MDSnews Limited

ABN 90 091 744 884

Annual Financial Report

Year ended 30 June 2007

Directory

Directors	Barry Littler – Executive Chairman Alun Stevens – Director Leon Hinde – Director and Business Development Sean Rothsey – Non-executive Director David Whitfield – Non-executive Director
Company Secretary	Allan Shek
Registered Office	69 Nicholson Street St Leonards, New South Wales, 2065 Phone: 1800 064 738 Fax: 02 9251 6244 International Phone: +61 2 9438 3777 Fax: +61 2 9251 6244
Share Registry	Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street Sydney, New South Wales, 2000 Phone: 02 8234 5000 Fax: 02 8234 5050
Auditors	Nexia Court & Co Level 29, Tower Building, Australia Square 264 George Street Sydney, New South Wales, 2000
Stock Exchange	The company's securities are quoted on the official list of the Australian Stock Exchange Limited, the home branch being Sydney.
ASX Code	MWS (Shares)

MDSnews Limited is a public company limited by shares and is domiciled in Australia

Contents

Directors' report

The directors present their report together with the financial report of MDSnews Limited (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2007 and the auditor's report theron.

1. Directors

The qualifications, experience and special responsibilities of each person who has been a director of MDSnews Limited at any time during or since the end of the financial year is provided below, together with details of the company secretary as at year end.

Barry Littler	**Executive Chairman**
Qualifications	BCom, Finance & Accounting (UNSW) MCom, Advanced Specialisation in Marketing (UNSW)
Experience	Barry Littler has been a professional in wholesale financial markets since 1982. In this time Mr Littler has had senior management roles at Westpac, McIntosh Securities and SG Australia. These roles have encompassed significant line experience in futures, fixed interest, currencies, derivatives, equities and fund management. Mr Littler has lectured for the Australian Financial Markets Association (AFMA) in technical issues and financial market ethics, and also has lectured for the Securities Institute (SIA). Mr Littler is also currently Chief Executive Officer of Alleron Investment Management Limited.
Special Responsibilities	Barry Littler is the Chairman of the Remuneration Committee and a member of the Risk and Compliance Committee.
Appointed	23 June 2005
Age	47
Leon Hinde	**Director and Business Development**
Experience	Leon Hinde is the founder and Chief Executive Officer of the MDSnews Group. He is responsible as the CEO for developing the strategic direction of the Group and the implementation of the business development plan. Mr Hinde has been instrumental in developing and maintaining the Company's relationship with its various alliance partners and the distributors. His business operational skills, combined with strong global financial market awareness, have provided a solid base in the strategic direction and product development of the Group.
Appointed	23 June 2005
Age	33
Alun Stevens	**Director**
Qualifications	MSc FIAA
Experience	Alun Stevens is an actuary with nearly 30 years experience in financial services including life insurance, superannuation, funds management and stock broking. He has held senior managerial positions with National Mutual (AXA) and Norwich Union and has provided management and marketing advice to a number of other large Australian financial institutions. He has extensive experience in financial product marketing including product design and pricing, advertising, systems design and service delivery and administration. He was part of the management team that acquired Bourse Data from St George Bank in 2002 and has been chairman since then. He is currently also an executive director of Opes Prime Stockbroking and a number of its subsidiaries.
Special Responsibilities	Alun Stevens is the Chairman of the Risk and Compliance Committee and a member of the Audit Committee.
Appointed	15 December 2006
Age	55

David Whitfield	**Non-executive Director**
Qualifications	FCA
Experience	David Whitfield is a chartered accountant with over 35 years' experience in business and public practice in the areas of corporate advice, taxation, mergers and acquisitions, company reconstructions and public offerings. David Whitfield was previously a partner of a second tier accounting firm for 19 years. Since retiring from public practice, he has acted as a director and chairman of various listed and unlisted companies in the mining, technology and telecommunications areas.
Special Responsibilities	David Whitfield is the Chairman of the Audit Committee and a member of the Remuneration Committee. During the year Mr Whitfield performed special services in relation to acquisitions by the MDSnews Group and oversees the financial operations of the economic entity.
Appointed	19 January 2005
Age	60

Company Secretary	
Allan Shek	Allan Shek has worked for the MDSnews Group for the past 9 years, performing management roles in support, compliance and general management areas of the business.
Bachelor of Science	
Appointed 20 July 2005	

Subsequent director related information:

On 19 September 2007, Mr Wayne Johnson retired as Director and Chief Executive Officer of the Company.

Wayne Johnson	**Director and Chief Executive Officer**
Experience	Wayne Johnson has over 20 years of business and financial transaction experience gained largely in Australia, New Zealand, Asia and North America. He has founded and helped manage a range of businesses, from start-ups to public companies, and has been instrumental in the sale of technology and investment management based businesses to multinational buyers. Mr Johnson also brings a wealth of experience in Merger and Acquisitions, Corporate Advisory and general business development.
Appointed	15 December 2006
Ceased	19 September 2007
Age	45

On 19 September 2007, Mr Sean Rothsey was appointed to the board as a Non-executive Director.

Sean Rothsey	**Non-executive Director**
Experience	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 companies. He also subscribes to corporate social responsibility and is particularly interested in ethical investments.
Appointed	19 September 2007
Age	47

2. Directors' meetings

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

	Directors Meetings		**Audit Committee**		**Remuneration Committee**	
Current Directors	Attended	Held	Attended	Held	Attended	Held
Barry Littler	12	12	-	-	1	1
Leon Hinde	12	12	-	-	-	-
Alun Stevens	7	7	2	2	-	-
David Whitfield	12	12	2	2	1	1
Sean Rothsey	-	-	-	-	-	-
Previous Directors						
Wayne Johnson	7	7	-	-	-	-

3. Directors' interests in contracts

There are no Directors' interests in contracts.

4. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which are generally consistent with the ASX Corporate Governance Council recommendations.

4.1. 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 MDSnews 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.

The board has delegated responsibility for operation and administration of the Company to the chief executive officer and 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 Remuneration Committee 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 MDSnews group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

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

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

Independent professional advice and access to company information

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

Composition of the board

The names of the directors of the Company in office at the date of this report are set out in the Directors' report on pages 4 to 5 of this report. The composition of the board is determined using the following principles:

- a minimum of three directors, with a broad range of expertise both nationally and internationally
- a majority of directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies
- enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities

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

- holds less than five percent 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 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.

4.2. Remuneration committee

The remuneration committee also 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, and fringe benefits policies.

The members of the remuneration committee during the year were:

- Mr Barry Littler (Chairperson) – Executive
- Mr David Whitfield – Independent Non-Executive.

The board policy is that the remuneration committee meets at least once a year and as required. The committee met once during the year and committee members' attendance is disclosed in the table of directors' meetings on page 6.

4.3. Remuneration report

4.3.1. Principles of compensation

Remuneration is referred to as compensation throughout this report.

The remuneration policy of MDSnews Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of MDSnews Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board.

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

- The remuneration committee reviews executive packages annually by reference to the Groups performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the Groups profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

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.

Performance-based remuneration

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

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

In determining whether or not a KPI has been achieved, MDSnews Limited 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 organisations such as Standard & Poors.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy 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 Company believes this policy to have been effective in increasing shareholder wealth over the past four years.

Non-Executive Directors

The Constitution provides that the non-executive Directors are entitled to remuneration as determined by the Shareholders in the General Meeting. Shareholders approved the payment of up to $100,000 in annual Director's fees at the General Meeting held on 20 July 2005. No Director's fees were paid to non-executive Directors in the financial year ending 30 June 2006.

Leon Hinde

Pursuant to an employment agreement, Leon Hinde is entitled to receive a total remuneration package going forward of $140,000 (excluding any entitlements to equity).

Barry Littler

Pursuant to a consultancy agreement dated 5 July 2005 and amendment dated 4 September 2006 between Blueridge Enterprises Pty Ltd (Blueridge), the Company and the MDSnews Group, Blueridge has agreed to provide certain regulatory compliance and managerial services through its nominated person Barry Littler for an annual consultancy fee of $75,000 in the first year.

4.3.2. Directors' and executive officers' remuneration

	Short-Term Benefits		Post employment	Share-based payments		TOTAL
	Salary/ fees $	Special Service fees $	Superannuation $	Shares (ii) $	Options (c) $	$
Barry Littler	72,500	-	-	-	-	72,500
Wayne Johnson (iii)	90,000	-	-	-	-	90,000
Leon Hinde	111,976	-	10,061	-	-	122,037
Alun Stevens (iii)	20,000	-	-	-	-	20,000
David Whitfield (i)	60,000	137,500	-	-	-	197,500
Rodney Weston (iii)	64,220	-	5,780	-	-	70,000
Allan Shek (ii)	99,742	-	8,979	1,000	8,300	118,021
Total	518,438	137,500	24,820	1,000	8,300	690,058

Notes in relation to the table of directors' and executive officers' remuneration.
(i) On 30 November 2006, 1,018,518 ordinary shares in MDSnews were issued to The Toddlers Manufacturing Co Pty Ltd (Toddlers), a company controlled by David Whitfield, a director of MDSnews. The issue of shares was made in consideration of the provision of past services of David Whitfield provided by Toddlers. Shareholders approved the issue on 30 November 2006 at the 2006 Annual General Meeting of the Company. The value attributed to these shares was $0.135 and was included in due diligence expenses and capitalised to the cost of investment in Bourse Data and Cube Financial.

(ii) Shares granted as compensation
On 27 July 2006, 5,000 fully paid ordinary shares of MDSnews Limited were issued to Allan Shek as part of his compensation. The shares were issued as compensation to increase goal congruence between shareholders, directors and executives.

(iii) Payments are for the period 1 January 2007 to 30 June 2007.

4.3.3. Equity instruments

4.3.3.1. Options

The following options were not taken up and therefore lapsed during the year:

Directors	Options No.
Barry Littler	500,000
Leon Hinde	500,000
David Whitfield	500,000
Previous Directors	
Bruce Ind	500,000

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

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

4.3.3.3. Exercise of options granted as compensation – audited

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

4.4. Audit committee

The audit committee has a documented charter, approved by the board. All members must be non-executive directors. The Chairperson may not be the Chairperson of the board. The committee advises on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group.

The members of the audit committee during the year were:

- Mr David Whitfield, FCA (Chairperson) – Independent Non-Executive
- Mr Alun Stevens MSc FIAA –Executive

The external auditors, the chief executive officer and the financial controller are invited to audit committee meetings at the discretion of the committee. The committee met two times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 6.

The chief executive officer and the financial controller 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 have been properly maintained, the Company's financial reports for the year ended 30 June 2007 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

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

The responsibilities of the audit committee include:

- reviewing the annual, half-year 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 auditors 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 and internal audit plans, 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 results
- 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.

4.5. 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 the financial controller 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.

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 executive officer and the financial controller 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.

4.6. 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 23 to the financial statements.

4.7. 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.

5. Principal activities

The Company develops, markets and supports financial market analysis software and data under the the Market Analyser brand. These services provide real time and delayed market data and analysis tools for investors, traders and professional clients for most major global markets. The software is also re-distributed in the United Kingdom, Middle East and South East Asia.

On 18 December 2006 the Company acquired Bourse Data Pty Ltd (Bourse Data) and The Cube Financial Group Pty Ltd (Cube Financial).

Bourse Data
Bourse Data was established in 1992 and also develops, markets and supports financial market analysis software and data. For investors, traders and professional clients, but Bourse Data's focus is purely Australian. The business also provides wholesale services including white labelled solutions to businesses, listed companies and financial information providers.

The Cube Financial Group
Cube Financial is a financial services company providing private client advice, financial planning, corporate advisory, newsletter and education services to clients in Australia and New Zealand. Cube Financial has a range of services designed for the complete beginner to the professional who makes their own decisions.

The acquisition of these companies provides the Company with a solid base for future growth and diversification in the financial services and technology industries. The acquisition was approved by shareholders at a general meeting held on 18 December 2006.

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

6. Objectives

The objective of the merger was to create a non-aligned financial services company providing a broad range of advisory, information and execution services to best position the company to take advantage of the opportunity provided by the projected growth in the financial services market in Australia.

The Group's objectives are to:

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

7. Outlook

The Company made good progress throughout the 2007 financial year. Some aspects of the merger have proved more difficult than anticipated, but significant cost savings have been realised across the group - with more to be achieved over the coming year. The Company remains on track to achieve annualised $1 million in recurring cost savings.

In looking forward, it is also important to understand the opportunities presented by putting together the three businesses in the merger. The unique set of products and services which the Company now has will allow it to establish a sustainable competitive advantage in the Australian financial services market.

The Company is no longer just a technology company providing market data and the tools to analyse that data. It is now a financial services company with products and services that allow it to:

- Service the needs of the significant number of new entrants to investment markets who need education, advice and assistance with their investment execution.
- Service the needs of established traders and investors who seek specialist advice and more sophisticated products.
- Service the needs of established traders and investors who want to make and execute their own decisions.
- Service the needs of other businesses who themselves provide services to these markets.
- Provide the client base with access to listings and other capital raising opportunities.

This is a unique positioning. Online brokers only really cater for those clients who want to make and execute their own investment decisions. Full service brokers and investment advisory firms only really cater for those clients who want an advisor to help them make and execute their investment decisions or to do everything for them. The first set of competitors find it difficult to attract clients, especially new entrants to the market, who need and want assistance. The second set of competitors find it difficult to retain clients who become more independent and want to act by themselves.

MDSnews has the products and services to gather new entrant investors and to retain whether they move on to doing their own investing or continue to want assistance and advice.

In order to realise this opportunity, management is working to consolidate and reorganise its operating units to deliver the following services:

Education and Information
The target for these services are the new entrants to investment markets as well as the established client base who always want to learn more. Education is a proven client acquisition and retention service. This will be supported by research and advice on investment and stock selection. Many of these services are already in place within the Company, but they will be expanded and enhanced.

Do It Yourself Services
The target for these services are those clients who want to make and execute their own investment decisions. These are the core services offered by the market data businesses. The current services provide sophisticated charting, scanning and alert services as well as execution through a number of brokers. The panel of brokers will be expanded. The tools will be enhanced and additional services for portfolio management are under consideration.

Partnering Services
The target for these services are those new entrant and established investors who want or need the services of an advisor to assist them. The Private Client Advisory service is the foundation of this service. It provides advice and execution for equities, options and CFDs. These will be continued and the client base expanded by cross selling into the large client base. Management is working to extend the execution services offered as well as the range of advice.

Do It For Them Services
The target for these services are those who want someone to manage their investments for them. The Company currently has no specific services for these clients so development is necessary. The initial stages of this development is underway with the investigation of services like portfolio administration, superannuation administration and individually managed accounts. Decisions on which services to develop will be made during the coming year.

Value Adding Services
The Company already provides access to IPOs and other special capital raisings through its Corporate Advisory unit. The operations of this unit will be expanded. Management is also working to extend the range of specialist products on offer to clients including leverage, shorting and structured products.

This realignment will allow the Company to exploit the unique opportunity presented by the merger by providing the focus and management accountability to deliver sustainable competitive advantage.

These strategic developments will gain momentum over time. In the short term though there are also opportunities that can deliver value for the company. In particular there are opportunities for increased cross selling across the client bases to increase revenues and rationalisations and efficiency gains to reduce costs. All these opportunities will be vigorously pursued

8. Operational and financial review

The Group reported a positive EBITDA for the 6 months to 30 June 2007, this is a notable improvement on the first 6 months to 31 December 2007, which produced a negative EBITDA.

The change represents a turnaround of $ 228,236 and is in keeping with announcements made at the time of the merger with Bourse Data Pty Ltd (Bourse Data) and Cube Financial Group Pty Ltd (Cube Financial). The Bourse Data contribution was in line with expectation and Cube Financial made a disappointing negative contribution to the results.

In summary, the results for the year, before significant items are:

	30/6/2007 6 Months $	31/12/2006 6 Months $	Year 12 Months $
(Loss) for the year	**(33,524)**	**(162,863)**	**(196,387)**
Net interest	**76,927**	**57,034**	**133,961**
Depreciation and amortisation	**128,701**	**9,911**	**138,612**
EBITDA	**18,250**	**(209,986)**	**(191,736)**

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

10. Events subsequent to reporting date

There have been no other matters or circumstances, which have arisen since 30 June 2007 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2007, of the consolidated entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2007, of the consolidated entity.

11. 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:

	MDSnews Limited	
	Ordinary shares	Options over ordinary shares
Mr Barry Littler	4,000,000	-
Mr Alun Stevens	20,923,737	-
Mr Leon Hinde	22,294,722	-
Mr David Whitfield	2,479,768	-
Mr Sean Rothsey	13,670,000	-

12. Share options

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following of the most highly remunerated offices of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Allan Shek	1,000,000	$0.20	31 December 2008

All options were granted during the financial year. No options have been granted since the end of the financial year.

Unissued shares under options

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

Expiry date	Exercise price	Number of shares
31 December 2008	$0.20	2,960,000
		2,960,000

Shares issued on exercise of options

There were no options exercised during the financial year.

13. Indemnification and insurance of officers and auditors

Indemnification

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the consolidated entity.

14. Non-audit services

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

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.

- the non-audit services provided do not undermine the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

	$
Taxation and other services	4,660

15. 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 16.

This report was made with a resolution of the directors.

Barry Littler
Chairman

27 September 2007

NEXIA COURT & CO
NEXIA INTERNATIONAL
CHARTERED ACCOUNTANTS
ABN 71 502 156 733

Level 29, Australia Square
264 George Street,
Sydney NSW 2000
PO Box H195,
Australia Square NSW 1215
T 61 2 9251 4600
F 61 2 9251 7138
info@nexiacourt.com.au
www.nexiacourt.com.au

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

To the directors of MDSnews Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

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

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Stephen J Rogers
Partner

Sydney
30 August 2007

Income Statements

For the year ended June 2007

	Notes*	Consolidated Entity		Company	
		2007 $	2006 $	2007 $	2006 $
Revenue	6	6,575,899	3,267,906	325,000	273,466
Cost of sales		2,378,653	1,090,125		
Gross profit		4,197,246	2,177,781	325,000	273,466
Employee benefits expense	7	3,041,092	1,162,829	42,716	41,760
Depreciation and amortisation	7	138,612	20,760	-	-
Other expenses	7	1,347,889	1,220,670	365,498	147,045
Results from operating activities		(330,348)	(226,478)	(83,214)	84,661
Interest received		134,602	34,993	75,257	28,250
Interest paid		(641)	(897)	-	-
Net financing income		133,961	34,096	75,257	28,250
(Loss)/profit before significant items		(196,387)	(192,382)	(7,957)	112,911
Significant impairment losses	7 & 10	(8,785,810)	(93,600)	(8,785,810)	-
(Loss)/profit before income tax		(8,982,197)	(285,982)	(8,793,767)	112,911
Income tax	8	-	(49)	-	-
(Loss)/profit for the period		(8,982,197)	(286,031)	(8,793,767)	112,911
		Cents per share	Cents per share		
Basic and diluted earnings per share	16	(6.886)	(1.530)		

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 an integral part of this Income Statement.

Balance Sheets

As at 30 June 2007

	Notes*	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
Assets					
Cash and cash equivalents	14	2,775,353	2,115,368	1,821,030	1,510,743
Trade and other receivables	13	1,346,044	172,273	25,240	112
Other financial assets	11	12,500	-	-	-
Other	12	-	50,662	-	39,795
Total current assets		4,133,897	2,338,303	1,846,270	1,550,650
Trade and other receivables	13	-	-	563,533	-
Other financial assets	11	111	100	12,515,894	4,175,000
Plant and equipment	9	320,337	45,820	-	-
Goodwill	10	8,392,114	-	-	-
Other	12	162,894	27,081	-	-
Total non-current assets		8,875,456	73,001	13,079,427	4,175,000
Total assets		13,009,353	2,411,304	14,925,697	5,725,650
Trade and other payables	17	1,921,712	386,202	51,905	75,131
Deferred income	20	487,371	-	-	-
Provisions	18	282,358	82,585	-	-
Total current liabilities		2,691,441	468,787	51,905	75,131
Trade and other payables		-	-	750,000	-
Provisions	18	126,529	35,977		-
Total non-current liabilities	17	126,530	35,977	750,000	-
Total liabilities		2,817,970	504,764	801,905	75,131
Net assets		10,191,383	1,906,540	14,123,792	5,650,519
Equity					
Share capital	15	19,206,135	1,963,811	50,885,021	33,642,697
Share option reserves		24,716	-	66,476	41,760
Accumulated losses		(9,039,468)	(57,271)	(36,827,705)	(28,033,938)
Total equity		10,191,383	1,906,540	14,123,792	5,650,519

* The accompanying notes form an integral part of this Balance Sheet.

Statement of changes in equity

For the year ended 30 June 2007

CONSOLIDATED ENTITY	Notes*	Share capital	Share options reserve	Accumulated losses	Total equity
		$	$	$	$
At 1 July 2005		205,002	-	228,760	433,762
Issue of share capital		2,597,300	-	-	2,597,300
Cost of share issues		(1,054,491)	-	-	(1,054,491)
Loss for the period		-	-	(286,031)	(286,031)
Share-based payment expense		216,000	-	-	216,000
At 30 June 2006	15	1,963,811	-	(57,271)	1,906,540
Issue of share capital to employees	15(a)	18,000	-	-	18,000
Issue of share capital to a director related company	15(a)	137,500	-	-	137,500
Issue of share capital to shareholders of Bourse Data Pty Ltd		8,563,352	-	-	8,563,352
Issue of share capital to shareholders of Cube Financial Group Pty Ltd		8,563,352	-	-	8,563,352
Cancelled share capital as a result of an unmarketable parcel share buy back		(39,880)	-	-	(39,880)
Loss for the period		-	-	(8,982,197)	(8,982,197)
Share-based payment expense		-	24,716	-	24,716
At 30 June 2007	15	19,206,135	24,716	(9,039,468)	10,191,383

COMPANY		Share capital	Share options reserve	Accumulated losses	Total equity
		$	$	$	$
At 1 July 2005		26,610,714	-	(28,146,849)	(1,536,135)
Issue of share capital		8,086,474	-	-	8,086,474
Cost of share issues		(1,054,491)	-	-	(1,054,491)
Loss for the period		-	-	112,911	112,911
Share-based payment expense		-	41,760	-	41,760
At 30 June 2006	15	33,642,697	41,760	(28,033,938)	5.650,519
Issue of share capital to employees	15(a)	18,000	-	-	18,000
Issue of share capital to a director related company	15(a)	137,500	-	-	137,500
Issue of share capital to shareholders of Bourse Data Pty Ltd		8,563,352	-	-	8,563,352
Issue of share capital to shareholders of Cube Financial Group Pty Ltd		8,563,352	-	-	8,563,352
Cancelled share capital as a result of an unmarketable parcel share buy back		(39,880)	-	-	(39,880)
Loss for the period		-	-	(8,793,767)	(8,793,767)
Share-based payment expense		-	24,716	-	24,716
At 30 June 2007	15	50,885,021	66,476	(36,827,705)	14,123,792

* The accompanying notes form an integral part of this Statement of Changes in Equity.

Statements of cash flows

For the year ended 30 June 2007

	Notes*	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
Cash flows from operating activities					
Cash receipts from customers		7,328,002	3,509,272	325,000	-
Cash paid to suppliers and employees		(7,504,484)	(3,510,245)	(165,757)	(110,846)
Interest paid		(641)	(25,528)	-	(24,631)
Income tax paid		-	(2,909)	-	-
Net cash from operating activities	14(a)	(177,123)	(29,410)	159,243	(135,477)
Cash flows from investing activities					
Interest received		134,602	34,032	75,257	28,250
Acquisition of plant & equipment		(119,472)	(11,206)	-	-
Cash component from acquisition of subsidiary		962,040	-	-	-
Payment for investment		-	(100)	-	-
Payment for due diligence costs		(95,562)	-	(78,860)	-
Repayment of security deposit		-	5,000	-	-
Payment for other non-current assets		(12,500)	(2,890)	-	-
Net cash from investing activities		869,108	24,836	(3,423)	28,250
Cash flows from financing activities					
Proceeds from issue of shares		-	2,597,300	-	2,597,300
Payment of share issue costs		-	(1,023,351)	-	(710,582)
Payment for share buy-back		(32,000)	-	(32,000)	-
Proceeds from borrowings		-	-	186,467	100,000
Repayment of borrowings		-	(35,000)	-	(449,590)
Net cash from financing activities		(32,000)	1,538,949	154,467	1,537,128
Net increase in cash and cash equivalents		659,985	1,534,375	310,287	1,429,901
Cash and cash equivalents at 1 July		2,115,368	580,993	1,510,743	80,842
Cash and cash equivalents at 30 June	14(b)	2,775,353	2,115,368	1,821,030	1,510,743

* The accompanying notes form an integral part of this Cash Flow Statement.

Notes to the financial statements

1. Reporting entity

MDSnews Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 69 Nicholson Street, St Leonards, NSW, Australia, 2065. The consolidated financial statements of the Company as at and for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the 'Group').

2. Basis of preparation

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.
The financial statements were approved by the Board of Directors on 30 August 2007.

b) Basis of measurement

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

c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods.

3. Significant accounting policies

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

a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) 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 consolidated entity are eliminated in full.

The consolidated income statement is that of the Group, comprising the results of Bourse Data Pty Ltd and Cube Financial Pty Ltd for the period from 1 January 2007 to 30 June 2007 and the results of MDSnews Limited and its subsidiaries Market Data Services Pty Ltd, MDSnews Global Pty Ltd, MDSnews Australia Pty Ltd, MDSnews.com Limited and MDSnews Solutions Pty Ltd for the entire year ended 30 June 2007.

b) Revenue recognition

i. <u>Sale of goods</u>
Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

ii. <u>Rendering of services</u>
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 unearned income, refer note 20).

iii. Interest revenue
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

iv. Commissions
When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

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

c) Cash and equivalents

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

d) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease 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 is 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.

	2007	**2006**
Plant and equipment:	37.5% to 40%	37.5% to 40%
Furniture and equipment	20%	20%
Leasehold improvements	20%	20%

e) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

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.

Lease incentives
In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f) Intangible assets

i. Goodwill
Goodwill arises on the acquisition of subsidiaries.

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

ii. Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

g) Impairment of assets

At each reporting date, the consolidated entity 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 consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

h) Income tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity 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 consolidated entity 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/consolidated entity 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 MDSnews Limited.

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

i) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, 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 consolidated entity in respect of services provided by employees up to reporting date.

j) Share-based payments

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

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

k) Financial assets

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

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i. Financial assets at fair value through profit or loss
The consolidated entity has classified certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

ii. Loans and receivables
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

l) Financial instruments issued by the company

i. Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

ii. Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

iii. Interest and dividends
Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

iv. Repurchase of share capital
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

m) Payables

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

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 consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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

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

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

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 consolidated entity 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 convertible notes and share options granted to employees.

s) Segment reporting

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

t) Adoption of new revised accounting standards

In the current year, the consolidated entity has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the consolidated entity's accounting policies.

4. Segment reporting

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

a) Business segments
The Group comprises the following main business segments:

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

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

	Consolidated revenue		Consolidated result	
	2007	2006	2007	2006
	$	$	$	$
Continuing operations				
Australia				
Data subscriptions	5,532,147	3,247,906	103,480	(192,382)
Brokerage commissions	565,945	-	(206,960)	-
Other	247,334	-	(92,907)	-
United Kingdom				
Data royalties	230,473	20,000	-	-
	6,575,899	3,267,906	(196,387)	(192,382)

5. Acquisitions of subsidiaries

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

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

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

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

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

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

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

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

The acquisitions of Bourse Data and Cube Financial were completed on 18 December 2006. The Consolidated Income Statement includes any trading results from Bourse Data and Cube Financial as from date of acquisition. The Consolidated Balance Sheet at 30 June 2007 includes the assets and liabilities of Bourse Data and Cube Financial as at that date.

6. Revenue

	Consolidated Entity		Company	
	2007 $	2006 $	2007 $	2006 $
Sales				
Revenue from sale of goods	682,926	26,000	-	-
Revenue from services	5,662,500	3,221,906	-	-
Other income				
Royalty income	230,473	20,000	-	-
Management fee	-	-	325,000	-
Gain on conversion of convertible notes	-	-	-	273,466
Total Revenue	6,575,899	3,267,906	325,000	273,466

7. Expenses

	Consolidated Entity		Company	
	2007 $	2006 $	2007 $	2006 $
Employee benefits expense				
Wages and salaries	2,631,738	977,885	-	-
Workers' compensation costs	2,832	3,217	-	-
Superannuation costs	231,674	80,470	-	-
Payroll tax	132,132	38,812	-	-
Expense of share-based payments	42,716	62,445	42,716	41,760
Total employee benefits expense	3,041,092	1,162,829	42,716	41,760
Depreciation of non-current assets				
Plant and equipment	136,370	20,760	-	-
Leasehold improvements	2,242	-	-	-
Total depreciation of non-current assets	138,612	20,760	-	-
Significant impairment losses				
Impairment of investment	8,785,810	50,000	-	-
Allowance for impairment of loan funds	-	43,600	-	-
	8,785,810	93,600	-	-
Other expense items				
Communication costs	176,006	303,361	-	-
Consultancy fees	160,655	358,401	-	11,155
Marketing expenses	103,319	48,148	-	-
Occupancy costs	330,297	111,506	-	-
Other expenses	577,612	399,254	365,498	135,890
Total other expenses	1,347,889	1,220,670	365,498	147,045

8. Income tax

	Consolidated Entity		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Income Tax Expense				
Profit/(Loss) from Ordinary Activities	(8,982,197)	(285,982)	(8,793,767)	112,911
Prima facie tax on loss from ordinary activities at 30% (2006: 30%)	(2,694,659)	(85,795)	(2,638,130)	33,873
Add tax effect of:				
Share and option based payments	12,815	18,734	12,815	17,328
Impairment of investments	2,635,743	-	2,635,743	-
Various timing differences	20,470	-	(63,294)	(51,201)
Current year tax losses not recognised	25,631	67,012	52,866	-
Income tax expense/(benefit)	-	(49)	-	-

The benefits of carried forward losses have not been brought to account, as the timing and realisation can not be reliably estimated. The carried forward losses are calculated at being $3,282,875.

9. Plant and equipment

	Consolidated Entity		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Plant and equipment –at cost	1,026,711	144,397	-	-
Accumulated depreciation	(717,134)	(98,577)	-	-
	309,577	45,820	-	-
Leasehold improvements-at cost	80,692	-	-	-
Accumulated amortisation	(69,932)	-	-	-
	10,760	-	-	-
Total plant and equipment - net book value	320,337	45,820	-	-

Reconciliations

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

Plant and equipment

Carrying amount at beginning of year	45,820	59,256	-	-
Additions	413,129	7,324	-	-
Depreciation	(136,370)	(20,760)	-	-
Carrying amount at end of year	322,579	45,820	-	-

Leasehold improvements

Carrying amount at beginning of year	-	-	-	-
Additions	13,002	-	-	-
Amortisation	(2,242)	-	-	-
Carrying amount at end of year	10,760	-	-	-

10. Goodwill

	Cube Financial 2007 $	Bourse Data 2007 $	Consolidated Entity 2007 $
Goodwill attributed to the acquisition of Bourse Data and Cube Financial	8,888,193	8,056,669	16,944,862
Costs capitalised	116,531	116,531	233,062
Impairment	(5,736,088)	(3,049,722)	(8,785,810)
	3,268,636	5,123,478	8,392,114

11. Other financial assets

	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
Current				
Investments in listed securities at fair value	12,500	-	-	-
	12,500	-	-	-
Non-current				
Investments in subsidiaries	-	-		
- MDS group companies			4,175,000	4,175,000
- Bourse Data Pty Ltd			5,513,630	
- Cube Financial Pty Ltd			2,827,264	
Investments in associates	111	100	-	-
	111	100	12,515,894	4,175,000

12. Other assets

	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
Current				
Bonds and guarantees	-	31,797	-	-
GST receivable	-	5,570	-	39,795
Other asset	-	13,295	-	-
	-	50,662	-	39,795
Non-current				
Bonds and guarantees	162,894	27,081	-	-
	162,894	27,081	-	-

13. Trade and other receivables

	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
Current				
Trade receivables (i)	1,104,399	163,396	-	-
Other receivables	241,646	8,877	25,240	112
	1,346,044	172,273	25,240	112

(i) The average credit period on sales of goods and rendering of services is 60 days. No interest is charged on the trade receivables.

	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
Non-current				
Loans to related entities	-	-	563,533	-
Loans to associates	-	43,600	-	-
Less: allowance for impairment of loans	-	(43,600)	-	-
	-	-	563,533	-

14. Cash and cash equivalents

	Notes	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
(a) Reconciliation of the net profit after tax to the net cash flows from operating activities:					
Net (loss)/profit		(8,982,197)	(286,031)	(8,793,767)	112,911
Non-Cash Items					
Depreciation		138,612	20,760	-	-
Impairment of investments		8,785,810		8,785,810	
Loss on disposal of assets		-	18,650	-	-
Due diligence costs		-	-	216,180	-
Net financing income		(133,961)	(34,096)	(75,257)	(28,250)
Share based payments		42,716	62,445	42,716	-
Operating profit before changes in working capital and provisions		(149,020)	(218,272)	175,682	84,661
Changes in assets and liabilities					
Change in other assets		34,349	54,673	39,795	(1,797)
Change in loan to related entity		(11)	111,487	-	-
Change in other non-current assets		(63,839)	25,694	-	-
Change in trade and other creditors		376,993	36,234	(31,106)	(219,044)
Change in income tax payable/refundable		-	(894)	-	-
Change in deferred income tax liability		(17,518)	22,746	-	-
Change in employee entitlements		-	(37,853)	-	-
Change in receivables		(460,909)	(23,225)	(25,128)	703
Change in deferred income		102,832	-	-	-
Net cash flow from/(used in) operating activities		(177,123)	(29,410)	159,243	(135,477)

(b) Cash and cash equivalents	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Cash at bank	2,775,353	2,115,118	1,821,030	1,510,743
Cash on hand	-	250	-	-
	2,775,353	2,115,368	1,821,030	1,510,743

(c) Businesses acquired During the financial year two businesses were acquired. Details of the acquisition are as follows:	**Consolidated 2007 $**
Consideration	
Ordinary shares	17,126,704
	17,126,704
Fair value of net assets acquired	
Current assets:	
Cash and cash equivalents	962,040
Other receivables	712,862
Other assets	119,500
Non-current assets:	
Plant and equipment	293,657
Current liabilities:	
Trade and other payables	1,149,996
Provision for annual leave and long service	306,402
Deferred tax liabilities	17,518
Deferred income	384,539
Other liabilities	47,762
Net assets/(liabilities) acquired	181,842

15. Share capital

	Consolidated Entity		Company	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Ordinary Shares	19,206,135	1,963,811	50,885,021	33,642,697

	Company			
	No. of Ordinary Shares		$	$
Movement in issued shares for the year:	2007	2006	2007	2006
Opening number of shares	62,581,008	406,524,714	33,642,697	26,610,714
Consolidation at a ratio of 1:383	-	(405,463,292)	-	-
Issued during the year (a) and (b)	127,715,697	61,519,586	17,242,324	7,031,983
Closing number of Shares	190,296,705	62,581,008	50,885,021	33,642,697

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

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

(b) Issued ordinary shares during the 2006 financial year:

	No. of Ordinary Shares 2006	$ 2006
On 13 April 2006, issue of fully paid ordinary shares at an issue price of $0.10 each to the MDSnews Group shareholders	41,750,000	4,175,000
On 13 April 2006, issue of fully paid ordinary shares at an issue price of $0.10 each to the holders of 244,000 new secured convertible notes of $1.00 each	2,440,000	244,000
On 13 April 2006, issue of fully paid ordinary shares at an issue price of $0.10 each to the holders of 26,000 new unsecured convertible notes of $1.00 each	260,000	26,000
On 13 April 2006, issue of fully paid ordinary shares at an issue price of $0.10 each to the holders of 650,000 unsecured convertible notes of $1.00 each	650,000	65,000
On 13 April 2006, issue of fully paid ordinary shares at an issue price of $0.287 each to the holders of 3,353,086 old unsecured convertible notes of $1.00 each	3,353,086	963,174
Pursuant to the Supplementary Prospectus dated 20 January 2006	12,986,500	2,597,300
On 21 June 2006, issue of fully paid ordinary shares at an issue price of $0.20 each to staff of the Company.	80,000	16,000
Costs of capital raising	-	(1,054,491)
	61,519,586	7,031,983

(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.

16. Earnings per share

	Consolidated Entity 2007	2006
Net loss used in the calculation of basic and diluted earnings per share ($)	(8,982,197)	(286,031)
Basic and diluted earnings/(loss) per share (cents per share)	(6.886)	(1.53)
Basic loss per share calculated using the outstanding number of shares 190,296,705 (2006:62,581,008) at year end (cents per share) as the denominator	(4.72)	(0.46)
Weighted average number of shares used in basic and diluted earnings per share	130,447,668	18,592,402

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.

17. Trade and other payables

	Consolidated Entity		Company	
	2007	2006	2007	2006
Current	$	$	$	$
Trade payables (i)	1,916,866	170,812	51,905	75,131
Other payables	4,846	215,390	-	-
	1,921,712	386,202	51,905	75,131

(i) The average credit period on purchases of goods and services 30 days.

Non-current				
Loans from related entities	-	-	750,000	-
	-	-	750,000	-

18. Provisions

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Employee benefits	268,564	82,585	-	-
Other	13,794	-	-	-
	282,358	82,585	-	-
Non-current				
Employee benefits	126,530	35,977	-	-
	126,530	35,977	-	-

19. 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.

(a) Details of Key Management Personnel

(i) Directors

Barry Littler	Executive Chairman
Leon Hinde	Director and Business Development
Alun Stevens	Director
David Whitfield	Director – Non-executive
Sean Rothsey	Director – Non-executive

(ii) Former Directors

Wayne Johnson	Director and Chief Executive Officer

(iii) Executives

Rodney Weston	Chief Operating Officer (appointed 15/12/2006)
Allan Shek	Company Secretary (appointed 1/1/1998)

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

(b) Compensation of key management personnel

Remuneration policy

The remuneration policy of MDSnews Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of MDSnews Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board.

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

- The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

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 economic entity. 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.

Performance-based remuneration

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

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

In determining whether or not a KPI has been achieved, MDSnews Limited 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 organisations such as Standard & Poors.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy 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 company believes this policy to have been effective in increasing shareholder wealth over the past four years.

Non-Executive Directors

The Constitution provides that the non-executive Directors are entitled to remuneration as determined by the Shareholders in the General Meeting. Shareholders approved the payment of up to $100,000 in annual Director's fees at the General Meeting held on 20 July 2005. No Director's fees were paid to non-executive Directors in the financial year ending 30 June 2006.

Leon Hinde

Pursuant to an employment agreement, Leon Hinde is entitled to receive a total remuneration package going forward of $140,000 (excluding any entitlements to equity).

Barry Littler

Pursuant to a consultancy agreement dated 5 July 2005 and amendment dated 4 September 2006 between Blueridge Enterprises Pty Ltd (Blueridge), the Company and the MDSnews Group, Blueridge has agreed to provide certain regulatory compliance and managerial services through its nominated person Barry Littler for an annual consultancy fee of $75,000 in the first year.

Directors' and executive officers' remuneration

	Short-Term Benefits		**Post employment**	**Share-based payments**		**TOTAL**
	Salary/ fees $	Special Service fees $	Superannuation $	Shares (ii) $	Options (c) $	$
Barry Littler	72,500	-	-	-	-	72,500
Wayne Johnson (iii)	90,000	-	-	-	-	90,000
Leon Hinde	111,976	-	10,061	-	-	122,037
Alun Stevens (iii)	20,000	-	-	-	-	20,000
David Whitfield (i)	60,000	137,500	-	-	-	197,500
Rodney Weston (iii)	64,220	-	5,780	-	-	70,000
Allan Shek (ii)	99,742	-	8,979	1,000	8,300	118,021
Total	518,438	137,500	24,820	1,000	8,300	690,058

2006						
Barry Littler	60,000	-	-	200,000	10,440	270,440
Leon Hinde	88,755	61,794	6,686	-	10,440	167,675
David Whitfield	-	207,711	-	-	10,440	218,151
Bruce Ind	-	-	-	-	10,440	10,440
Allan Shek (ii)	98,976	-	8,907	1,000	-	108,883
Total	247,731	269,505	15,593	201,000	41,760	775,589

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

	Consolidated		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Short-term employee benefits	655,938	517,236	-	730,553
Post-employment benefits	24,820	15,593	-	34,790
Share-based payments	9,300	242,760	9,300	57,275
	690,058	775,589	9,300	822,618

(i) On 30 November 2006, 1,018,518 ordinary shares in MDSnews were issued to The Toddlers Manufacturing Co Pty Ltd (Toddlers), a company controlled by David Whitfield, a director of MDSnews. The issue of shares was made in consideration of the provision of past services of David Whitfield provided by Toddlers. Shareholders approved the issue on 30 November 2006 at the 2006 Annual General Meeting of the Company. The value attributed to these shares was $0.135 and was included in due diligence expenses and capitalised to the cost of investment in Bourse Data and Cube Financial.

(ii) Shares granted as compensation
On 27 July 2006, 5,000 fully paid ordinary shares of MDSnews Limited were issued to Allan Shek as part of his compensation. The shares were issued as compensation to increase goal congruence between shareholders, directors and executives.

(iii) Payments are for the period 1 January 2007 to 30 June 2007.

Performance income as a proportion of total remuneration
It is proposed that Executive directors and executives will be paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This will lead to the proportions of remuneration related to performance varying between individuals. The remuneration committee will set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the economic entity.

The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

(c) Compensation Options: Granted and vested during the year

Options issued as part of remuneration for the year ended 30 June 2007
Options to the ordinary shares of MDSnews 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 MDSnews Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

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

2006							
	Vested number	Granted number	Grant date	Value per option at grant date	Exercise Price $	Expiry Date	First Exercise Date
Barry Littler	500,000	500,000	13/4/2006	$0.00835	$0.20	31/12/2006	13/4/2006
Leon Hinde	500,000	500,000	13/4/2006	$0.00835	$0.20	31/12/2006	13/4/2006
David Whitfield	500,000	500,000	13/4/2006	$0.00835	$0.20	31/12/2006	13/4/2006
Bruce Ind	500,000	500,000	13/4/2006	$0.00835	$0.20	31/12/2006	13/4/2006

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

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

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

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

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

	2007		**2006**	
	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	$0.20	-	-
Granted during the period	2,960,000	$0.20	2,000,000	$0.20
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	2,000,000	$0.20	-	-
Balance at the end of the financial period	2,960,000	$0.20	2,000,000	$0.20

(d) Number of options held by key management personnel

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

2006	Balance 1/7/05	Granted as compensation	Options exercised	Net change other	Balance 30/6/06	Total vested 30/6/06	Total exercisable 30/6/06
Barry Littler	-	500,000	-	-	500,000	500,000	500,000
Leon Hinde	-	500,000	-	-	500,000	500,000	500,000
David Whitfield	-	500,000	-	-	500,000	500,000	500,000
Bruce Ind	-	500,000	-	-	500,000	500,000	500,000

(e) Shares issued on exercise of compensation options (consolidated)
No shares were issued to key management personnel on exercise of compensation options during the financial year.

(f) Loans to key management personnel (consolidated)
There were no loans to key management personnel at any time during the current or prior financial year.

(g) Number of shares held by key management personnel

2007				Net change		
	Balance 1/7/06	Received as compensation	Acquired/ (Disposed)	Issued on completion of acquisition	Other	Balance 30/6/07
MDSnews Limited						
Barry Littler	2,000,000	-	2,000,000	-	-	4,000,000
Leon Hinde	34,544,722	-	(12,250,000)	-	-	22,294,722
Wayne Johnson	-	-		25,415,199	-	25,415,199
David Whitfield (19.(b) (i))	1,461,250	1,018,518	-	-	-	2,479,768
Alun Stevens	-	-		20,923,737	-	20,923,737
Allan Shek	67,575	5,000	-	-	-	72,575
Rodney Weston	-	-	-	6,979,073	-	6,979,073

2006				Net change		
	Balance 1/7/05	Received as compensation	Options exercised	Issued on completion of acquisition	Other	Balance 30/6/06
MDSnews Limited						
Barry Littler	-	-	-	2,000,000	-	2,000,000
Leon Hinde	-	-	-	35,544,722	(1,250,000)	34,294,722
David Whitfield	-	-	-	1,461,250	-	1,461,250
Bruce Ind	-	-	-	-	-	-
Allan Shek	-	5,000	-	62,575	-	67,575
MDSnews.com Limited						
Leon Hinde	60,000,000	-	-	-	(60,000,000)	-
Barry Litter	-	3,196,193	-	-	(3,196,193)	-
David Whitfield	2,335,215	-	-	-	(2,335,215)	-
Allan Shek	100,000	-	-	-	(100,000)	-

20. 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.

21. Financial instruments

Credit risk exposure
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Recognised financial instruments
The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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.

Interest rate risk exposures
The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

Consolidated 2007	Note	Weighted average effective interest rate	Variable interest rate	Fixed interest rate 1 year or less	Non-interest bearing	Total
		(%)	$	$	$	$
Financial assets						
Cash	14	5.5	2,775,353	-	-	2,775,353
Receivables	13	-	-	-	1,346,044	1,346,044
Investments	11	-	-	-	12,500	12,500
Security deposits	12	5.5	-	162,894	-	162,894
			2,775,353	162,894	1,358,544	4,296,791
Financial liabilities						
Payables	17	-	-	-	1,921,712	1,921,712
Employee entitlements	18	-	-	-	408,887	408,887
		-	-	-	2,330,599	2,330,599

Consolidated 2006	Note	Weighted average effective interest rate	Variable interest rate	Fixed interest rate 1 year or less	Non-interest bearing	Total
		(%)	$	$	$	$
Financial assets						
Cash	14	5.5	2,115,118	-	250	2,115,368
Receivables	13	-	-	-	172,273	172,273
Investments	11	-	-	-	-	-
Security deposits	12	5.5	-	58,878	-	58,878
			2,115,118	58,878	172,523	2,346,519
Financial liabilities						
Payables	17	-	-	-	386,202	386,202
Employee entitlements	18	-	-	-	118,562	118,562
		-	-	-	504,764	504,764

22. Contingencies and commitments

The directors are of the opinion that a provision, relating to liabilities of up to $50,000 for complaints brought against a subsidiary, is not required as it is not probable that a future sacrifice of economic benefits will be required.

23. Related Party Disclosures

(a) The consolidated financial statements include the financial statements of MDSnews Limited and its controlled entities listed below:

		Country of Incorporation		Percentage Owned		
				2007		2006
Parent Entity:		Australia				
MDSnews Limited						
Subsidiaries of MDSnews Limited						
MDSnews.com Limited		Australia		100		100
MDSnews Australia Pty Ltd		Australia		100		100
MDSnews Global Pty Ltd		Australia		100		100
Market Data Services Pty Ltd		Australia		100		100
MDSnews Solutions Pty Ltd		Australia		100		100
Bourse Data Pty Ltd		Australia		100		0
The Cube Financial Group Pty Ltd		Australia		100		0

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

	2007 $	2006 $
Consultancy fees were paid to the following companies and were included in key management personnel compensation:		
Global Equity Management Pty Ltd, a company associated with Leon Hinde, a current director	111,976	61,974
Blueridge Enterprises Pty Ltd, a company associated with Barry Littler, the current chairman	72,500	60,000
Barrack Capital Pty Ltd, a company associated with David Whitfield, a current director	-	207,711
Toddlers Manufacturing Co Pty Ltd (Toddlers), a company controlled by David Whitfield, a current director. Note (19.(b) (i))	137,500	-

24. Subsequent Events

There have been no other matters or circumstances, which have arisen since 30 June 2007 that has significantly affected or may significantly affect:

(d) the operations, in financial years subsequent to 30 June 2007, of the consolidated entity, or
(e) the results of those operations, or
(f) the state of affairs, in financial years subsequent to 30 June 2007, of the consolidated entity.

25. Auditor's remuneration

	Notes	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
DTT Victoria					
Audit and review of financial reports – underprovided in 2006		5,650	26,400	5,650	26,400
Other financial services		6,070		6,070	
Nexia Court & Co					
Audit and review of financial reports		25,000		25,000	
Other financial services		4,660		4,660	
		41,380	26,400	41,380	26,400

MDSnews Limited

Directors' Declaration

1. In the opinion of the directors of MDSnews 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 2007 and of their performance, for the financial year ended on that date; and

      ii. complying with Australian Accounting standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b. the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).

   c. the remuneration disclosures in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosure*; and

   d. there was reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the directors.

Barry Littler
Chairman

Sydney
30 August 2007

NEXIA COURT & CO

CHARTERED ACCOUNTANTS

ABN 71 502 156 733

Level 29, Australia Square
264 George Street,
Sydney NSW 2000
PO Box H195,
Australia Square NSW 1215
T 61 2 9251 4600
F 61 2 9251 7138
info@nexiacourt.com.au
www.nexiacourt.com.au

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MDSnews LIMITED

Report on the financial report

We have audited the accompanying financial report of MDSnews Limited (the 'company') which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes (1 to 35), and the directors' declaration, (set out on pages 17 to 43), of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the group and the company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' responsibility

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

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

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

Partners

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

NEXIA COURT & CO
NEXIA INTERNATIONAL
CHARTERED ACCOUNTANTS
ABN 71 502 156 733

Level 29, Australia Square
264 George Street,
Sydney NSW 2000
PO Box H195,
Australia Square NSW 1215
T 61 2 9251 4600
F 61 2 9251 7138
info@nexiacourt.com.au
www.nexiacourt.com.au

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MDSnews LIMITED (CONTINUED)

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

Auditors' opinion on the financial report
In our opinion:

a the financial report of MDSnews Limited is in accordance with the Corporations Act 2001, including:

- **i** giving a true and fair view of the company's and the group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and
- **ii** complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b the financial report of the group and company also comply with International Financial Reporting Standards as disclosed in note 3.

Nexia Court + Co

Nexia Court & Co
Chartered Accountants

Sydney
30 August 2007

SRogers

Stephen J Rogers
Partner

ADDITIONAL ASX INFORMATION (un-audited)

SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 26 September 2007.

1. Top 20 Shareholders

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

	Name	No of Ordinary Shares Held	Percentage of Issued Capital
1	Baroda Hill Investments Limited	25,415,199	13.36
2	Alun Stevens & Associates Pty Ltd	20,923,737	11.00
3	Ms Loetitia Henriette Tibi	18,330,000	9.63
4	Global Equity Management Pty Limited	15,772,361	8.29
5	Merkin Management Pty Limited	13,670,000	7.18
6	Mr Stephen John Brady and Mrs Sebastiana Diana Brady	10,454,254	5.49
7	Mr Stiven Razmovski and Mrs Trajanka Razmovski	9,862,552	5.18
8	Drae Investments Pty Ltd	8,637,585	4.54
9	IWSFT Corporate Trustee Limited	8,017,036	4.21
10	Mr Rodney James Weston and Mrs Jessica Elizabeth Weston	6,979,073	3.67
11	Mr Peter Edmonds and Mrs Diana Edmonds	6,575,034	3.46
12	Leon Hinde	6,522,361	3.43
13	Ms Lay Kee Tay	5,553,700	2.92
14	Mr Ming Chen	4,114,200	2.16
15	M Q Group (Australia) Pty Ltd	3,384,610	1.78
16	Blueridge Enterprises Pty Ltd	2,000,000	1.05
17	Barry Littler	2,000,000	1.05
18	The Toddlers Manufacturing Company Pty Ltd	1,701,153	0.89
19	Cyprus Investments Pty Ltd	1,261,316	0.66
20	Straight Jacket Capital Pty Ltd	1,000,000	0.53
	TOTALS	172,174,171	90.48

2. Distribution of equity securities

Analysis of number of ordinary shareholders by size of holding.

Category	Number of Shareholders
1 – 500	78
501 – 1,000	15
1,001 – 5,000	23
5,001 – 10,000	127
10,001 – 100,000	201
100,000 and over	56
	500

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.