the Parent Entity to its subsidiary The Cube Financial Group Limited.

During 2008, impairment losses arose in relation to the Parent Entity's investment in and loans to The Cube Financial Group Limited and in relation to goodwill arising from the acquisition of subsidiaries in the Consolidated Group.

Notes to the Financial Statements

Note 4. Income Tax Expense

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax on loss from ordinary activities at 30% (2008: 30%)				
- consolidated group	(204,612)	(2,291,339)		
- parent entity			(308,917)	(3,499,878)
Add:				
Tax effect of:				
Share and option based payments	924	-	924	-
Impairment loss on investments	-	-	-	3,137,932
Impairment loss on goodwill	-	1,913,880	-	-
Entertainment (50%)	534	1,135		-
Accrued PAYG	-	11,356	-	-
Various timing differences	(15,650)	15,348	19,129	310,304
Current year tax losses not recognised	218,804	349,620	288,864	51,642
Income tax expense	-	-	-	-

The benefits of carried forward tax losses have not been brought to account as the timing and realisation of the benefit cannot be reliably estimated. The carried forward losses are calculated as being $4,815,959 (2008: $4,597,155).

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 (h) occur:

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
- temporary differences	264,823	285,862	15,972	3,156
- tax losses: operating losses	1,675,786	1,379,147	1,791,737	1,413,245
- tax losses: capital losses	24,293	24,293	24,293	24,293

Notes to the Financial Statements

Note 5. Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2009.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2009 $	2008 $
Short-term employee benefits	766,108	714,335
Post employment benefits	32,207	44,526
Share-based payments	3,080	-
	801,395	758,861

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2009	Balance at beginning of year	Granted as remun-eration during the year	Exercised during the year	Other Changes during the year	Balance at end of year	Vested during the year	Vested and exercise-able	Vested and unexer-cisable
C Foley	1,000,000	-	-	(1,000,000)	-	-	-	-
D Isbister	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
A Shek	1,000,000	-	-	(1,000,000)	-	-	-	-
	2,000,000	2,000,000	-	(2,000,000)	2,000,000	2,000,000	2,000,000	-

30 June 2008	Balance at beginning of year	Granted as remun-eration during the year	Exercised during the year	Other Changes during the year	Balance at end of year	Vested during the year	Vested and exercise-able	Vested and unexer-cisable
C Foley	1,000,000	-	-	-	1,000,000	-	1,000,000	-
A Shek	1,000,000	-	-	-	1,000,000	-	1,000,000	-
	2,000,000	-	-	-	2,000,000	-	2,000,000	-

Notes to the Financial Statements

Note 5. Interests of Key Management Personnel (KMP) (cont'd)

KMP Shareholdings

30 June 2009	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
S Rothsey	13,670,000	-	-	2,073,688	15,743,688
D Isbister	1,326,632	-	-	-	1,326,632
R Symon	200,000	-	-	1,845,000	2,045,000
A Shek	72,575	-	-	-	72,575
C Foley	72,575	-	-	-	72,575
A Iremonger	-	-	-	1,500,000	1,500,000
	15,341,782	-	-	5,418,688	20,760,470

30 June 2008	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
S Rothsey	13,670,000	-	-	-	13,670,000
D Isbister	-	-	-	1,326,632	1,326,632
A Shek	72,575	-	-	-	72,575
C Foley	72,575	-	-	-	72,575
L Hinde	22,294,722	-	-	(100,000)	22,194,722
W Johnson	25,415,199	-	-	(300,000)	25,115,199
B Littler	4,000,000	-	-	-	4,000,000
A Stevens	20,923,737	-	-	-	20,923,737
R Weston	6,979,073	-	-	(124,437)	6,854,636
D Whitfield	2,479,768	-	-	-	2,479,768
	95,907,649	-	-	802,195	96,709,844

Other KMP Transactions

There have been no other transactions involving equity instruments other those described in the tables above. For details of other transactions with KMP, refer to Note 27: Related Party Transactions

Notes to the Financial Statements

Note 6. Auditors' Remuneration

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Audit services				
Auditors of the company – Nexia Court & Co				
Audit and reviews of financial report	84,200	85,247	84,200	85,247
Other services				
Auditors of the company – Nexia Court & Co				
Taxation services	4,590	4,590	4,590	4,590

Prior year audit services fees of $85,247 reflects a correction to previously published figures of $57,030 (Consolidated) and $56 980 (Parent) which excluded accrued fees.

Note 7. Dividends

(a) No dividends have been paid or declared during 2009 (2008: Nil)

(b) The balance of the franking account at year end was $1,422,418 (2008: $1,422,418).

Note 8. Losses Per Share

	Consolidated Group 2009 $	Consolidated Group 2008 $
Net loss used in calculation of basic and diluted earnings per share ($)	(682,040)	(7,637,798)
Basic and diluted loss per share (cents per share)	(0.382)	(4.014)
Basic loss per share calculated using the outstanding number of shares 175,296,612 (2008: 190,296,612) at year end (cents per share) as the denominator	(0.389)	(4.014)
Weighted average number of shares used in basic and diluted earnings per share	178,748,667	190,296,612

At the Extraordinary General Meeting of the Company to be held on 14 October 2009, shareholders will vote on resolutions to approve the issue of up to 120 million additional shares and options in the Company. These transactions would have significantly changed the number of ordinary shares outstanding at the end of the period if the transactions had occurred before the end of the reporting period.

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.

Note 9. Cash and Cash Equivalents

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Current				
Cash at bank and on hand	661,184	1,267,677	240,493	894,140

Notes to the Financial Statements

Note 10. Trade and Other Receivables

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Current				
Trade receivables	402,078	303,832	-	-
Impairment loss	(45,000)	(48,257)	-	-
	357,078	255,575	-	-
Other receivables	120,421	45,467	-	-
	477,499	301,042	-	-
Non-current				
Loans to subsidiaries	-	-	248,531	1,667,786
Impairment loss	-	-	(140,857)	(1,023,825)
	-	-	107,674	643,961

Note 11. Other Assets

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Current				
Prepayments	122,704	71,229	71,233	60,329
Non-current				
Bonds and guarantees	187,734	196,352	-	-

Note 12. Other Financial Assets

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
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	-	-	4,427,264	2,827,264
Impairment Loss				
- MDS Group companies	-	-	(4,175,000)	(4,175,000)
- Bourse Data Pty Ltd	-	-	(3,457,510)	(3,457,510)
- The Cube Financial Group Pty Limited	-	-	(4,427,264)	(2,827,264)
Investments in associates	152	152	-	-
	152	152	2,056,120	2,056,120

Notes to the Financial Statements

Note 13. Controlled Entities

a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%) 2009	2008
Subsidiaries of MDS Financial Group Limited			
Bourse Data Pty Ltd	Australia	100	100
The Cube Financial Group Limited	Australia	100	100
Market Data Services Pty Ltd	Australia	100	100
MDSnews Australia Pty Ltd	Australia	100	100
MDSnews.com Pty Ltd	Australia	100	100
MDS Financial Servcies Pty Ltd	Australia	100	100
Subsidiaries of MDSnews.com Pty Ltd.			
Trader Dealer Online Pty Ltd	Australia	51	51

b. Acquisition of Controlled Entities

2009
No business acquisitions were made during 2009.

On 30 April 2009 the Company agreed with BoxRed Pty Ltd, the minority shareholder of Trader Dealer Online Pty Ltd, to convert outstanding loan balances with Trader Dealer Online Pty Ltd to equity. The amount of BoxRed Pty Ltd's loan to Trader Dealer at 30 April 2009 was $214,495.

On 6 May 2009, the Company announced that it had reached agreement with BoxRed Pty Ltd in relation to the key terms of a proposal for the MDS Financial Group to acquire all the remaining issued shares in Trader Dealer Online Pty Ltd from BoxRed Pty Ltd resulting in MDS Financial Group achieving 100% ownership of Trader Dealer Online Pty Ltd.

On 15 September 2009, the Company issued a Notice of Extraordinary General Meeting to be held on 14 October 2009 together with an Explanatory Memorandum to seek, inter alia, approval from shareholders to acquire all shares in Trader Dealer Online Pty Ltd held by BoxRed Pty Ltd.

2008
Acquisition of business
During the financial year, MDSnews 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. MDSnews 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.

Notes to the Financial Statements

Note 14. Plant and Equipment

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Non-current				
Plant and equipment – at cost	762,256	1,341,924	-	-
Accumulated depreciation	(522,058)	(926,005)	-	-
	240,198	415,919	-	-
Leasehold improvements – at cost	97,492	80,692	-	-
Accumulated depreciation	(80,576)	(74,125)	-	-
	16,916	6,567	-	-
Total plant and equipment – net book value	257,114	422,486	-	-

Reconciliations

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

Plant and equipment

	2009 $	2008 $	2009 $	2008 $
Carrying amount at beginning of the year	415,919	309,577	-	-
Additions	21,353	346,244	-	-
Disposals	(26,793)	(12,912)	-	-
Depreciation	(170,281)	(226,990)	-	-
Carrying amount at end of year	240,198	415,919	-	-

Leasehold improvements

	2009 $	2008 $	2009 $	2008 $
Carrying amount at beginning of the year	6,567	10,760	-	-
Additions	16,800	-	-	-
Disposals	-	-	-	-
Depreciation	(6,451)	(4,193)	-	-
Carrying amount at end of year	16,916	6,567	-	-

Notes to the Financial Statements

Note 15. Intangible Assets

	Consolidated Group 2009 $	Consolidated Group 2008 $
Non-current		
Goodwill		
Balance at beginning of financial year	2,056,120	8,392,114
Balance on acquisition	-	43,605
Impairment loss	-	(6,379,599)
Carrying amount at end of financial year	2,056,120	2,056,120
Software Development		
Balance at beginning of financial year	-	-
Additions	214,088	-
Impairment loss	-	-
Carrying amount at end of financial year	214,088	-
	2,270,208	2,056,120

(a) Goodwill

	Cube Financial $	Bourse Data $	Trader Dealer Online $	Consolidated Group $
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	-	2,056,120	-	2,056,120
2009				
Balance at beginning of financial year	-	2,056,120	-	2,056,120
Impairment loss	-	-	-	-
Carrying amount at end of financial year	-	2,056,120	-	2,056,120

Impairment

During the year, the Group and Parent conducted a review of the carrying amount of Goodwill to determine whether there was any indication that the asset had suffered an impairment loss. A detailed impairment assessment was performed at 30 June 2009.

The recoverable amount of Goodwill has been determined using the asset's fair value less costs to sell, on the basis of assessing projected future earnings of the cash generating unit and applying a P/E multiple appropriate to the business.

Notes to the Financial Statements

Note 16. Trade and Other Payables

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Current				
Trade payables	669,518	857,048	31,243	14,588
Other payables	200,793	-	64,615	-
Accruals	269,093	36,171	60,116	10,521
	1,139,404	893,219	155,974	25,109

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

	Consolidated Group		Parent Entity	
Non-current				
Loans from subsidiaries	-	-	925,088	1,171,909

Note 17. 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.

Note 18. Employee Benefits

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Current				
Liability for annual leave	115,111	164,175	-	-
Non-current				
Liability for long service leave	77,768	134,545	-	-

Note 19. Loans and Borrowings

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Non- current				
Loans from a related party	-	108,951	-	-

Notes to the Financial Statements

Note 20. Share Capital

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Authorised and Fully Paid Ordinary shares	19,169,655	19,206,135	50,848,590	50,885,021

	Parent Entity			
	2009	**2008**	**2009**	**2008**
	No. of ordinary shares		**$**	**$**
Movement in issued shares for the year				
Opening number of shares	190,296,612	190,296,612	50,885,021	50,885,021
Shares bought back during the year				
- 22 September 2008	(15,000,000)	-	(15,000,000)	-
Closing number of shares	175,296,612	190,296,612	35,885,021	50,885,021

(a) Issue of new shares
There were no ordinary shares issued during the year. (2008: Nil)

(b) Selective buy-back of shares
On 22 September 2008 an Extraordinary General Meeting approved a selective buy-back for the cancellation of 15,000,000 shares issued to the former shareholders of The Cube Financial Group Pty Ltd, amongst other things, to compensate the Company for the underperformance of the Cube Financial business.

(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. The shares have no par value.

Note 21. Leasing Commitments

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Less than one year	279,928	327,429	-	-
Between one and five years	75,875	315,878	-	-
More than five years	-	-	-	-
	355,803	643,307	-	-

Notes to the Financial Statements

Note 22. 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 provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Guarantees	182,284	177,355	-	-

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

Commitments
The directors are of the opinion that none exist.

Note 23. 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.

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.

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

Assets and liabilities of the Group are not segmented due to common use across all segments.

	Consolidated Revenue		Consolidated Result	
	2009 $	2008 $	2009 $	2008 $
Continuing operations				
Australia				
Data subscriptions	5,649,172	7,083,710	18,347	238,709
Brokerage commissions	830,472	865,671	(479,874)	(702,696)
Impairment of investment	-	-	-	(6,379,599)
Other	44,993	247,595	(220,513)	(523,136)
United Kingdom				
Data royalties	-	-	-	-
	6,524,637	8,196,976	(682,040)	(7,366,722)
Discontinued operations				
Australia				
Other	41,525	72,802	-	(271,076)
United Kingdom				
Data royalties	-	180,699	-	-
	41,525	253,501	-	(271,076)
	6,566,162	8,450,477	(682,040)	(7,637,798)

Notes to the Financial Statements

Note 23. Segment Reporting (Cont'd)

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.

Note 24. Cash Flow Information

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
(a) Reconciliation of loss for the year to net cash flow from operating activities				
Loss for the year	(682,040)	(7,637,798)	(1,029,723)	(11,666,260)
Adjustments for:				
Depreciation and amortisation	176,732	231,183	-	-
Impairment loss on investments	-	-	-	10,459,774
Impairment loss on goodwill	-	6,379,599	-	-
Impairment loss on intercompany loan	-	-	717,032	1,023,825
Impairment loss on trade receivables	-	48,257	-	-
Bad debts written off	-	225,940	-	-
Loss on disposal of plant and equipment	26,793	11,912	-	-
Net financing income	(44,993)	(108,940)	(23,298)	(85,226)
Share based payments	3,080	-	3,080	-
Changes in working capital and provisions				
Change in trade and other receivables	(227,932)	699,577	(10,904)	(35,089)
Change in other assets	8,618	(33,458)	-	-
Change in loan to related party	-	(41)	-	-
Change in trade and other creditors	246,185	(1,050,573)	130,865	(26,796)
Change in deferred income	131,040	(26,788)	-	-
Change in provisions for employee benefits	(105,841)	(96,374)	-	-
Change in intercompany balances	-	(664)	-	193,188
Change in goodwill	-	(43,605)	-	-
Net cash from operating activities	(468,358)	(1,401,773)	(212,948)	(136,584)

(b) Acquisition of Entities

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

(c) Non-cash Financing and Investing Activities

Shares issued in Trader Dealer Online Pty Ltd to extinguish debt owed to a Director related entity	214,495	-	-	-

Notes to the Financial Statements

Note 25. 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
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.

On 27 November 2008, Mr D Isbister was issued 2,000,000 options for nil consideration as consideration for agreeing to assume the position of Chief Operating Officer and as a long-term performance incentive. The options, which expire on 27 November 2010, are fully vested and are exercisable at a price of 5 cents.

2009							
	Vested number	Granted number	Grant date	Value per option at grant date	Exercise Price $	Expiry Date	First Exercise Date
Damian Isbister	2,000,000	2.000.000	27/11/2008	$0.00154	$0.05	27/11/2010	27/11/2008

The options issued above have been valued at the issue date at $0.00154 per share using the Black-Scholes model.

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 0.935, based on the industry average at the time for companies of a similar size and nature, has been adopted; and
- the Black-Scholes model assumes that there is a liquid market for options. The 2,000,000 options will not be listed and, accordingly, a marketability discount would generally be applicable.

Inputs into the model	Director options
Grant date share price	$0.01
Exercise price	$0.05
Volatility	0.935
Option life	2 Years
Dividend yield	-
Risk-free interest rate	5.25%

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

Expired Options - Options granted on 11 October 2006 have expired. Details of the expired options are:

	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

Notes to the Financial Statements

Note 25. Share-Based Payments (Cont'd)

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

	2009		2008	
	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	2,960,000	$0.20
Granted during the period	2,000,000	$0.05	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	(2,960,000)	-	-	-
Balance at the end of the financial period	2,000,000	$0.05	2,960,000	$0.20

Note 26. Events After the Balance Sheet Date

On 15 September 2009, the Company issued a Notice of Extraordinary General Meeting to be held on 14 October 2009 together with an Explanatory Memorandum to seek approval from shareholders for:

- an issue of shares and options to Placement Investors;
- consent for certain Directors of the Company to participate in the Placements; and,
- the acquisition of all shares in Trader Dealer Online Pty Ltd held by BoxRed Pty Ltd.

There have been no other matters or circumstances, which have arisen since 30 June 2009 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2009, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2009, of the Group.

Notes to the Financial Statements

Note 27. Related Party Transactions

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated:				
Transactions with related parties:				
(a) Key Management Personnel				
Consultancy fees paid to Pinefilm Entertainment Pty Ltd, a company associated with Mr S Rothsey, for the executive services and Director's Fees of Mr Rothsey	83,333	39,344	-	-
Consultancy fees paid to HKM Investments Pty Ltd as Trustee of the Isbister Family Trust, a company associated with Mr D Isbister	147,464	-	-	-
Consultancy fees paid to Symon Financial Services Pty Ltd, a company associated with Mr R Symon	90,000	-	-	-
Consultancy fees paid to Blueridge Enterprises Pty Ltd, a company associated with Mr B Littler	-	45,258	-	-
Consultancy fees paid to the above companies were included in key management personnel compensation on page 18 of the Directors' Report				
Consultancy fees paid to BoxRed Pty Ltd, a company associated with Mr S Rothsey for management and other services provided to the Group by management and staff of BoxRed Pty Ltd	83,750	72,500	-	-
Interest paid to BoxRed Pty Ltd, a company associated with Mr Rothsey	11,543	1,182	-	-
Rent received from Pinefilm Entertainment Pty Ltd, a company associated with Mr S Rothsey	18,000	-	-	-
Expenses incurred on behalf of Straight Jacket Capital Pty Ltd, a company associated with Mr Isbister, and included in Other Receivables.	3,517	-	-	-

Notes to the Financial Statements

Note 28. 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.

Notes to the Financial Statements

Note 28. Financial Risk Management (Cont'd)

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	
	2009	**2008**
	$	**$**
Cash and cash equivalents	661,184	1,267,677
Trade and other receivables	477,499	301,042
Other assets	310,438	267,581
	1,449,121	1,836,300

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

	Carrying amount	
	2009	**2008**
	$	**$**
Commercial customers	72,602	61,480
Retail customers	329,476	232,376
Other (brokerage contracts)	-	9,976
	402,078	303,832

The Group's most significant customer, an Australian retailer, accounts for $69,000 of the trade receivables carrying amount at 30 June 2009 (2008: $77,000)

Impairment losses

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

	Gross 2009	**Impairment 2009**	**Gross 2008**	**Impairment 2008**
	$	**$**	**$**	**$**
Not past due	218,650	-	180,990	1,068
Past due 0 to 30 days	11,564	-	36,858	2,526
Past due 31 to 120 days	171,864	45,000	85,984	44,663
	402,078	45,000	303,832	48,257

Notes to the Financial Statements

Note 28. Financial Risk Management (Cont'd)

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

	Carrying amount	
	2009	**2008**
	$	**$**
Balance at 1 July	48,257	-
Impairment loss recognised	(3,257)	48,257
Balance at 30 June	45,000	48,257

Allowances for impairment were based on an assessment of the likely recovery of amount past due 60 days and over.

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.

Exposure to 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-09				
Trade and other payables	1,139,404	(1,139,404)	(1,139,404)	-
Loans from a related party	-	-	-	-
30-Jun-08				
Trade and other payables	893,219	(893,219)	(893,219)	-
Loans from a related party	108,951	(108,951)	-	(108,951)
Company				**-**
Non-derivative financial liabilities				
30-Jun-09				
Trade and other payables	155,974	(155,974)	(155,974)	-
Loans from a related party	925,088	(925,088)	-	(925,088)
30-Jun-08				
Trade and other payables	25,109	(25,109)	(25,109)	-
Loans from a related party	1,171,909	(1,171,909)	-	(1,171,909)

Notes to the Financial Statements

Note 28. Financial Risk Management (Cont'd)

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 Carrying Amount		Parent Entity Carrying amount	
	2009	2008	2009	2008
	$	$	$	$
Variable rate instruments				
Financial assets	843,468	1,445,032	240,493	894,140
Financial liabilities	-	(108,951)	-	-
	843,468	1,336,081	240,493	894,140

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 2008.

	Consolidated Entity		Parent Entity	
	Equity 100bp Increase	Profit or loss 100bp increase	Equity 100bp Increase	Profit or loss 100bp increase
30-Jun-09				
Variable rate instruments	4,168	4,168	2,345	2,345
Cash flow sensitivity (net)	4,168	4,168	2,345	2,345
30-Jun-08				
Variable rate instruments	13,291	13,291	8,941	8,941
Cash flow sensitivity (net)	13,291	13,291	8,941	8,941

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.

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.

Note 29. Reserves

The share options reserve records items recognised as expenses on valuation of employee share options

Notes to the Financial Statements

Note 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 $682,040 for the year ended 30 June 2009 (2008: net loss $7,637,798) and experienced a net decrease in cash and cash equivalents of $606,493 for the year ended 30 June 2009 (2008: net decrease $1,507,676).

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 reduce operating costs by reducing staff numbers and renegotiating contracts with major suppliers. While data subscription income has declined as a result of adverse market conditions generally, the directors believe that the rate of decline has now levelled out and that subscription income will begin to rise as investors return to the market. In addition, initiatives taken to grow the Group's online execution business are showing signs of success. The directors of the parent entity of the Group expect to return the Group to profitability in the future.

The directors have taken additional steps subsequent to 30 June 2009 to ensure the Group continues as a going concern. On 15 September 2009, the Company issued a Notice of Extraordinary General Meeting to be held on 14 October 2009, at which the Directors will, inter alia, seek approval from shareholders to raise additional share capital in order to provide up to $3,000,000 in additional working capital to fund business development and expansion.

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.

Note 31: New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 1 "First-time Adoption of Australian Accounting Standards" (applicable for annual reporting periods commencing from 1 July 2009).

  The structure of this standard has been amended for ease of use, and as it applies only on first time adoption of Australian Equivalents to International Financial Reporting Standards, it is not expected to impact the Group.

- AASB 3 "Business Combinations", AASB 127 "Consolidated and Separate Financial Statements", AASB 2008-3 "Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]" and AASB 2008-11 "Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3]" (applicable for annual reporting periods commencing from 1 July 2009)

  These standards are applicable prospectively and will therefore only affect relevant transactions and consolidations occurring after the date of application. As such the Group is unable to determine any potential impact on the financial statements.

The changes made to accounting requirements include:

- acquisition costs incurred in a business combination will no longer be included as part of the cost of the business combination, but will be expensed (unless the cost relates to issuing debt or equity securities);
- contingent considerations will be measured at fair value at the acquisition date and may only be provisionally accounted for up to 12 months after the acquisition date. Any subsequent changes in the fair value of contingent considerations does not affect the cost of the business combination or goodwill;
- in a step acquisition where control is obtained, previous ownership interests are to be remeasured to their fair value and the resulting gain / loss is recognised in the income statement / equity as applicable;
- there shall be no gain or loss from transactions affecting the economic entity's ownership interest in a subsidiary with all transactions required to be accounted for as equity transactions (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will no longer be deducted from the cost of an investment but will be recognised as income;

Notes to the Financial Statements

Note 31: New Accounting Standards for application in future periods (Cont'd)

- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee;
- where there is in substance no change to Group interests, economic entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original economic entity at the date of reorganisation; and
- entities now have an accounting policy choice when measuring non-controlling interests. They can be measured at either the proportionate share of net assets acquired or the fair value of the non-controlling interest.

- AASB 8 "Operating Segments" and AASB 2007-3 "Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038" (applicable for annual reporting periods commencing from 1 January 2009).

  This standard replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers for the purposes of monitoring and allocating resources. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic level at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management however, do not presently believe an impairment will result.

- AASB 101 "Presentation of Financial Statements", AASB 2007-8 "Amendments to Australian Accounting Standards arising from AASB 101", and AASB 2007-10 "Further Amendments to Australian Accounting Standards arising from AASB 101" (applicable to annual reporting periods commencing from 1 January 2009).

  The revised AASB 101 and related amendments redefine the composition of financial statements including the inclusion of a statement of comprehensive income. Other changes made as a result of the revision include the disclosure of income tax relating to each component of other comprehensive income and the disclosure of reclassification adjustments relating to components of other comprehensive income. Where the Group makes an adjustment or reclassification to information presented in the comparative reporting period a third balance sheet as at the beginning of the comparative period will also be required. There will be no measurement or recognition impact on the Group's financial statements from the revision of this standard.

- AASB 123 "Borrowing Costs" and AASB 2007-6 "Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]" (applicable for annual reporting periods commencing from 1 January 2009).

  The revised AASB 123 has removed the option to expense qualifying borrowing costs, and now requires the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

- AASB 1039 "Concise Financial Reports" (applicable for annual reporting periods commencing from 1 January 2009).

  These amendments were made in order to achieve consistency of terminology and descriptions with those used in AASB 101. A number of disclosure requirements were also amended for consistency with AASB 8. As the Group is not preparing a concise financial report these amendments will not impact the Group.

- AASB 2008-1 "Amendments to Australian Accounting Standard – Share based Payments: Vesting Conditions and Cancellations [AASB 2]" (applicable for annual reporting periods commencing from 1 January 2009)

  The amendments to AASB 2 clarify that vesting conditions consist of service and performance conditions only. Other elements of a share based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party. These amendments are not expected to impact the Group as they have only service based vesting conditions attached to their share based payments scheme.

- AASB 2008-2 "Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2]" (applicable for annual reporting periods commencing from 1 January 2009).

Notes to the Financial Statements

Note 31: New Accounting Standards for application in future periods (Cont'd)

These amendments introduce an exception to the definition of a financial liability that enables certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation, to be classified as equity instruments. These amendments are not expected to impact the Group as they do not have any of these financial instruments.

- AASB 2008-5 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project" (applicable for annual report periods commencing from 1 January 2009) and AASB 2008-6 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project" (applicable for annual report periods commencing from 1 July 2009).

  These standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009).

  This standard amends a number of accounting standards to reduce the burden on economic entities complying with AASB 127 in relation to measuring the cost of a subsidiary at acquisition in the separate financial statements in certain circumstances. The amendments apply only on initial application of Australian Equivalents to International Financial Reporting Standards, and as such will not impact the Group.

- AASB 2008-8 "Amendments to Australian Accounting Standards – Eligible Hedged Items" [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009).

  This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.

- AASB 2008-9 "Amendments to AASB 1049 for Consistency with AASB 101" (applicable for annual reporting periods commencing from 1 January 2009).

  These amendments were made in order to achieve consistency of terminology and descriptions with those used in AASB 101. As the Group is not part of the Government or a Government Sector these amendments will not impact the Group.

- AASB 2008-13 "Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]" (applicable for annual reporting periods commencing from 1 July 2009)

  This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute. This amendment is not expected to impact the Group as the Group does not distribute non-cash assets.

- AASB 2009-4 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]" (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010)

  These standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-6 "Amendments to Australian Accounting Standards" (applicable for annual reporting periods commencing on or after 1 January 2009 that end on or after 30 June 2009)

  This Standard makes numerous editorial amendments to standards and interpretations to reflect changes made to the text of accounting standards by the IASB. The Standard also makes a number of additional editorial changes as required amendments were omitted from or incorrectly stated in AASB 2007-8. No changes are expected to materially affect the Group.

Notes to the Financial Statements

Note 31: New Accounting Standards for application in future periods (Cont'd)

- AASB 2009-7 "Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]" (applicable for annual reporting periods commencing on or after 1 July 2009)

  This Standard reflects editorial changes made to a number of accounting standards by the IASB. No changes are expected to materially affect the Group.

- AASB 2009-8 "Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions

  [AASB 2]" (applicable for annual reporting periods commencing on or after 1 January 2010)

  These amendments clarify the accounting for Group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB Interpretation 15 "Agreements for the Construction of Real Estate" (applicable for annual reporting periods commencing from 1 January 2009)

  Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of a 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract' per AASB 111, revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the Group.

- AASB Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" (applicable for annual reporting periods commencing from 1 October 2008).

  Interpretation 16 applies to entities that hedge foreign currency risks arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.

- AASB Interpretation 17 "Distributions of Non-Assets to Owners" (applicable for annual reporting periods commencing from 1 July 2009).

  This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed and that the difference between the fair value and the carrying value of the assets is recognised in profit or loss. This Interpretation is not expected to impact the Group.

- AASB Interpretation 18 "Transfers of Assets from Customers" (applicable for transfers for assets from customers received from 1 July2009).

  This guidance applies prospectively to entities that receive transfers of assets, such as plant and equipment from their customers in order to connect customers to a network and provide them with access to a supply of goods or services. The Interpretation outlines the appropriate accounting treatment in respect of such transfers. It is not expected to impact the Group.

The Group does not anticipate early adoption of any of the above reporting.

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 2009 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 1.

   c. there are 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 executive officer and chief financial officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors.

Sean Rothsey
Chairman

Melbourne
30 September 2009

NEXIA COURT & CO

NEXIA INTERNATIONAL

CHARTERED ACCOUNTANTS

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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 2009, 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.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures,* under the heading "Remuneration report" in pages 16 to 19 of the Directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures 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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures in the Directors' 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 and the remuneration disclosures in the Directors' 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 in the Directors' report.

Partners

Stephen J Rogers
Ian D Stone
Paul W Lenton
Neil R Hillman
Stephen W Davis
David M Gallery
Robert A McGuinness
Kirsten Taylor-Martin
Andrew S Hoffmann
Graeme J Watman
David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry
Russell Reid

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124

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

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of MDS Financial Group Limited on 30 September 2009, 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 2009 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.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors report
In our opinion, the remuneration disclosures that are contained on pages 16 to 19 of the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

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 as well as the group's net loss for the year ended 30 June 2009 of $682,040 as disclosed on the group's Income Statement and the net decrease in the group's cash and cash equivalents of $606,493 as disclosed on the group's Cash Flow Statement for the year ended 30 June 2009. 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 group experience 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.

Nexia Court & Co
Chartered Accountants

David Gallery
Partner

Sydney
Dated: *30 September 2009*

Additional ASX Information (un-audited)

SHARE HOLDER 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 25 September 2009.

1. Top 20 Shareholders

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

	Name	Number of Ordinary Shares Held	Percentage of Issued Capital
1	Alun Stevens & Associates Pty Ltd <The Stevens Family A/c>	20,923,737	11.94
2	Ms Loetitia Henriette Tibi	19,298,300	11.01
3	Merkin Management Pty Ltd <Rothsey Super Fund A/c>	15,743,688	8.98
4	Global Equity Management Pty Ltd	15,672,361	8.94
5	Baroda Hill Investments Limited	14,946,000	8.53
6	Mr Stephen John Brady & Mrs Sebastiana Diana Brady <S & D Brady Family A/c>	10,154,254	5.79
7	Mr Stiven Razmovski & Mrs Trajanka Razmovski <The Razz A/c>	9,862,552	5.63
8	Drae Investments Pty Ltd <D & A Galtieri Family A/c>	7,164,000	4.09
9	Mr Peter Edmonds & Mrs Diana Edmonds <The Edmonds A/c>	6,575,034	3.75
10	Leon Hinde	6,522,361	3.72
11	Ms Lay Kee Tay	5,553,700	3.17
12	Mr Rodney James Weston & Mrs Jessica Elizabeth Weston <Weston Family A/c>	4,157,906	2.37
13	Mr Ming Chen	4,114,200	2.35
14	Payore Pty Limited	2,479,768	1.41
15	Mr Charles Whit Chapman & Mrs Morne Chapman <Rumsig Family A/c>	2,097,873	1.20
16	Gwandoban Investments Pty Limited <Superannuation Fund A/c>	2,045,000	1.17
17	Blueridge Enterprises Pty Ltd	2,000,000	1.14
18	Mr Anthony John Iremonger & Ms Jian Fang Sun <Jianaji Super Fund A/c>	2,000,000	1.14
19	Barry Littler	2,000,000	1.14
20	Mr Robert John Connolly	1,639,944	0.94
	TOTALS	**154,950,678**	**88.39**

Additional ASX Information (un-audited)

2. Distribution of equity securities

Analysis of ordinary shareholders by size of holding:

Range	Number of Shareholders
1 - 500	77
501 – 1,000	16
1,001 – 5,000	23
5,001 – 10,000	117
10,001 – 100,000	176
100,001 and over	60
TOTAL	**469**

3. Restricted Securities

There are no restricted securities on issue.

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.