

**mds**Financial  
GROUP LIMITED

# asx announcement | 31 AUGUST 2010

2010  
ANNUAL  
REPORT

**MDS FINANCIAL GROUP LIMITED HAS TODAY RELEASED  
ITS 2010 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 <http://www.mdsfinancial.com.au/annual-reports.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 2010**

## **Directory**

### **Company Directors**

Mr Sean Peter Rothsey  
Mr Damian Wayne Isbister

Non-Executive Chairman  
Executive Director and Chief Executive Officer – Software and  
Online Trading  
Executive Director

Mr Bruce Richard Sydney Symon

### **Company Secretary**

Mr Anthony John Iremonger

### **Registered Office**

Level 37, Rialto South Tower  
525 Collins Street  
Melbourne VIC 3000  
Telephone: + 61 3 9617 0600  
Facsimile: + 61 3 9617 0699

### **Bankers**

National Australia Bank  
330 Collins Street  
Melbourne VIC 3000

Westpac Banking Corporation  
Royal Exchange  
Cnr Pitt & Bridge Streets  
Sydney NSW 2000

### **Auditor**

PKF  
140 William Street  
Melbourne VIC 3000

### **Securities Exchange**

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

### **ASX Code**

MWS (Shares)

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

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## **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 2010. 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](http://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 2009 Mr Symon and Mr Isbister were appointed to the Board to fill vacancies. Subsequently, on 1 February 2010, 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 this structure is appropriate to the circumstances of the Group as the Board consolidates the restructure of its operations and repositioning of its business.

The Company does not, at present, 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 of 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 2009 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

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.

The remuneration committee comprised the following members during the year:

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

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

## **Corporate Governance Statement**

### **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:

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

The 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.

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 2010 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.

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 and half-year 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.

## Corporate Governance Statement

### 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.

#### 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.

## **Corporate Governance Statement**

### **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 26 to the financial statements.

#### **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**

The 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.

## **Corporate Governance Statement**

### **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 2010.

### **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;
- corporate advisory services;
- 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 \$349,140 (2009: \$695,486 loss). This represents a 50% improvement on the prior year.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) was improved by 47% on prior year - a loss of \$285,463 (2009 \$542,171 loss).

#### **Review of Operations**

The 2010/11 financial year saw a continuation of the uncertain market conditions that have existed in the wake of the Global Financial Crisis and a continued nervousness on the part of investors. Depressed activity on the Australian Securities Exchange has adversely affected Group's overall revenue which declined by 6% from \$6,479,644 for the year ended 30 June 2009 to \$6,060,935 for the current year. However, the directors continue to be of the view that the Group is well positioned to take advantage of growth opportunities.

The Group has continued to promote and develop its on-line trading and execution business, acquiring full ownership of Trader Dealer Online Pty Ltd on 30 October 2009. 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. The transfer of client accounts to this new facility, expected to deliver significant benefits in terms of functionality and cost savings, was completed on 27 April 2010. Pending completion of that process, the company's ability to grow its client base over that period was somewhat impeded. Nevertheless, the company has seen a 54% increase in client numbers over the year. Revenue from Brokerage and commissions increased by 57% from \$830,472 for the year ended 30 June 2009 to \$1,306,361 for the current year.

Whilst revenue from data and software subscriptions declined by 16% from \$5,649,172 to \$4,745,631 over the year, the overall performance of the segment improved significantly, generating a net profit of \$1,400,609 (2009: \$334,426) as a result of cost savings.

The Group closed its Sydney premises on 30 April 2010 and relocated to new premises in Melbourne. Significant expenses and write-offs of \$89,273 arose in relation to these changes.

Expenses of \$6,349,744 represent a reduction of 12% on those reported for the year ended 30 June 2009 and reflect the continued benefits associated with cost reduction initiatives, business restructuring and the re-negotiation of supply contracts initiated during the previous financial year.

## Directors' Report

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

	<b>Six Months ended 30 Jun-10 \$</b>	<b>Six Months ended 31-Dec-09 \$</b>	<b>Full Year Ended 30 Jun-109 \$</b>
Loss from continuing operations	(203,086)	(56,781)	(259,867)
Net financing income	(21,168)	(7,774)	(28,942)
Depreciation and amortisation	44,839	47,780	92,619
EBITDA	<u>(179,415)</u>	<u>(16,775)</u>	<u>(196,190)</u>

### Financial Position

The net assets of the consolidated group have increased by \$938,316 from 30 June 2009 to \$2,991,005 in 2010. This increase is directly attributable to additional share capital being contributed during the year.

Cash and cash equivalents rose by \$208,982 for the year to \$870,166. The Group has no borrowings.

The Group has committed considerable resources to development of its software and trading platforms during the year and the capitalised value of software development expenditure has increased by \$644,857 to \$858,945. No impairment losses have been recognised in relation to this asset as the asset is not yet ready for use and no impairment indicators existed at year-end.

### Dividends Paid or Recommended

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

### After Balance Date Events

On 30 August 2010 the Company bought-back from shareholders holding less than a "marketable parcel" (defined by the ASX Listing Rules as a parcel of securities of not less than \$500) 1,668,804 ordinary shares for a total consideration of \$40,051.

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

MDS Financial Group Limited has, over the past two years, weathered difficult trading conditions and the lingering effects of the Global Financial Crises by aggressively cutting costs, restructuring and consolidating its operations. At the same time it has devoted considerable resources to the development of its software solutions towards a fully integrated trading platform.

The Group's existing subscriber based products Bourse Data and Market Analyser will be "relaunched" over the next six-months with a new look and enhancements to their web-based functionality and user interfaces. The Group's new product Rapid Trader, currently being trialled by a select group of clients, will be upgraded to facilitate options trading and marketed aggressively from the second quarter. A "Concept Store" will operate in conjunction with Melbourne's Educated Investor bookstore from late September 2010. New products such as a new low cost end-of-day prices data product will be added.

The Group's corporate advisory team, operating through MDS Financial Services Pty Ltd, completed an \$800,000 placement to sophisticated investors for an ASX listed company during July 2010. MDS Financial Services is currently acting as lead manager to a \$10,000,000 IPO for Allmine Group Limited. Similar opportunities are currently being evaluated.

In light of these developments and strategies, the directors believe that the company will return to profitability in the 2011 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.

Damian is Chairman of the Nomination and Audit Committees and a member of the Remuneration Committee.

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.

Richard is Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees.

### Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Anthony John Iremonger – B.Com, CPA. Mr Iremonger joined the Group in February 2009 and was appointed Chief Financial Officer on 1 July 2009. Mr Iremonger was appointed to the position of Company Secretary on 7 May 2010.

Mr Allan Nicholas Shek held the position of Company Secretary until 7 May 2010.

## 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	26,326,632	27,000,000
Mr Richard Symon	27,045,000	25,000,000

### 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		Nomination Committee	
	A	B	A	B	A	B	A	B
<b>Current Directors</b>								
Sean Rothsey	5	5	-	-	-	-	-	-
Damian Isbister	5	5	2	2	2	2	-	-
Richard Symon	4	5	2	2	2	2	-	-

**A** – Number of meeting attended

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

The Nomination Committee has not met during the year and up to the date of this report.

### 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:

<u>Expiry date</u>	<u>Exercise price</u>	<u>Number of shares</u>
27 November 2010	\$0.05	2,000,000
30 June 2011	\$0.05	<u>75,100,000</u>
		<u>77,100,000</u>

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 2010 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 debtor was subsequently placed into administration. The directors are of the opinion that the amount is irrecoverable and the amount owed was written off during the current financial year.

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 both PKF, the Company's auditor, and Nexia Court & Co, the Company's previous auditor, have 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 2010:

PKF	
Taxation and other services	<u>\$3,422</u>
Nexia Court & Co	
Taxation and other services	<u>\$4,730</u>

### **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 nor employee options issued during the year.

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.

The following table shows the gross revenue, profits and dividends for the last five years of the listed entity, as well as the share prices at the end of the respective financial years.

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	3,456,454	6,575,899	8,079,086	6,479,644	6,060,935
Net loss	(86,031)	(8,982,197)	(7,852,224)	(544,379)	(349,140)
Share price at year end	\$0.15	\$0.085	\$0.030	\$0.012	\$0.030
Dividends paid	Nil	Nil	Nil	Nil	Nil

### 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. Non-executive 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 extent different, 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.

## Remuneration Report

Group Key Management Personnel	Position held as at 30 June 2010 and any change during the year	Contract details (duration and termination)	Proportion of elements of remuneration related to performance			Proportion of elements of remuneration not related to performance	
			Non-salary cash-based incentives %	Shares/ Units %	Options/ Rights %	Fixed Salary/ Fees %	Total %
Mr C Foley	Chief Information Officer	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr D Isbister	Director (Executive) Chief Executive Officer – Software and On-line Trading	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr A Iremonger	Chief Financial Officer (Appointed 1 July 2009) Company Secretary (Appointed 7 May 2010)	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr S Rothsey	Chairman (Non-executive)	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr A Shek	Company Secretary Resigned 7 May 2010	No fixed term. 1 Month notice required to terminate	-	-	-	100	100
Mr R Symon	Director (Executive)	No fixed term. 1 Month notice required to terminate	-	-	-	100	100

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

### Changes in Directors and Executives Subsequent to Year-end

No changes in Directors and Executives 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.

Group Key Management Personnel		Short-term benefits		Post-employment benefits		Long-term benefits	Termination Benefits	Equity-settled share-based payments		Total
		Salary fees and leave \$	Other \$	Pension and super-annuation \$	Other \$			Shares \$	Options/ Rights \$	
Mr C Foley	2010	145,130	-	13,062	-	-	-	-	-	158,192
	2009	130,000	-	11,700	-	-	-	-	-	141,700
Mr A Iremonger	2010	96,000	-	24,000	-	-	-	-	-	120,000
	2009	33,333	-	3,000	-	-	-	-	-	36,333
Mr D Isbister	2010	142,932	-	12,864	-	-	-	-	-	155,796
	2009	147,464	-	-	-	-	-	-	3,080	150,544
Mr S Rothsey	2010	60,000	-	-	-	-	-	-	-	60,000
	2009	60,000	23,333	-	-	-	-	-	-	83,333
Mr A Shek	2010	25,000	-	-	-	-	-	-	-	25,000
	2009	136,967	-	8,100	-	-	-	-	-	145,067
Mr R Symon	2010	120,000	-	-	-	-	-	-	-	120,000
	2009	90,000	-	-	-	-	-	-	-	90,000
Total	2010	589,062	-	49,926	-	-	-	-	-	638,988
	2009	597,764	23,333	22,800	-	-	-	-	3,080	646,977

## Remuneration Report

### 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.

Option values at grant date were determined using the Black-Scholes method. Further detail of the option valuation and key inputs is disclosed at Note 24.

### Aggregate compensation of Key Management Personnel

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

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Short-term employee benefits	589,062	621,097	-	-
Post-employment benefits	49,926	22,800	-	-
Share-based payments	-	3,080	-	-
	<u>638,988</u>	<u>646,977</u>	<u>-</u>	<u>-</u>

### Equity instruments - audited

#### Options

On 27 November 2008 2,000,000 options were issued to Mr Damian Isbister and form part of his KMP remuneration. These options have an exercise 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.

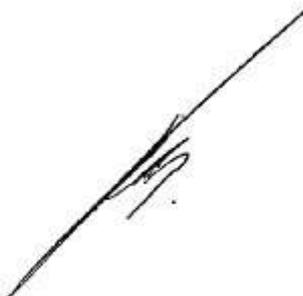
#### Modification of terms of equity-settled share-based payment transactions

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

31 August 2010



Chartered Accountants  
& Business Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of MDS Financial Group Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MDS Financial Group Limited and the entities it controlled during the year.

A handwritten signature in blue ink that reads 'David Garvey'.

**David Garvey**  
**Partner**  
**PKF**

31 August 2010  
Melbourne

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**Consolidated Statement of Comprehensive Income**  
For the year ended June 2010

	Note	Consolidated Group		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Continuing Operations</b>					
Revenue	2	6,060,935	6,479,644	-	-
<b>Expenses</b>					
Data fees		(1,934,798)	(2,150,564)	-	-
Execution and clearing		(744,255)	(476,741)	-	-
Employee benefits	3	(2,105,346)	(2,735,227)	-	(9,955)
Occupancy		(389,341)	(350,273)	-	-
Telecommunications		(290,589)	(367,315)	-	-
Marketing		(142,208)	(66,152)	-	-
General and administrative		(503,521)	(520,882)	(344,078)	(326,034)
Depreciation	3	(92,619)	(176,732)	-	-
Other		(236,340)	(354,661)	-	-
Impairment of inter-company loans		-	-	-	(717,032)
<b>Results from operating activities</b>		<b>(378,082)</b>	<b>(718,903)</b>	<b>(344,078)</b>	<b>(1,053,021)</b>
Interest received		35,805	44,993	28,067	23,298
Interest paid		(6,863)	(21,576)	(4,542)	-
Net financing income		28,942	23,417	23,525	23,298
<b>Loss before income tax</b>		<b>(349,140)</b>	<b>(695,486)</b>	<b>(320,553)</b>	<b>(1,029,723)</b>
Income tax expense	4	-	-	-	-
<b>Loss from continuing operations</b>		<b>(349,140)</b>	<b>(695,486)</b>	<b>(320,553)</b>	<b>(1,029,723)</b>
<b>Discontinued operation</b>					
Profit (loss) from discontinued operation	2	-	13,446	-	-
<b>Loss for the year</b>		<b>(349,140)</b>	<b>(682,040)</b>	<b>(320,553)</b>	<b>(1,029,723)</b>
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		(349,140)	(682,040)	(320,553)	(1,029,723)
Loss attributable to:					
Members of the parent entity		(345,052)	(544,379)	(320,553)	(1,029,723)
Non-controlling interest		(4,088)	(137,661)	-	-
		<b>(349,140)</b>	<b>(682,040)</b>	<b>(320,553)</b>	<b>(1,029,723)</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended June 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Total comprehensive income attributable to:					
Members of the parent entity		(345,052)	(544,379)	(320,553)	(1,029,723)
Non-controlling interest		(4,088)	(137,661)	-	-
		<u>(349,140)</u>	<u>(682,040)</u>	<u>(320,553)</u>	<u>(1,029,723)</u>

### Earnings per share

		Cents per share	Cents per share
From continuing and discontinued operations			
Basic and diluted earnings per share	8	(0.157)	(0.382)
From continuing operations			
Basic and diluted earnings per share	8	(0.157)	(0.390)

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 accompanying notes form part of these financial statements.

## Statement of Financial Position

As at 30 June 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Assets</b>					
Cash and cash equivalents	9	870,166	661,184	603,820	240,493
Trade and other receivables	10	243,781	477,499	1,307	-
Other financial assets	11	10,500	-	-	-
Other assets	13	126,981	122,704	74,914	71,233
<b>Total current assets</b>		<b>1,251,428</b>	<b>1,261,387</b>	<b>680,041</b>	<b>311,726</b>
Trade and other receivables	10	-	-	275,714	107,674
Other financial assets	11	7,652	152	2,056,120	2,056,120
Plant and equipment	14	198,237	257,114	-	-
Intangible assets	15	2,932,565	2,270,208	-	-
Other assets	13	161,093	187,734	-	-
<b>Total non-current assets</b>		<b>3,299,547</b>	<b>2,715,208</b>	<b>2,331,834</b>	<b>2,163,794</b>
<b>Total assets</b>		<b>4,550,975</b>	<b>3,976,595</b>	<b>3,011,875</b>	<b>2,475,520</b>
Trade and other payables	16	820,991	1,139,404	68,838	155,974
Deferred income	17	562,104	591,623	-	-
Employee benefits	18	96,735	115,111	-	-
<b>Total current liabilities</b>		<b>1,479,830</b>	<b>1,846,138</b>	<b>68,838</b>	<b>155,974</b>
Trade and other payables	16	-	-	367,132	925,088
Employee benefits	18	80,140	77,768	-	-
<b>Total non-current liabilities</b>		<b>80,140</b>	<b>77,768</b>	<b>367,132</b>	<b>925,088</b>
<b>Total liabilities</b>		<b>1,559,970</b>	<b>1,923,906</b>	<b>435,970</b>	<b>1,081,062</b>
<b>Net assets</b>		<b>2,991,005</b>	<b>2,052,689</b>	<b>2,575,905</b>	<b>1,394,458</b>
<b>Equity</b>					
Share capital	19	20,671,655	19,169,655	52,350,590	50,848,590
Share options reserve	28	3,080	3,080	3,080	3,080
Accumulated losses		(17,683,730)	(17,120,265)	(49,777,765)	(49,457,212)
Parent interest		2,991,005	2,052,470	2,575,905	1,394,458
Minority equity interest	12(b)	-	219	-	-
<b>Total equity</b>		<b>2,991,005</b>	<b>2,052,689</b>	<b>2,575,905</b>	<b>1,394,458</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2010

Consolidated Group	Issued Capital	Reserves	Accumulated Losses	Non-controlling Interest	Total Equity
	\$	\$	\$	\$	\$
<b>At 30 June 2008</b>	<b>19,206,135</b>	<b>24,716</b>	<b>(16,621,692)</b>	<b>(55,574)</b>	<b>2,553,585</b>
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 the 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)	-
<b>At 30 June 2009</b>	<b>19,169,655</b>	<b>3,080</b>	<b>(17,120,265)</b>	<b>219</b>	<b>2,052,689</b>
Loss attributable to members of the parent entity	-	-	(345,052)	(4,088)	(349,140)
Shares issued during period	1,502,000	-	-	-	1,502,000
Acquired non-controlling interest (Note 12 (b))	-	-	(218,413)	3,869	(214,544)
<b>At 30 June 2010</b>	<b>20,671,655</b>	<b>3,080</b>	<b>(17,683,730)</b>	<b>-</b>	<b>2,991,005</b>
<b>Parent Entity</b>	<b>Share Capital</b>	<b>Share Options Reserve</b>	<b>Accumulated Losses</b>	<b>Minority Interest</b>	<b>Total Equity</b>
	\$	\$	\$	\$	\$
<b>At 30 June 2008</b>	<b>50,885,021</b>	<b>66,476</b>	<b>(48,493,965)</b>	<b>-</b>	<b>2,457,532</b>
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 the parent entity	-	-	(1,029,723)	-	(1,029,723)
<b>At 30 June 2009</b>	<b>50,848,590</b>	<b>3,080</b>	<b>(49,457,212)</b>	<b>-</b>	<b>1,394,458</b>
Shares issued during period	1,502,000	-	-	-	1,502,000
Loss attributable to members of the parent entity	-	-	(320,553)	-	(320,553)
<b>At 30 June 2010</b>	<b>52,350,590</b>	<b>3,080</b>	<b>(49,777,765)</b>	<b>-</b>	<b>2,575,905</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows

For the year ended 30 June 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Cash receipts from customers		6,837,147	6,725,558	-	-
Cash paid to suppliers and employers		(7,203,272)	(7,172,340)	(434,895)	(212,948)
Interest paid		(6,863)	(21,576)	(4,542)	-
<b>Net Cash used in operating activities</b>	23	<b>(372,988)</b>	<b>(468,358)</b>	<b>(439,437)</b>	<b>(212,948)</b>
<b>Cash flows from investing activities</b>					
Interest received		35,805	44,993	26,760	23,298
Proceeds from disposal of other assets		101,314	-	-	-
Payment for property, plant and equipment		(123,015)	(38,153)	-	-
Payment for other asset		(74,673)	-	-	-
Payment for subsidiary	12(b)	(214,544)	-	-	-
Payment for associate		(7,500)	-	-	-
Addition to intangible asset		(637,417)	(214,088)	-	-
<b>Net cash (used in)/provided by investing activities</b>		<b>(920,030)</b>	<b>(207,248)</b>	<b>26,760</b>	<b>23,298</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of securities		1,502,000	-	1,502,000	-
Loans to subsidiaries		-	-	(725,996)	(427,566)
Loan from non-controlling shareholder		-	105,544	-	-
Transaction costs of share buy-back		-	(36,431)	-	(36,431)
<b>Net cash (used in)/provided by financing activities</b>		<b>1,502,000</b>	<b>69,113</b>	<b>776,004</b>	<b>(463,997)</b>
Net increase/(decrease) in cash and cash equivalents		208,982	(606,493)	363,327	(653,647)
Cash and cash equivalents at 1 July		661,184	1,267,677	240,493	894,140
Cash and cash equivalents at 30 June	9	870,166	661,184	603,820	240,493

The accompanying notes form part of these 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**

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The company has applied ASIC Class Order [CO 10/654] "Inclusion of parent entity financial statements in financial reports" the financial report includes the parent entity financial statements as part of their full year financial report prepared under Chapter 2M of the Act.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### **a) Going concern**

For year ended 30 June 2010 the consolidated entity has a loss attributable to members of \$345,042 (2009: loss \$544,379) and a negative cash flow from operating cash flows of \$372,988 (2009: negative \$468,358). At balance date the consolidated entity has a current asset deficiency of \$228,402 (2009: deficiency \$584,751). For the period 12 months from signing the financial report, the consolidated entity expects to incur start-up costs resulting from a new product release. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is dependent upon a number of factors one being the continuation and availability of funds. To this end the consolidated entity is expecting to fund its obligations beyond this working capital position as follows:

The consolidated entity's performance for the year represents a sustained improvement on the prior corresponding period and reflects implementation of cost savings and operational improvements. The consolidated entity has invested heavily in Development over the period and, as detailed above, now has a major product scheduled for release in the first half of the current financial year which will be supported by extensive marketing. In addition, renewed focus is being given to corporate advisory business with demonstrated success being achieved subsequent to the end of the reporting period. The Directors are of the opinion that the new product and services to be offered will drive future revenue growth and return the group to profitability.

The consolidated entity has raised \$1,502,000 in new capital during the period; has experienced a net increase in cash and cash equivalents of \$208,982 during the period (2009: net decrease \$606,493); and, has positive net tangible assets of \$58,440 (2009: negative \$217,519), providing evidence that the company can raise new capital from existing and new investors.

Notwithstanding, the consolidated entity has the ability to scale down operations and discontinue certain programs should the need arise.

Cash flow forecasts prepared by management demonstrate the consolidated entity has sufficient cash flows to meet its commitments over the next 12 months based on the above factors, and for that reason the financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

## Notes to the Financial Statements

### Note 1. Statement of Significant Accounting Policies (Cont'd)

#### b) 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.

#### c) 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).

#### d) 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.

#### e) 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.

	2010	2009
Plant and equipment:	11.3% to 50%	11.3% to 50%
Leasehold improvements	7.5% to 20%	7.5% to 20%

## Notes to the Financial Statements

### Note 1. Statement of Significant Accounting Policies (Cont'd)

#### f) 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.

#### g) 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. Development

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. Expenditure capitalised comprises all directly attributable costs including costs of materials, services and direct labour. Other development expenditure that does not meet these criteria is recognised as an expense as incurred. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually or more frequently when an indication of impairment arises during the period. When development projects are ready for use, the company amortises capitalised development costs over the asset's useful life.

#### h) 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.

Impairment testing is performed annually for goodwill and intangible assets with an indefinite life.

##### Tangible and intangible 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

Goodwill is tested for impairment annually, in accordance with the policy above, and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment.

An impairment loss in respect of goodwill is not reversed.

##### Development

No impairment losses have been recognised for any Development in the 2010 financial year (2009: \$nil)

## Notes to the Financial Statements

### Note 1. Statement of Significant Accounting Policies (Cont'd)

#### i) Income tax

##### i. Current tax

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

##### ii. Deferred tax

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

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

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

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

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

##### iii. Current and deferred tax for the period

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

##### iv. Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 January 2007 and are therefore taxed as a single entity from that date.

The head entity within the tax-consolidated group is MDS Financial Group Limited.

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

## Notes to the Financial Statements

### Note 1. Statement of Significant Accounting Policies (Cont'd)

#### j) 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.

#### k) Share-based payments

Equity-settled share-based payments 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.

#### l) Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

##### *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit and loss.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

#### m) 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.

## Notes to the Financial Statements

### Note 1. Statement of Significant Accounting Policies (Cont'd)

#### n) 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.

#### o) 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.

#### p) 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 statement of cash flows 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.

#### q) Foreign Currencies

##### i. Functional and presentation currency

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

##### ii. Transactions and balances

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

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

#### r) 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 share options.

## Notes to the Financial Statements

### Note 1. Statement of Significant Accounting Policies (Cont'd)

#### s) Determination of fair values

A number of the 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.

#### t) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

#### u) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

##### **Key estimates**

##### *Impairment*

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

With respect to cash flow projections for intangible assets, growth rates of 5% have been factored into valuation models for the next five years on the basis of management's expectations around the product-life cycle of existing data services. No allowance has been made for substitution of cash flows from new and emerging products. Pre-tax discount rates of 15.0% have been used in all models

#### v) Adoption of new and revised accounting standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact of these standards and interpretations has had on the financial statements of MDS Financial Group Limited.

##### **AASB 8: Operating Segments**

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

## Notes to the Financial Statements

### Note 1. Statement of Significant Accounting Policies (Cont'd)

#### *Measurement impact*

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification, measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognized and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

#### *Impairment testing of the segment's goodwill*

AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

#### *Disclosure impact*

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilized by the chief operating decision maker. This information is now disclosed as part of the financial statements

### **AASB 101: Presentation of Financial Statements**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and, as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

#### *Disclosure Impact*

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised version of AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

## Notes to the Financial Statements

### Note 1. Statement of Significant Accounting Policies (Cont'd)

Statement of comprehensive income – The revised AABS 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income

#### w) 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. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held to maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - a. The objective of the entity's business model for managing the financial assets; and
  - b. The characteristics of the contractual cash flows
- AASB 124: related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and to simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-04: 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 standards detail 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 2009-8: Amendments to Australian Accounting Standards – Group cash-settled Share-based Payment Transactions [AASB2] (applicable for annual reporting periods commencing on or after 1 January 2010).

## **Notes to the Financial Statements**

### **Note 1. Statement of Significant Accounting Policies (Cont'd)**

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 2009-9: Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of these contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the group.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This interpretation is not expected to impact the Group.

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

## Notes to the Financial Statements

### Note 2. Revenue

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Continuing Operations</b>				
Subscriptions	4,745,631	5,649,172	-	-
Brokerage and commissions	1,306,361	830,472	-	-
Other	8,943	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,060,935	6,479,644	-	-
<b>Discontinued Operation</b>				
Revenue from services	-	41,525	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,060,935	6,521,169	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Employee benefits expense</b>				
<i>Continuing Operations</i>				
Wages and salaries	1,859,194	2,250,510	-	-
Other employment costs	220,152	481,637	-	-
Expense of share based payments	26,000	3,080	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total employee benefits expense	2,105,346	2,735,227	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation of non-current assets</b>				
<i>Continuing operations</i>				
Plant and equipment	88,639	170,281	-	-
Leasehold improvements	3,980	6,451	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total depreciation of non-current assets	92,619	176,732	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Rental expense on operating leases</b>				
<i>Continuing operations</i>				
Property lease	278,233	279,209	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Significant impairment losses</b>				
<i>Continuing operations</i>				
Impairment loss on investment	-	-	-	1,600,000
Impairment loss on inter-company loan	-	-	-	(882,968)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	717,032
	<hr/>	<hr/>	<hr/>	<hr/>

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.

## Notes to the Financial Statements

### Note 4. Income Tax Expense

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax on loss from ordinary activities at 30% (2009: 30%)				
- consolidated group	(104,742)	(204,612)	-	-
- parent entity	-	-	(96,166)	(308,917)
Add:				
Tax effect of:				
- share and option based payments	-	924	-	924
- non-allowable items	1,660	534	-	-
- timing differences	(92,420)	(15,650)	(7,865)	19,129
- black-hole expenditure	(72,105)	-	-	-
Current year tax losses not recognised	267,607	218,804	104,031	288,864
Income tax expense	-	-	-	-

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 (i) occur:

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
- temporary differences	69,202	264,823	16,140	15,972
- tax losses: capital losses	7,288	7,288	7,288	7,288

The extent of tax losses arising from operating losses currently available to be carried forward by the Group has not been determined at the date of this report. The company is undertaking a review of the available losses following the inclusion of Trader Dealer Online Pty Ltd into the tax consolidated group. Therefore the deferred tax assets not recognised cannot be quantified at this time.

## 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 2010.

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

	2010	2009
	\$	\$
Short-term employee benefits	589,062	621,097
Post employment benefits	49,926	22,800
Share-based payments	-	3,080
	638,988	646,977

### 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 2010	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
D Isbister	2,000,000	-	-	25,000,000	27,000,000	25,000,000	27,000,000	-
A Iremonger	-	-	-	10,000,000	10,000,000	10,000,000	10,000,000	-
R Symon	-	-	-	25,000,000	25,000,000	25,000,000	25,000,000	-
	2,000,000	-	-	60,000,000	62,000,000	60,000,000	62,000,000	-
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
D Isbister	2,000,000	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
	2,000,000	2,000,000	-	-	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 2010	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	15,743,688	-	-	-	15,743,688
D Isbister	1,326,632	-	-	25,000,000	26,326,632
R Symon	2,045,000	-	-	25,000,000	27,045,000
A Shek	72,575	-	-	-	72,575
C Foley	72,575	-	-	-	72,575
A Iremonger	1,500,000	-	-	11,150,000	13,000,000
	20,760,470	-	-	61,500,000	82,260,470

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

#### 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 26: Related Party Transactions

## Notes to the Financial Statements

### Note 6. Auditors' Remuneration

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Remuneration of the auditor (PKF) of the parent entity for:				
- auditing or reviewing the financial report	60,000	-	54,000	-
- taxation services	3,422	-	3,422	-
Remuneration of other auditors (Nexia Court & Co.) for:				
- auditing or reviewing the financial report	-	84,200	-	84,200
- taxation services	4,730	4,590	4,730	4,590
	68,152	88,790	62,152	88,790

### Note 7. Dividends

- (a) No dividends have been paid or declared during 2010 (2009: Nil)
- (b) The balance of the franking account at year end was \$1,422,418 (2009: \$1,422,418).

### Note 8. Losses Per Share

	Consolidated Group	
	2010	2009
Net loss used in calculation of basic and diluted earnings per share (\$)	(349,410)	(682,040)
Basic and diluted loss per share (cents per share)	(0.157)	(0.382)
Basic loss per share calculated using the outstanding number of shares 250,396,612 (2009: 175,296,612) at year end (cents per share) as the denominator	(0.140)	(0.389)
Weighted average number of shares used in basic and diluted earnings per share	223,025,927	178,748,667

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		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Current</b>				
Cash at bank and on hand	870,166	661,184	603,820	240,493

## Notes to the Financial Statements

### Note 10. Trade and Other Receivables

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Current</b>				
Trade receivables	117,095	402,078	-	-
Allowance for doubtful debts	-	(45,000)	-	-
	117,095	357,078	-	-
Other receivables	126,686	120,421	1,307	-
	243,781	477,499	1,307	-
<b>Non-current</b>				
Loans to subsidiaries	-	-	275,714	248,531
Impairment loss	-	-	-	(140,857)
	-	-	275,714	107,674

### Note 11. Other Financial Assets

#### Current

Financial assets at fair value through profit or loss	11(a)	10,500	-	-	-
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#### Non-current

Available-for-sale financial assets	11(b)	7,652	152	-	-
Other investments	11(c)	-	-	2,056,120	2,056,120

		7,652	152	2,056,120	2,056,120
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#### (a) Financial assets at fair value through profit or loss

Held-for-trading Australian listed shares		10,500	-	-	-
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#### (b) Available-for-sale financial assets comprise

Unlisted investments, at cost		7,652	152	-	-
Shares in other corporations					

#### (c) Other investments

Shares in subsidiaries, at cost		-	-	14,115,894	14,115,894
Less: Impairment provision		-	-	(12,059,774)	(12,059,774)
		-	-	2,056,120	2,056,120

## Notes to the Financial Statements

### Note 12. Controlled Entities

#### a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)	
		2010	2009
<u>Subsidiaries of MDS Financial Group Limited</u>			
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 Services Pty Ltd	Australia	100	100
<u>Subsidiaries of MDSnews.com Pty Ltd.</u>			
Trader Dealer Online Pty Ltd	Australia	100	51

#### b. Acquisition of Controlled Entities

##### 2010

On 30 October 2009, the Group acquired the remaining 49% of Trader Dealer Online Pty Ltd from Box Red Pty Ltd for a cash payment of \$215,544.

Fair value of the consideration paid	\$214,544
Carrying amount of non-controlling interest at date of acquisition	<u>\$3,869</u>
Adjustment to controlling interest's equity on acquisition	<u>\$218,413</u>

##### 2009

No business acquisitions were made during 2009.

### Note 13. Other Assets

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Current</b>				
Prepayments	126,981	122,704	74,914	71,233
<b>Non-current</b>				
Bonds and guarantees	161,093	187,734	-	-

## Notes to the Financial Statements

### Note 14. Plant and Equipment

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Non-current</b>				
Plant and equipment – at cost	487,376	762,256	-	-
Accumulated depreciation	(330,167)	(522,058)	-	-
	157,209	240,198	-	-
Leasehold improvements – at cost	42,471	97,492	-	-
Accumulated depreciation	(1,443)	(80,576)	-	-
	41,028	16,916	-	-
Total plant and equipment – net book value	198,237	257,114	-	-

### Reconciliations

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

### Plant and equipment

Carrying amount at beginning of the year	240,198	415,919	-	-
Additions	78,044	21,353	-	-
Disposals	(72,394)	(26,793)	-	-
Depreciation	(88,639)	(170,281)	-	-
Carrying amount at end of year	157,209	240,198	-	-

### Leasehold improvements

Carrying amount at beginning of the year	16,916	6,567	-	-
Additions	44,971	16,800	-	-
Disposals	(16,879)	-	-	-
Depreciation	(3,980)	(6,451)	-	-
Carrying amount at end of year	41,028	16,916	-	-

## Notes to the Financial Statements

### Note 15. Intangible Assets

	Consolidated Group	
	2010	2009
	\$	\$
<b>Non-current</b>		
<b>Goodwill</b>		
Cost	2,056,120	2,056,120
Accumulated impairment losses	-	-
Net carrying value	2,056,120	2,056,120
<b>Websites</b>		
Cost	20,000	-
Accumulated amortisation	(2,500)	-
Net carrying value	17,500	-
<b>Software Development Assets</b>		
Cost	858,945	214,088
Accumulated impairment losses	-	-
Net carrying value	858,945	214,088
Total intangibles	2,932,565	2,270,208

### Consolidated Group:

	Goodwill	Websites	Software Development Assets
	\$		\$
<b>2010</b>			
Balance at beginning of year	2,056,120	-	214,088
Acquisition through business combinations	-	20,000	-
Amortisation	-	(2,500)	-
Internal development	-	-	644,857
Carrying amount at end of year	2,056,120	17,500	858,945
<b>2009</b>			
Balance at beginning of year	2,056,120	-	-
Internal development	-	-	214,088
Carrying amount at end of year	2,056,120	-	214,088

## Notes to the Financial Statements

### Note 15. Intangible Assets (Cont'd)

Intangible assets, other than goodwill, have finite useful lives. Goodwill has an infinite life. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income.

During the current and prior financial period, no amortisation was recorded for software development assets as the assets were not ready for use. Management carried out impairment testing of the carrying amount of software development assets by preparing value-in-use calculations as detailed below. When the assets are ready for use, which is expected to be the 30 June 2011 financial year, the assets will be amortised over a period of 10 years.

Websites are amortised on a straight-line basis over a period of two years

### Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments.

	2010 \$	2009 \$
Data subscriptions segment	2,056,120	214,088
	2,056,120	214,088

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using a pre-tax risk adjusted discount rate of 15%.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Data subscriptions segment	5%	15.0%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets are based on the actual revenue and costs incurred of each operating segment in the current financial year adjusted for expectations of future growth rates, taking into account historical gross margins as well as estimated average inflation rates over the period. Discount rates are pre-tax and adjusted to incorporate risks associated with a particular segment.

### Note 16. Trade and Other Payables

	Consolidated Group		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Current</b>				
Trade payables	483,556	669,518	3,608	31,243
Other payables	105,457	200,793	4,678	64,615
Accruals	231,978	269,093	60,552	60,116
	820,991	1,139,404	68,838	155,974
<b>Non-current</b>				
Loans from subsidiaries	-	-	367,132	925,088

## Notes to the Financial Statements

### 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	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Current</b>				
Liability for annual leave	96,735	115,111	-	-
<b>Non-current</b>				
Liability for long service leave	80,140	77,768	-	-
	176,875	192,879	-	-

### Note 19. Share Capital

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Fully Paid Ordinary shares	20,671,655	19,169,655	52,350,590	50,848,590

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	No.	No.	No.	No.
Movement in issued shares for the year				
Opening number of shares	175,296,612	190,296,612	175,296,612	190,296,612
Share issue during the year				
- 30 October 2009	66,000,000	-	66,000,000	-
- 29 January 2010	9,100,000	-	9,100,000	-
Shares bought back during the year				
- 22 September 2008	-	(15,000,000)	-	(15,000,000)
Closing number of shares	250,396,612	175,296,612	250,396,612	175,296,612

## Notes to the Financial Statements

### Note 19. Share Capital

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Movement in issued shares for the year				
Opening number of shares	19,169,655	19,206,135	50,848,590	50,885,021
Share issue during the year				
- 30 October 2009	1,320,000	-	1,320,000	-
- 29 January 2010	182,000	-	182,000	-
Transaction costs		(36,431)		(36,431)
Prior year adjustment of minority interest		(49)		
Closing number of shares	20,671,655	19,169,655	52,350,590	50,848,590

#### (a) Issue of new shares

On 30 October 2009 the company issued 66,000,000 ordinary shares at \$0.02 each together with 66,000,000 unlisted options at an exercise price of 5 cents per share with an expiry date of 30 June 2011 for a consideration of \$1,520,000 from sophisticated investors.

On 29 January 2010 the company issued 9,100,000 ordinary shares at \$0.02 each together with 9,100,000 unlisted options at an exercise price of 5 cents per share with an expiry date of 30 June 2011 for a consideration of \$182,000 from sophisticated investors.

There were no ordinary shares issued during 2009.

#### (b) Buy-back of shares

On 18 June 2010 the Directors announced that the Company would commence the process for the buy-back of ordinary shares from shareholders holding less than a "marketable parcel" (defined in the ASX Listing Rules as a parcel of securities of not less than \$500 in value). The closing date of the buy-back was 30 July 2010. On 30 August 2010 the company bought back and cancelled 1,668,804 ordinary shares for a total cost of \$40,051.

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.

## Notes to the Financial Statements

### Note 20. Leasing Commitments

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Less than one year	188,750	279,928	-	-
Between one and five years	795,560	75,875	-	-
More than five years	-	-	-	-
	984,310	355,803	-	-

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by 4% per annum.

### Note 21. 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	
	2010	2009	2010	2009
	\$	\$	\$	\$
Guarantees	161,093	182,284	-	-

The Group has, in relation to the lease of its premises, executed a bank guarantee in favour of its landlord. The Group has also, in relation to credit facilities, executed a guarantee in favour of its bankers.

On 30 October 2009, the Group acquired the remaining 49% of Trader Dealer Online Pty Ltd from Box Red Pty Ltd for a cash payment of \$215,544. As detailed in the Company's Interim Financial Report for the half-year ended 31 December 2009, as part of the purchase consideration, the Company agreed to pay the vendor a maximum earn-out payment of \$711,556 in the event of either a change of control on or before 30 June 2010 or Trader Dealer Online Pty Ltd meeting or exceeding a budgeted revenue target for the financial year ended 30 June 2010 of \$1,890,000. As neither of these conditions was met no further liability exists in relation to this transaction.

#### *Commitments*

The directors are of the opinion that none exist.

### Note 22. Operating Segments

#### **Segment Information**

##### **Identification of reportable segments**

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

## **Notes to the Financial Statements**

### **Note 22. Operating Segments (Cont'd)**

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment;
- The type or class of customer for the product or service;
- The distribution method; and,
- External regulatory requirements.

#### **Type of products and services by segment**

##### *Data subscriptions*

The provision of financial market data and analysis tools for sophisticated traders. Products include The Bourse and Market Analyser subscription services.

##### *Online broking*

The provision of execution only, online trading through the Trader Dealer Online platform.

##### *Corporate Advisory*

The provision of capital markets advice and related services.

#### **Basis of accounting for purposes of reporting by operating segments**

##### *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to the operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

##### *Inter-segment transactions*

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Groups financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

##### *Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated operating segments.

##### *Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

##### *Unallocated items*

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense;
- Deferred tax assets and liabilities

##### *Comparative information*

This is the first reporting period in which AASB 8: Operating segments has been adopted. Comparative information has been restated to conform to the requirements of the Standard.

## Notes to the Financial Statements

### Note 22. Operating Segments (Cont'd)

#### (i) Segment performance

	Data Subscriptions \$	Online Broking \$	Corporate Advisory \$	Total \$
<b>30 June 2010</b>				
<b>REVENUE</b>	4,759,916	1,481,019	-	6,060,935
<b>Total segment revenue</b>	4,759,916	1,481,019	-	6,060,935
<i>Reconciliation of segment revenue to group revenue</i>				
Interest income				35,805
Total group revenue				6,096,740
<b>Segment net profit/(loss) before tax</b>	1,400,609	(1,457,984)	(320,707)	(378,082)
<i>Reconciliation of segment result to group net loss before tax</i>				
Unallocated items				
- Interest income				35,805
- Finance costs				(6,863)
Net loss before income tax from continuing operations				(349,140)
<b>30 June 2009</b>				
<b>REVENUE</b>	5,649,172	830,472	-	6,479,644
<b>Total segment revenue</b>	5,649,172	830,472	-	6,479,644
<i>Reconciliation of segment revenue to group revenue</i>				
Interest income				44,993
Revenue from discontinued operations				41,525
Total group revenue				6,566,162
<b>Segment net profit/(loss) before tax</b>	334,426	(964,082)	(89,247)	(718,903)
<i>Reconciliation of segment result to group net loss before tax</i>				
Unallocated items				
- Interest revenue				44,993
- Finance costs				(21,576)
- Profit from discontinued operations				13,446
Net loss before income tax from continuing operations				(682,040)

## Notes to the Financial Statements

### Note 22. Operating Segments (Cont'd)

#### (ii) Segment assets

	Data Subscriptions \$	Online Broking \$	Corporate Advisory \$	Total \$
<b>30 June 2010</b>				
<b>Segment assets</b>	4,323,029	202,692	25,254	4,550,975
Segment asset increases for the period				
• Capital expenditure	767,872	-	-	767,872
	767,872	-	-	767,872
<i>Reconciliation of segment assets to group assets</i>				
<b>Total group assets</b>				4,550,975
<b>30 Jun 2009</b>				
<b>Segment assets</b>	3,794,992	161,633	19,970	3,976,595
Segment asset increases for the period				
• Capital expenditure	252,241	-	-	252,241
	252,241	-	-	252,241
<i>Reconciliation of segment assets to group assets</i>				
<b>Total group assets</b>				3,976,595

## Notes to the Financial Statements

### Note 22. Operating Segments (Cont'd)

#### (iii) Segment liabilities

	Data Subscriptions \$	Online Broking \$	Corporate Advisory \$	Total \$
<b>30 June 2010</b>				
Segment liabilities	1,357,830	201,928	212	1,559,970
<i>Reconciliation of segment liabilities to group liabilities</i>				1,559,970
Total group liabilities from continuing operations				1,559,970
<b>30 Jun 2009</b>				
Segment liabilities	1,741,231	161,185	21,490	1,923,206
<i>Reconciliation of segment liabilities to group liabilities</i>				1,923,206
Total group liabilities from continuing operations				1,923,206

#### (iv) Revenue by geographical region

	30 June 2010 \$	30 June 2009 \$
Australia	6,060,935	6,479,644
Total revenue	6,060,935	6,479,644

#### (v) Assets by geographical location

The location of segment assets is disclosed below by geographical location of the assets:

	30 June 2010 \$	30 June 2009 \$
Australia	4,550,975	3,976,595
Total Assets	4,550,975	3,976,595

#### (vi) Major customers

The entity has no major customers for which revenues from transactions exceeds 10% or more of the entity's revenue.

## Notes to the Financial Statements

### Note 23. Cash Flow Information

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
(a) Reconciliation of loss for the year to net cash flow used in operating activities				
Loss for the year	(349,140)	(682,040)	(320,553)	(1,029,723)
Non-cash flows in operating loss				
Depreciation and amortisation	92,619	176,732	-	-
Unrealised gain on investments	(10,500)	-	-	-
Capitalised Development costs	(24,940)	-	-	-
Impairment loss on intercompany loan	-	-	-	717,032
Loss on disposal of plant and equipment	89,273	26,793	-	-
Net financing income	(35,805)	(44,993)	(28,067)	(23,298)
Share based payments	-	3,080	-	3,080
Changes in working capital and provisions				
Change in trade and other receivables	235,154	(227,932)	-	(10,904)
Change in other assets	(4,277)	8,618	(3,681)	-
Change in trade and other creditors	(319,849)	246,185	(87,136)	130,865
Change in deferred income	(29,519)	131,040	-	-
Change in provisions for employee benefits	(16,004)	(105,841)	-	-
Net cash used in operating activities	(372,988)	(468,358)	(439,437)	(212,948)
(b) 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 24. 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.

No options were issued or expired during the year ended 30 June 2010

On 27 November 2009, 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.

2010							
	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	27/11/2009	\$0.00154	\$0.05	27/11/2010	27/11/2009

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 dependent 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%

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

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the financial period	2,000,000	\$0.05	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	-	-	(960,000)	\$0.20
Balance at the end of the financial period	<u>2,000,000</u>	<u>\$0.05</u>	<u>2,000,000</u>	<u>\$0.05</u>

## Notes to the Financial Statements

### Note 25. Events After the Balance Sheet Date

On 30 August, 2010 the Company bought back from shareholders holding less than a "marketable parcel" (defined by the ASX Listing Rules as a parcel of securities of not less than \$500) and cancelled 1,668,804 ordinary shares for a total consideration of \$40,051.

There have been no other matters or circumstances, which have arisen since 30 June 2010 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2010, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2010, of the Group.

### Note 26. Related Party Transactions

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
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 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	-	-
Interest paid to BoxRed Pty Ltd, a company associated with Mr Rothsey	-	11,543	-	-
Cash payment to BoxRed Pty Ltd on purchase of its 49% minority interest in Trader Dealer Online Pty Ltd	214,544	-	214,544	-
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 at 30 June 2009. (Reimbursed during 2009/10)	-	3,517	-	-

## **Notes to the Financial Statements**

### **Note 27. 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 27. 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	
	2010	2009
	\$	\$
Cash and cash equivalents	870,166	661,184
Trade and other receivables	243,781	477,499
Other assets	288,074	310,438
	<hr/>	<hr/>
	1,402,021	1,449,121
	<hr/>	<hr/>

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

	Carrying amount	
	2010	2009
	\$	\$
Commercial customers	12,623	72,602
Retail customers	104,472	329,476
	<hr/>	<hr/>
	117,095	402,078
	<hr/>	<hr/>

#### **Impairment losses**

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

	Gross	Impairment	Gross	Impairment
	2010	2010	2009	2009
	\$	\$	\$	\$
Not past due	93,865	-	218,650	-
Past due 0 to 30 days	5,995	-	11,564	-
Past due 31 to 120 days	17,235	-	171,864	45,000
	<hr/>	<hr/>	<hr/>	<hr/>
	117,095	-	402,078	45,000
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the Financial Statements

### Note 27. 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	
	2010	2009
	\$	\$
Balance at 1 July	45,000	48,257
Impairment loss recognised	(45,000)	(3,257)
	<hr/>	<hr/>
Balance at 30 June	-	45,000
	<hr/>	<hr/>

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
	\$	\$	\$	\$
<b>Consolidated</b>				
<b>Non-derivative financial liabilities</b>				
<b>30-Jun-10</b>				
Trade and other payables	820,991	(820,991)	(820,991)	-
<b>30-Jun-09</b>				
Trade and other payables	1,139,404	(1,139,404)	(1,139,404)	-
<b>Company</b>				
<b>Non-derivative financial liabilities</b>				
<b>30-Jun-10</b>				
Trade and other payables	68,838	(68,838)	(68,838)	-
Loans from a related party	367,132	(367,132)	-	(367,132)
<b>30-Jun-09</b>				
Trade and other payables	155,974	(155,974)	(155,974)	-
Loans from a related party	925,088	(925,088)	-	(925,088)

## Notes to the Financial Statements

### Note 27. 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	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Variable rate instruments</b>				
Financial assets	1,030,809	843,468	603,820	240,493
Financial liabilities	-	-	-	-
	<u>1,030,809</u>	<u>843,468</u>	<u>603,820</u>	<u>240,493</u>

#### 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 2009.

	Consolidated Entity		Parent Entity	
	Equity 100bp Increase	Profit or loss 100bp increase	Equity 100bp Increase	Profit or loss 100bp increase
<b>30-Jun-10</b>				
Variable rate instruments	6,606	6,606	5,000	5,000
Cash flow sensitivity (net)	<u>6,606</u>	<u>6,606</u>	<u>5,000</u>	<u>5,000</u>
<b>30-Jun-09</b>				
Variable rate instruments	4,168	4,168	2,345	2,345
Cash flow sensitivity (net)	<u>4,168</u>	<u>4,168</u>	<u>2,345</u>	<u>2,345</u>

#### Fair value of financial instruments

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

#### 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 28. Reserves

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

## **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 2010 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 issued by the International Accounting Standards Board 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 2010.

Signed in accordance with a resolution of the directors.



Sean Rothsey  
Chairman

Melbourne  
31 August 2010



Chartered Accountants  
& Business Advisers

**INDEPENDENT AUDITOR'S 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, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both MDS Financial Group Limited and the consolidated entity comprising MDS Financial Group Limited and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial 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 controls 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. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

*Auditor's Opinion*

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 consolidated entity's financial position as at 30 June 2010 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

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Chartered Accountants  
& Business Advisers

*Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the entity for year ended 30 June 2010 the consolidated entity has a loss attributable to members of \$345,042 (2009: loss \$544,379) and a negative cash flow from operating cash flows of \$372,988 (2009: negative \$468,358). At balance date the consolidated entity has net current asset deficiency of \$228,402 (2009: deficiency \$584,751). These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 16 to 19 of the directors' report for the period ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion**

In our opinion the Remuneration Report of MDS Financial Group Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

PKF

PKF

D J Garvey  
Partner

31 August 2010  
Melbourne

## 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 18 August 2010.

#### 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	HKM Investments Pty Ltd <Isbister Family A/c>	25,000,000	9.98%
2	Mr Richard Symon	25,000,000	9.98%
3	Alun Stevens & Associates Pty Ltd <the Stevens Family A/c>	20,923,737	8.36%
4	Global Equity Management Pty Ltd	20,672,361	8.26%
5	Ms Loetitia Henriette Tibi	19,298,300	7.71%
6	Merkin Management Pty Ltd <Rothsey Super Fund A/c>	15,743,688	6.29%
7	Baroda Hill Investments Limited	14,946,000	5.97%
8	Finico Pty Ltd	12,704,506	5.07%
9	Mr Anthony John Iremonger & Ms Jian Fang Sun	10,000,000	3.99%
10	Mr Stephen John Brady & Mrs Sebastiana Diana Brady <S & D Brady Family A/c>	8,463,554	3.38%
11	Leon Hinde	6,522,361	2.60%
12	Mr Stiven Razmovski & Mrs Trajanka Razmovski <The Razz A/c>	5,862,552	2.34%
13	Bethcorp Pty Ltd <Jonic Inv P/L S/F A/c>	5,700,000	2.28%
14	Ms Lay Kee Tay	5,553,700	2.22%
15	Mr Ming Chen	4,114,200	1.64%
16	Mr Peter Edmonds & Mrs Diana Edmonds	3,375,034	1.35%
17	Mr Anthony John Iremonger & Ms Jian Fang Sun <Jianaji Super Fund A/c>	3,000,000	1.20%
18	Mr Lachlan Taylor Hughes & Mrs Elizabeth Hughes <Robbins Super fund A/c>	2,300,000	0.92%
19	Harland Group Pty Ltd	2,100,000	0.84%
20	Mr Charles Whit Chapman & Mrs Morne Chapman <Rumsig Family A/c>	2,097,873	0.84%
	<b>TOTALS</b>	<b>213,377,866</b>	<b>85.22%</b>

**MDS Financial Group Limited - ABN 90 091 744 884**  
**Annual Financial Report 30 June 2009**  
**Additional ASX Information (un-audited)**

**2. Distribution of equity securities**

Analysis of ordinary shareholders by size of holding:

<b>Range</b>	<b>Number of Shareholders</b>
1 - 500	80
501 – 1,000	16
1,001 – 5,000	19
5,001 – 10,000	113
10,001 – 100,000	169
100,001 and over	79
<b>TOTAL</b>	<b>478</b>

**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.