mdsfinancial GROUP LIMITED

3 October 2012

ASX Announcement & Media Release

MDS Financial Group Limited
ACN 091 744 884

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ASX Code: MWS

Directors

Sean Rothsey
Chairman and Non Executive Director
Wayne Johnson
Deputy Chairman and Executive Director
Richard Symon
Executive Director
Jamie Khoo
Independent Non-Executive Director

Secretariat

Andrew Phillips
Company Secretary and
Acting Chief Financial Officer

317.1 million listed shares
12.5 million unlisted options

MDS Financial Group Annual Report 2012

Further to the trading halt requested by MDS Financial Group Ltd (ASX: MWS) on 28 September 2012 and the announcement today regarding completion of a Strategic China Placement and Rights Issue, the Directors of MDS Financial Group Limited are pleased to submit the Annual Report 2012.

The delay in the lodgement of the Annual Report 2012 was directly related to the finalisation of disclosures relating to the Placement and Rights Issue contained in the Annual Report 2012.

Andrew Phillips
Company Secretary

END

For more information please contact:

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Wayne Johnson
Deputy Chairman
MDS Financial Group Limited
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MDS Financial Group Limited

Annual Report 2012

MDS Financial Group Limited
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MDS Financial Group Limited
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With a dedicated institutional dealer team and wholesale broking business, backed up by market leading technology and recognised brands streamed to broker terminals (Trader Dealer, D2MX, Bourse Data, and Finance News Network) MDS Financial Group is the first choice in trading solutions to the intermediary and institutional markets.

The expansion of MDS Financial Group into corporate advisory, equity capital markets and institutional dealing demonstrates the corporate vision of MDS Financial Group as a boutique investment house known for the quality of its advice, strength of its relationships and depth of expertise across financial markets.

Guided by strong principles of ethical investing, and providing advice with honesty and integrity, MDS Financial Group has committed to ongoing investment in its team to ensure astute counsel, an entrepreneurial attitude and professional integrity.

Connecting Australian companies with global markets and opportunities, MDS Financial Group has proven multi-disciplinary skills, a focus on client outcomes and product innovation. The foundations are laid for strong growth through delivery of superior client service, market agility for future acquisitions and leveraging of strategic international partnerships.

Starting life as MDSnews in 1995, the company has its genesis in the development of market-leading financial research, charting and analysis software and quote vending for the financial markets. The merger in 2006 of three companies, MDSnews Pty Ltd, Bourse Data Pty Ltd and The Cube Financial Group Pty Ltd, followed by the subsequent acquisitions of Trader Dealer Online Pty Ltd and D2MX Pty Ltd, began the journey to create the MDS Financial Group of today - an emerging leader in investment, corporate advisory and dealing services.

Group Operating Structure

Our Brands

MDS Financial Services Pty Ltd holds an Australian Financial Services License
Includes:

- Private Client Services
- Corporate Advisory Services

Trader Dealer Online Pty Ltd is an online trading company, providing execution-only services for trading ASX equities, warrants, options and CFDs.

It also sells the Market Analyser software and trading platform

D2MX Pty Ltd is a full ASX market participant providing direct to market execution by institutional and wholesale broker dealer groups.
Includes:

- D2MX Institutional Equities

Bourse Data Pty Ltd is a technology company that develops software, supports and sells subscriptions to The Bourse and commercial data feeds
Includes:

- The Bourse
- Bourse Commercial
- End of Day Data
- MarketMood.com.au

Finance TV Pty Ltd is a recognised provider of online finance and business video news in Australia through the Finance News Network. Streaming on broker terminals, it is also available as content for websites and company newsletters.

*15% ownership

“Through D2MX, MDS now has a robust platform that with increasing new business will provide a greater contribution to the company’s earnings without material increases in expenses”

Chairman's Report

Dear Shareholders

Global financial markets continued to issue challenges to investors and traders alike in the 12 months to 30 June 2012.

MDS Financial Group Ltd (the "Company", "Group" or "Our"), in-line with overall industry performance, has experienced a softening of growth in our traditional software and data business segment over the past 12 months. In anticipation of this the Company executed a series of definitive measures during the period to remedy and reverse this trend and provide a sustainable platform for business growth.

Our other business segments: Broking (comprising wholesale, institutional, retail and online) and Corporate Advisory, continue to show remarkable strength and resilience. We are now seeing positive signs of increased market share in broking, and have secured a number of productive corporate advisory mandates.

In an ever changing landscape your Board and management have undertaken a realignment of the operating business and have executed a number of strategic initiatives to strengthen the Company's foundation. These will enable the Company to take advantage of the opportunities created in such a volatile and unstable market and have firmly positioned the Group for ongoing growth and security in 2013 and beyond.

I would like to take this opportunity to recap on a number of strategic achievements completed throughout the year by the Company.

Following the key acquisition of stock broker D2MX Pty Ltd in the previous financial year, the Group successfully accelerated its transition from a supplier of software and market data services to a full ASX market participant with growth in broking services and the fully integrated supplementary investment management, corporate finance, corporate advisory and equity capital markets divisions rounding off the product and service offerings of the Company.

As part of the rationalising of the cost base of the Company, it was announced and implemented a Heads of Agreement had been reached with IRESS Market Technology (ASX:IRE) under which IRESS would become an integral supplier to the Company's Data Subscriptions business.

Following the subsequent successful integration of the IRESS platform and upgrades to the Company's existing data products: Bourse and Market Analyser, the Board reviewed its commitment to the Company's existing software development and determined that there was no longer a commercial value associated with the previous software development. As a consequence, software development assets were fully impaired at 30 June 2012.

The migration to and integration of the IRESS-based platform provides improved value and service for clients, creates long-term value for shareholders and allows for significant cost savings as the expenses associated with running two parallel software and data services became obsolete.

The Company's corporate advisory segment has developed a niche in the market and throughout the year was mandated to provide services to a number of substantial clients both domestically and internationally including a successful on-market takeover. The Board has responded to this opportunity for growth by engaging two new advisors and one analyst, who have vast domestic and Asian networks in the investment management and corporate advisory areas.

Throughout the restructure and strategic realignment of the Company, the Board acknowledges that working capital remains tight. Accordingly the Board is pleased to announce a rights issue in October following the completion of a strategic and substantial placement to a Shanghai based investment management and corporate advisory financial services organisation.

The Company has restructured the Board throughout the year to engage professionals with strong leadership, governance and industry experience. The election of Ms Jamie Khoo as an Independent Director and Mr Wayne Johnson as Executive Director and Deputy Chairman ensures your Board maintains fresh perspectives and guidance from experienced financial services practitioners.

Post balance date the Company appointed Mr. Andrew Phillips as Acting Chief Financial Officer and Company Secretary for the Group and accepted the resignation of Mr. Damian Isbister CEO and Executive Director. Accordingly, Mr Tom Boland was appointed CEO - Stock Broking and Software, responsible for the Company's ASX participant D2MX Pty Ltd.

There is no doubt there are some challenging times ahead in the global markets but I am proud to say that MDS Financial Group, with its Board and senior management, is set to not only survive these changing market conditions but to take advantage of them to build long term value for the organisation and its shareholders.

On behalf of the Board I take this opportunity to thank all shareholders, management and staff for their support and contribution to effecting these extraordinary changes in challenging times.

I look forward to welcoming shareholders to the Annual General Meeting of your Company at a time to be announced in the near future and to share the Company's detailed Strategic and Operation Plans with you at that time.

Sean Rothsey
Chairman

"Existing strategies will provide a strong platform for growth. The Broking business continues to perform and is increasing market share and the development of the Corporate Advisory business, with the engagement of key revenue-producing staff, has introduced a strong mandate pipeline."

Board of Directors

Sean Rothsey
Non-Executive Director, Chairman

Since 1981, Sean has been involved in equity capital markets, start ups and in a wide range of industries from many perspectives and has amassed experience and global connections in shipping and transport, global trade and commerce, the financial, accounting, legal, insurance and underwriting professions, retail and private banking, e-commerce and technology, media film and entertainment distribution and marketing, cattle and agriculture, conservation, environment and sports administration, mining resources and energy and the financial services industries including stock broking, institutional investors and high net worth, sophisticated and professional investors.

Wayne Johnson
Executive Director, Deputy Chairman

In December 2007, Wayne vended Cube Financial into public company MDSnews (ASX: MWS) at the same time as Bourse Data, with a strategy to capitalise on the synergies of the new group, now known as MDS Financial Group Ltd. Wayne stepped down as CEO of MDS in July 2007 and as a director in October 2007 but remained a major shareholder. In 2010, Wayne's advice and business management was requested by the new management and board of MDS and Wayne has been actively advising, managing and assisting management with growth strategies ever since. He rejoined the board in May 2011 and is currently Executive Deputy Chairman and Head of Corporate Advisory.

Richard Symon
Executive Director

Prior to joining MDS Financial Richard was the CEO of NSX Ltd (ASX:NSX) the operator of the National Stock Exchange, the Bendigo Stock Exchange, the Water Exchange and Victorian Taxi Market.

Richard also served in roles as executive director of the Securities and Derivatives Industry Association (now Stockbrokers Association of Australia) and the full service stockbroker Prudential-Bache Securities. Richard is a Fellow of Finsia, Master Stockbroker (MSAA), Director of Variety the Children's Charity (Vic) and also Chairman of the Financial Services Foundation, a Melbourne-based organisation supporting children's charities.

Jamie Khoo
Non-Executive Director

Ms Khoo brings to MDS Financial over 20 years of experience in accounting and corporate finance. Ms Khoo also has extensive corporate experience on project financing, company funding, initial public offering, investment evaluations, due diligence and structuring.

Until recently an executive director of Singapore-listed Adventus Holdings Ltd (5EF.SGX), Ms Khoo held key positions in STT Communications Ltd and its various subsidiaries, mainly in the areas of finance and investments, with ABB Holdings Ltd in Hong Kong and Beijing and with both Ernst and Young Singapore and Baker Hughes Group Singapore.

Summary of Results

Operating Performance

Year ended 30 June	2012 $'000	2011 $'000
Revenue		
Subscriptions and data fees	3,397	4,026
Brokerage and commissions	3,547	1,690
Corporate fees	698	923
Other	(277)	810
	7,365	**7,449**
Expenses		
Data fees	1,941	2,125
Dealing and settlement	2,317	1,817
Employee benefits	2,380	2,122
Occupancy	420	349
Telecommunications	330	240
Marketing	307	220
General and administrative	910	617
Depreciation and impairment	1,315	1,157
Other	337	91
	10,257	**8,738**
Reported loss after tax	**(2,892)**	**(1,289)**

The consolidated entity incurred an operating loss of $2,892,244 for the year ended 30 June 2012 (2011: $1,288,793). The current year's result includes the full write-down of software development intangible assets representing a total cost of $1,273,533.

Total revenue of $7,365,432 was only 1% lower than the previous year's (2011: $7,448,877) with 48% of revenue being derived from brokerage and commissions. This represents a doubling of revenue from those sources compared to the prior year. Subscriptions and data fee revenue fell by nearly 16%.

Total expenses of $10,257,676 were 17% higher than the previous year's (2011: 8,737,670).

Increased dealing and settlement costs (associated with increased brokerage revenue), staff costs and one-off financing costs contributed to the increase in total costs.

Cash Flow

Year ended 30 June	2012 $'000	2011 $'000
Cash flows from operations		
Customer receipts	8,297	6,306
Supplier and employee payments	(9,283)	(6,934)
Interest received	10	23
Interest paid	(36)	(4)
Operating cash flow	**(1,012)**	**(609)**
Investing cash flow	(57)	(542)
Financing cash flow	465	1,173
Total cash flow	**(604)**	**22**
Opening cash	892	870
Closing cash	**288**	**892**

Negative operating cash flow of $1,012,044 includes a refundable $350,000 lodged with a third-party clearing agent as security for clearing and settlement purposes.

Net financing cash flow of $465,307 includes $571,429 proceeds from a short-term funding arrangement entered into by the Group in March 2012.

Financial Position

As at 30 June	2012 $'000	2011 $'000
Total current assets	1,188	1,392
Total non-current assets	1,715	3,366
Total assets	**2,903**	**4,758**
Total current liabilities	2,747	1,818
Total non-current liabilities	31	18
Total liabilities	**2,778**	**1,836**
Net assets	**125**	**2,992**

Business Review

Broking

The immediate focus of the Group's Broking business at the commencement of the 2011/12 financial year was to successfully integrate and build upon the acquisition of stockbroker D2MX Pty Ltd and various assets of Minc Financial Services Pty Ltd which were acquired in April 2011.

Trading clients associated with Trader Dealer Online Pty Ltd and MDS Financial Services Pty Ltd were progressively transferred to D2MX which recommenced as an active ASX trading participant during August 2011.

The restructuring of the Group's broking operations and the transfer of third-party clearing operations to Pershing Securities Australia Pty Ltd has substantially reduced direct costs associated with this business.

In recent months, D2MX Pty Ltd has initiated an aggressive wholesale broking client acquisition strategy, signing several new clients, which has already resulted in marked improvements in broking revenue.

Data Subscriptions

The Group has seen a consistent decline in revenues associated with its data subscriptions business over several years and this has been the driving factor in building the broking business to leverage off the existing subscriber data base by offering execution and clearing services.

During 2011/12 the Group took action to address the high level of fixed costs associated with providing these services. In November 2011 the Group announced that it had entered into a software alliance with Iress Market Technology which would enable it to substantially remodel its existing software products: The Bourse and Market Analyser. A major upgrade to Market Analyser was released to clients in April 2012 and to clients of The Bourse in June 2012.

The Group expects a significant improvement in the performance of its Data Subscriptions business as a result of these changes due to reduced operating costs and the ability to attract new clients to a more sophisticated, reliable and stable product.

As a consequence of these changes, the Group scrapped its major software development program which had previously been capitalised at $1.2 Million.

Corporate Advisory

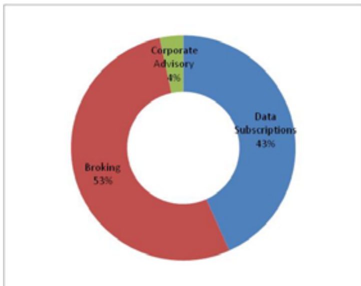
2011/12 saw a continuation of difficult and turbulent conditions across global markets. Despite that, MDS Financial Services Pty Ltd had some early success in the financial year announcing the successful completion of a $12 Million gold and copper float – the relisting of Niuminco Ltd (formerly DSF International Holdings Limited) in August 2011 – which generated fee income in excess of $500,000.

During the second half of the year, the Corporate Advisory division assisted in negotiations for the trade-sale of a Queensland based transport and logistics group.

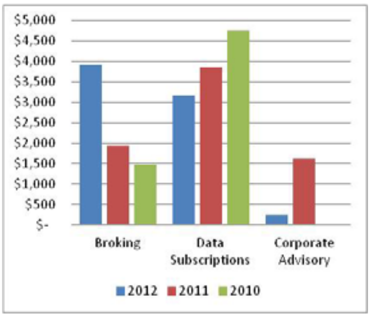
In August 2012, Mr Naiming (James) Li joined MDS Financial Services Pty Ltd as Director – Corporate and China Business. James has considerable experience in assisting Chinese based companies with capital raising and public listings. As a result of James' appointment, MDS Financial Services Pty Ltd has recently signed several mandates with leading Chinese mining companies.

The Corporate Advisory division has several M&A and corporate listing mandates in negotiation which promise to deliver substantial returns to the consolidated entity.

Divisional Revenue Contribution



Changes in Revenue by Division



Future Developments

The Board believes that the company is now on the way to becoming a significant niche player in the financial services market in Australia and beyond and has established a new corporate vision: "To champion innovation and excellence in delivering award-winning financial services".

Recognising that the acquisition path the Group has followed over several years has seen several businesses integrated under the MDS Financial Group umbrella, a decision has been made to rationalise all brands under one master brand, being D2MX. The Group plans to launch a new website in the near future refining the brand image of D2MX to represent the future direction of the Group.

The rationalisation of all businesses under a single banner will enable the Group to consolidate its three existing AFS Licences into one, thereby reducing associated compliance costs and risks.

The Board is confident that its renewed focus and direction will, in conjunction with improving market conditions, deliver improved results in the coming year.

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Corporate Governance Statement

The Board of Directors ("the Board") of MDS Financial Group Limited ("the company") is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to manage and disclose those functions.	The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives. On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	Senior executives prepare strategic objectives that are reviewed and signed off by the Board. These objectives must then be met by senior executives as part of their key performance targets. The chief executive officer (CEO) then reviews the performance of the senior executives against those objectives. The Board reviews the CEO's compliance against his and the company's objectives. These reviews occur annually or more frequently as required.	Complies.
1.3	Provide the information indicated in *Guide to reporting on Principle 1*.	A Board charter has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
		A performance evaluation process is included in the Board Charter, which has been disclosed on the company's website and is summarised in this Corporate Governance Statement.	Complies.
		The Board conducted a performance evaluation for senior executives in the financial year in accordance with the process above.	Complies.

Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors	The majority of the Board's directors are not independent as a majority of the Board are either a substantial shareholder or are executive directors of the company. Ms Jamie Gee Choo Khoo is an independent Non-Executive Director Mr Sean Peter Rothsey is a Non-Executive Director but not independent due to being a substantial shareholder. Mr Wayne Noel Johnson is an Executive Director. Mr Bruce Richard Sydney Symon is an Executive Director.	Does not comply however the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders.
2.2	The chair should be an independent director.	Sean Rothsey is the Chairman and is a non-independent Non-Executive Director	Does not comply however the Chairman relinquished his executive duties on 1 February 2010.
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual.	Sean Rothsey is the Chairman. Thomas Boland is Chief Executive Officer – Trading and Richard Symon is an Executive Director	Complies.
2.4	The Board should establish a Nomination and Remuneration Committee.	The Company has established separate Nomination and Remuneration Committees. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of the members of the Board and its senior management is sufficient to meet the requirements of the company. The Board supports the nomination and re-election of the directors at the company's forthcoming Annual General Meeting.	Complies.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the company's website. The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the company. This includes supporting ongoing education of directors for the benefit of the company.	Complies.

Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
2.6	Provide the information indicated in the *Guide to reporting on Principle 2*.	This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement.	Complies.
		Jamie Khoo is an independent director of the company. A director is considered independent when they substantially satisfy the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the company. Sean Rothsey, Non-Executive Chairman was appointed to the Board in September 2007. Richard Symon, Executive Director was appointed to the Board in November 2008. Jamie Khoo, Independent Non-Executive Director was appointed to the Board on 28 February 2011. Wayne Johnson, Executive Deputy Chairman was appointed to the Board on 20 May 2011. The company has established separate Nominations and Remuneration Committees. The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company. In accordance with the information suggested in Guide to Reporting on Principle 2, the company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the company's website.	The Nomination and Remuneration Committees operate under respective separate charters. In addition, the Board does not consist of a majority of independent directors however the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders.

Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code is available on the company's website.	Complies.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction. The code is available on the company's website. The Board will prepare a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measureable diversity performance objectives for the Board, CEOs and senior management.	Does not comply however the Board has committed the company to review and prepare a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines.
3.3	Provide the information indicated in *Guide to reporting on Principle 3*.	On completion and acceptance of a Diversity Policy, the company will report in each annual report the measurable objectives for achieving gender diversity set by the Board.	Does not comply however the Board has committed the company to review and prepare a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines.
		The company will include in the directors' report the proportion of women employees and their position held within the company.	Does not comply.
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish and audit committee.	The Board has established an audit committee which operates under an audit committee charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies.

Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have a least 3 members.	Members of the audit committee are Jamie Khoo (Chair) and Richard Symon. Jamie Khoo is a non-executive director and is not chair of the Board. The committee consists of one non-executive director and two executive directors. The audit committee did not comply with Recommendation 4.2 in that the committee: • did not consist of only non-executive directors; • did not consist of a majority of independent directors; and, • was not chaired by an independent chair for the entire year.	Does not comply due to the composition of the Committee. However, the board considers the directors to be the most appropriate members to constitute the audit committee given their technical, finance and accounting expertise and broad knowledge of the industry in which the company operates within.
4.3	The audit committee should have a formal charter.	The Board has adopted an audit charter. This charter is available on the company's website.	Complies.
4.4	Provide the information indicated in *Guide to reporting on Principle 4*.	In accordance with the information suggested in *Guide to Reporting on Principle 4*, this has been disclosed in the directors report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the audit committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The audit committee held four meetings during the period to the date of the directors' report and meets at least twice per annum. The audit charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the company's website.	Complies.
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the company's website	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5*.	The company's continuous disclosure policy is available on the company's website.	Complies.

Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The company has adopted a shareholder communications policy. The company uses its website (www.mdsfinancial.com.au), annual report, market announcements and media disclosures to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the company's website.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6*.	The company's shareholder communications policy is available on the company's website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board. The audit and risk charter is available on the company's website and is summarised in this Corporate Governance Statement.	Complies.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies.
7.3	The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material respects in relation to	The Board has received a statement from the chief executive officers and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that they system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.

Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
	the financial reporting risks.		
7.4	Provide the information indicated in the *Guide to reporting on Principle 7*.	The Board has adopted an audit and risk charter which includes a statement of the company's risk policies. This charter is available on the company's website and is summarised in this Corporate Governance Statement. The company has identified key risks within the business and has received a statement of assurance form the chief executive officers and chief financial officer.	Complies.
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee	The Board has established separate Nomination and Remuneration Committees and has adopted a remuneration charter.	Complies.
8.2	The remuneration committee should be structured	The Nomination and Remuneration Committees: • consist of a majority of independent directors; • are chaired by an independent director; and; • have three members.	Does not comply due to the composition of the Committee. However the board considers the members of the committee to be the most appropriate.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.4	Provide the information indicated in *Guide to reporting on Principle 8*.	The Board has adopted a Nomination and Remuneration Committee Charter. The company does not have any schemes for retirement benefits.	Complies

MDS Financial Group Limited's corporate governance practices were in place for the financial year ended 30 June 2012 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by MDS Financial Group Limited, refer to our website: www.mdsfinancial.com.au.

As required by the ASX Listing Rules, this statement sets out the extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Recommendations") during the year to 30 June 2012. The Company considers that its governance practices are generally consistent, where possible, with the Recommendations except where stated.

Corporate Governance Statement

Board functions

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

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

It is also responsible for approving and monitoring financial and other reporting

Responsibilities/functions of the Board include:

- setting the direction, financial objectives and goals for management;
- reviewing and approving strategies for the Company;
- monitoring management's performance against these goals and objectives;
- ensuring there are appropriate standards of Corporate Governance and ethical standards;
- evaluating the performance and determining the remuneration of the senior executive officers of the Company;
- ensuring appropriate risk management systems, internal control, reporting systems and compliance frameworks are in place and operating effectively; and
- ensuring there are plans and procedures for recruitment, training, remuneration and succession planning for senior executives.

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

Matters which are specifically reserved for the Board or its committees include the following:

- appointment of the Chairman and if applicable, the Deputy Chairman;
- appointment and removal of the Chief Executive Officer(s);
- appointment of directors to fill a vacancy or as additional directors;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling meetings of shareholders and;
- any other specific matters nominated by the board from time to time.

Structure of the Board

The company's constitution governs the regulation and proceedings of the Board.

It is intended that the composition of the board be determined using the following principles:

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

At present the company does not have a majority of independent directors and continues to consist of a majority of executive directors involved in the general management of the Company. The Directors are of the view that maintaining this structure is appropriate to the circumstances of the Group as the Board consolidates the restructure of its operations and repositioning of its business.

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Revised Principles and Recommendations. The Board will review the independence of each director in light of interests disclosed to the Board from time to time.

Corporate Governance Statement

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of MDS Financial Group Limited are considered to be independent:

Name	Position
Jamie Gee Choo Khoo	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the company's expense.

The appointment date of each director in office at the date of this report is as follows:

Name	Position	Appointment Date
Sean Peter Rothsey	Non-Executive Director, Chairman	19 September 2007
Jamie Khoo	Non-Executive Director	28 February 2011
Wayne Noel Johnson	Executive Director, Deputy Chairman	20 May 2011
Bruce Richard Sydney Symon	Executive Director	27 November 2008

Further details on each director can be found in the directors' report attached to this Corporate Governance Statement.

Securities trading policy

The company has adopted a Share Trading Policy which complies with the requirements of ASX Listing Rules.

Under the company's Share Trading Policy, directors, officers and employees of the company are prohibited from dealing in the company's securities at any time that they may be in possession of unpublished price-sensitive information concerning the company. In addition, there are specified closed periods during which dealing in the company's securities is prohibited except under very exceptional circumstances. A closed period is the period commencing from the end of a reporting period and concluding on the business day following the announcement to the market of the company's full year results of half-year results (as the case may be).

Directors, officers and employees can only deal in the company's securities after having first obtained clearance from the Chairman and must notify the company secretary when a trade has occurred.

As required by the ASX Listing Rules, the company notifies the ASX of any transaction conducted by directors in the securities of the company within five days of the transaction taking place.

The Share Trading Policy has been issued to ASX and can be found on the company's website.

Audit committee

The Board has established an Audit Committee which operates under a Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year were:

Jamie Khoo (Independent Non-Executive Director)
Damian Isbister (Executive Director) (resigned 17 July 2012)
Richard Symon (Executive Director)
Wayne Johnson (Executive Director, Deputy Chairman) (appointed 17 July 2012)

The external auditors and the executive management are invited to audit committee meetings at the discretion of the committee.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the directors' report.

Risk and Compliance

The responsibility for overseeing risk falls within the charter of the Risk and Compliance Committee. The company identifies areas of risk within the company and management and the Board continuously undertake a risk assessment of the company's operations, procedures and processes. The risk assessment is aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the company, which is being done through natural or instinctive processes by employees of the company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and,
- adoption of these practices and procedures to minimise many of the standard commercial risks, ie taking out the appropriate insurance policies, or ensuring compliance reporting is up to date.

CEO and CFO certification
The chief executive officer and chief financial officer have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- the company's risk management and internal compliance and control system is operating effectively in all material respects;
- the company's financial statements and notes thereto comply with the accounting standards; and,
- the company's financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date.

Directors' Report

The directors of MDS Financial Group Limited ("the Company") present the annual financial report for the Group, being parent entity and its subsidiaries, for the year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the beginning of the year are:

Mr Sean Peter Rothsey

Non-Executive Chairman (appointed 19 September 2007)

Since 1981, Sean has been involved in equity capital markets, start ups and in a wide range of industries from many perspectives and has amassed experience and global connections in shipping and transport, global trade and commerce, the financial, accounting, legal, insurance and underwriting professions, retail and private banking, e-commerce and technology, media film and entertainment distribution and marketing, cattle and agriculture, conservation, environment and sports administration, mining resources and energy and the financial services industries including stock broking, institutional investors and high net worth, sophisticated and professional investors.

Mr Wayne Noel Johnson

Executive Deputy Chairman (appointed 20 May 2011)

In December 2007, Wayne vended Cube Financial into public company MDSnews (ASX: MWS) at the same time as Bourse Data, with a strategy to capitalise on the synergies of the new group, now known as MDS Financial Group Ltd. Wayne stepped down as CEO of MDS in July 2007 and as a director in October 2007 but remained a major shareholder. In 2010, Wayne's advice and business management was requested by the new management and board of MDS and Wayne has been actively advising, managing and assisting management with growth strategies ever since. He rejoined the board in May 2011 and is currently Executive Deputy Chairman and Head of Corporate Advisory.

Mr Bruce Richard Sydney Symon

Executive Director (appointed 27 November 2008)

Prior to joining MDS Financial Richard was the CEO of NSX Ltd (ASX:NSX) the operator of the National Stock Exchange, the Bendigo Stock Exchange, the Water Exchange and Victorian Taxi Market.

Richard also served in roles as executive director of the Securities and Derivatives Industry Association (now Stockbrokers Association of Australia) and the full service stockbroker Prudential-Bache Securities. Richard is a Fellow of Finsia, Master Stockbroker (MSAA), Director of Variety the Children's Charity (Vic) and also Chairman of the Financial Services Foundation, a Melbourne-based organisation supporting children's charities.

Ms Jamie Gee Choo Khoo

Non-Executive Director (appointed 28 February 2011)

Ms Khoo brings to MDS Financial over 20 years of experience in accounting and corporate finance. Ms Khoo also has extensive corporate experience on project financing, company funding, initial public offering, investment evaluations, due diligence and structuring.

Until recently an executive director of Singapore-listed Adventus Holdings Ltd (5EF.SGX), Ms Khoo held key positions in STT Communications Ltd and its various subsidiaries, mainly in the areas of finance and investments, with ABB Holdings Ltd in Hong Kong and Beijing and with both Ernst and Young Singapore and Baker Hughes Group Singapore.

Mr Damian Wayne Isbister

Executive Director and CEO Trading (appointed 27 November 2008; resigned 17 July 2012)

Directorships of other listed companies

Directorships of other listed companies held by directors in the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Exchange	Period from	Period to
WN Johnson	Greater Bendigo Gold Mines Limited	ASX	10 Feb 2010	Current
WN Johnson	Cape Range Limited	ASX	9 Sep 2009	Current
WN Johnson	Smartpay Holdings Limited	NZX	15 Oct 2001	2 July 2012
JGC Khoo	Refresh Group Ltd	ASX	25 Nov 2010	Current

Directors' shareholdings

The following table sets out the number of each director's relevant interest in shares and options over shares or interest in contracts relating to shares of the Company or a related body corporate as at the date of this report.

Director	Fully paid ordinary shares	Indirect interest in shares	Indirect interest in share options
SP Rothsey	16,493,698	20,048,300	-
WN Johnson	-	17,615,199	12,500,000
BRS Symon	25,750,000	2,795,000	-

Remuneration of directors and senior management

Information about the remuneration of directors and key management personnel is set out in the remuneration report of this directors' report on page 26.

Company Secretary

Mr Andrew Guy Phillips BBS
Acting Chief Financial Officer and Company Secretary

Andrew was appointed joint Company Secretary on 26 June 2012 and as acting Chief Financial Officer from 20 July 2012.

Mr Anthony John Iremonger BCom, CPA, Grad Dip ACG
Chief Financial Officer and Company Secretary

Tony was appointed Company Secretary on 7 May 2010 and resigned on 20 July 2012 after 3½ years with MDS Financial Group Limited.

Directors' Report

Principal Activities

The Group's principal activity in the course of the financial year was as a provider of diversified financial services to retail and wholesale clients. No significant change in the nature of this activity occurred during the year. More details on the Group's principal activities are included in the Chairman's report on page 5 of this annual report.

Review of Operations

The consolidated operating net loss after income tax attributable to members is $2,892,244 (2011: $1,288,793). A review of operations for the Group is set out on pages 5 to 9 of this annual report, commencing with the Chairman's Report.

Change in the state of affairs

There has been no significant change in the state of affairs during or since the end of the financial year.

Subsequent events

Other than the subsequent events as disclosed in note 30 to the financial statements, there have not been any matters or circumstance occurring subsequent to the end of the financial year that has significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental regulation and performance

The Group's operations are not involved in any activities that have a marked influence on the environment. As such, the directors are not aware of any material issues affecting the Group or its compliance with the relevant environment agencies or regulatory authorities.

Dividends

There have been no dividends paid or provided for (2011: nil).

Share options

As at the date of this report, there are 12,500,000 (2011: 12,500,000) unissued ordinary shares of MDS Financial Group Limited under options.

Indemnification and insurance of officers and auditors

During the financial year, the Company paid premiums based on normal commercial terms and conditions to insure all directors, officers and employees of the Group against the costs and expenses in defending claims brought against the individual while performing services for the Group. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

The Company has previously entered into a Deed of Indemnity, Insurance and Access with each of its current directors: Messrs Rothsey, Johnson and Symon and Ms Khoo; and, the following former directors: Mr Damian Isbister, Mr David Whitfield, Mr Allan Shek, Mr Alun Stevens, Mr Leon Hinde and Mr Barry Littler. The purpose of the Deed is to:

- Confirm the indemnity provided by the Company in favour of Directors under the Company's Constitution;
- Include an obligation upon the Company to maintain adequate Directors and Officers liability insurance; and
- Confirm the right of access to certain documents under the Corporations Act

Directors' Report

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, there were 8 Board meetings held. All other Board matters arising during the year being resolved by Circulating Resolutions.

Director	Eligible to attend	Attended
SP Rothsey	8	4
WN Johnson	8	8
JGC Khoo	8	7
WI Isbister	8	8
BRS Symon	8	8

Mr Rothsey was granted leave of absence for meetings that he did not attend.

Audit Committee

During the financial year, there were 4 Audit Committee meetings held. Other matters arising during the year were resolved by Circulating Resolutions.

Member	Eligible to attend	Attended
DW Isbister	4	4
JGC Khoo	4	4
BRS Symon	4	4

Remuneration Committee

During the financial year, there was one Remuneration Committee meeting held.

Member	Eligible to attend	Attended
DW Isbister	0	0
JCG Khoo	1	1
BRS Symon	1	1

Risk and Compliance Committee

During the financial year, there were seven Risk and Compliance Committee meeting held.

Member	Eligible to attend	Attended
DW Isbister	7	7
BRS Symon	7	7

Nomination Committee

During the financial year, there were no Nomination Committee meetings held. Matters arising during the year were resolved by Circulating Resolutions

Member	Eligible to attend	Attended
DW Isbister	0	0
SP Rothsey	0	0

Directors' Report

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 23 to the financial statements.

The directors are satisfied that the provision of non-audit services in the form of tax compliance services, during the year, by the auditor (or another person or firm on the auditors' behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and,

- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of BDO

There are no officers of the company who are former audit partners of BDO East Coast Partnership (formerly trading as PKF East Coast Practice).

Auditor's independence declaration

The auditor's independence declaration is included on page 30 of the financial report and forms part of the Directors' Report for the year ended 30 June 2012.

Remuneration Report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A. Director and senior management details
B. Remuneration policies
C. Remuneration of directors and senior management
D. Additional information

A. Director and senior management details

• Mr Sean Peter Rothsey	Non-Executive Chairman
• Ms Jamie Gee Choo Khoo	Non-Executive Director
• Mr Wayne Noel Johnson	Executive Deputy Chairman
• Mr Damian Wayne Isbister	Executive Director (resigned 17 July 2012)
• Mr Bruce Richard Sydney Symon	Executive Director

In addition to the directors noted above, the following persons represent the senior management of the Group during or since the end of the year:

• Mr Thomas Patrick Boland	Chief Executive Officer - Trading
• Mr Craig Bradley Foley	Chief Information Officer
• Mr Anthony John Iremonger	Chief Financial Officer and Company Secretary (resigned 20 July 2012)
• Mr Andrew Guy Phillips	Acting Chief Financial Officer and Company Secretary (appointed 26 June 2012)

B. Remuneration policies

The performance of the Group depends upon the quality of its directors and executives. The Group recognises the need to attract, motivate and retain highly skilled directors and executives.

The Board of Directors, through its Remuneration Committee, accepts responsibility for determining and reviewing remuneration arrangements for the directors and the senior management team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions, giving due consideration to the overall profitability and financial resources of the Group, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Board proposes to review reward structures and the remuneration arrangements for directors and executives in conjunction with a return to profitability.

Non-executive director remuneration
Fees and payments to non-executive directors reflect the demands which are made of the directors in fulfilling their responsibilities. Non-executive director fees are reviewed annually by the Board. The constitution of the Company provides that the non-executive directors of the company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in general meeting. The most recent determination was at the Annual General Meeting held on 15 December 2006 where the shareholders approved an aggregate remuneration of $200,000.

Senior management and executive director remuneration
Executive remuneration comprises:

- Fixed remuneration component
- Variable remuneration component including short-term incentive (STI) and long-term incentive (LTI).

Fixed remuneration
Fixed remuneration consists of base remuneration as well as employer contributions to superannuation. Remuneration levels are reviewed annually through a process that considers individual performance and that of the overall Group.

Variable remuneration – short term incentive (STI)
STIs are available to executives who achieve revenue and/or profit targets. The Board is responsible for determining who is eligible to participate in STI arrangements as well as the structure of those arrangements. STIs include participation in the Company's Employee Share Scheme. No STI's, including options have been awarded in the current financial year.

Variable remuneration – long term incentive (LTI)
The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against relevant long term performance hurdles. LTI grants to executives are delivered in the form of options or shares.

No LTI grants were allocated during 2012. In 2011 a total of 12,500,000 fully vested options, issued for nil consideration, exercisable at 5 cents and expiring 30 June 2013 have been allocated under the LTI program to key management personnel. There is no performance criteria associated with the issue of these options.

C. Remuneration of directors and senior management

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

	Short-term benefits		Post employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees $	Bonus $	Super-annuation $	Long service leave $	Shares $	Equity settled $	$
2012							
Non-Executive Directors:							
JGC Khoo	22,018	-	1,982	-	-	-	24,000
SP Rothsey	60,000	-	5,400	-	-	-	65,400
Executive Directors:							
DW Isbister	210,000	-	15,535	-	-	-	225,535
WN Johnson	120,000	-	-	-	-	-	120,000
BRS Symon	120,000	-	-	-	-	-	120,000
Other Key Management Personnel:							
TP Boland	146,250	-	13,163	-	-	-	159,413
CB Foley	136,000	-	12,240	-	-	-	148,240
AJ Iremonger	96,000	-	24,000	-	-	-	120,000
	910,268	**-**	**72,320**	**-**	**-**	**-**	**982,588**

Remuneration Report (audited)

	Short-term benefits		Post employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees $	Bonus $	Super-annuation $	Long service leave $	Shares $	Options $	$
2011							
Non-Executive Directors:							
JGC Khoo(1)	7,339	-	661	-	-	-	8,000
SP Rothsey	60,000	-	5,400	-	-	-	65,400
Executive Directors:							
DW Isbister	142,932	-	12,864	-	-	-	155,796
WN Johnson(2)	4,000	-	-	-	-	-	4,000
BRS Symon	120,000	-	-	-	-	-	120,000
Other Key Management Personnel:							
TP Boland(3)	26,250	11,250	3,375	-	-	-	40,875
CB Foley	136,000	-	12,240	-	1,000	-	149,240
AJ Iremonger	96,000	-	24,000	-	-	-	120,000
WN Johnson(4)	24,000			-	-	46,384	70,384
	616,521	**11,250**	**58,540**	**-**	**1,000**	**46,384**	**733,695**

(1) Represents remuneration from 28 February 2011 to 30 June 2011.
(2) Represents remuneration from 20 May 2011 to 30 June 2011.
(3) Represents remuneration from 1 April 2011 to 30 June 2011. Bonus was a discretionary cash bonus and not part of any formal long term incentive programme.
(4) Represents remuneration from 1 April 2011 to 19 May 2011.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Non-Executive Directors:						
SP Rothsey	100%	100%	-%	-%	-%	-%
JGC Khoo	100%	100%	-%	-%	-%	-%
Executive Directors:						
DW Isbister	100%	100%	-%	-%	-%	-%
WN Johnson(1)	100%	100%	-%	-%	-%	-%
BRS Symon	100%	100%	-%	-%	-%	-%
Other Key Management Personnel:						
TP Boland	100%	100%	-%	-%	-%	-%
CB Foley	100%	100%	-%	-%	-%	-%
AJ Iremonger	100%	100%	-%	-%	-%	-%
WN Johnson(2)	-%	22%	-%	-%	-%	78%

(1) Represents remuneration from 20 May 2011 to 30 June 2011.
(2) Represents remuneration from 1 April 2011 to 20 May 2011.

There is no link between remuneration and the market price of the Company's shares.

Key terms of employment contracts
The employment terms and conditions of key management personnel and Group executives are formalised in standard contracts of employment. All contracts are for no fixed term with 1 month's notice required for termination by either party.

D. Additional Information

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

	2008	2009	2010	2011	2012
	$	$	$	$	$
Revenue	8,079,086	6,479,644	6,060,935	7,448,877	7,365,432
Net loss	(7,852,224)	(544,379)	(349,140)	(1,288,793)	(2,892,244)
Share price at year end	$0.030	$0.012	$0.030	$0.019	$0.016
Dividends paid	Nil	Nil	Nil	Nil	Nil

This concludes the remuneration report, which has been audited

The directors' report is signed in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors

Sean Rothsey
Chairman

3 October 2012

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DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF MDS FINANCIAL GROUP LIMITED

As lead auditor of MDS Financial Group Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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

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

David Garvey

Partner

BDO East Coast Partnership

Melbourne, 3 October 2012

General Information

The financial report covers MDS Financial Group Limited as a consolidated entity consisting of MDS Financial Group Limited and the entities is controlled. The financial report is presented in Australian dollars, which is MDS Financial Group Limited functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

MDS Financial Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 37
Rialto South Tower
525 Collins Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operation and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 September 2012. The directors have the power to amend and reissue the financial report.

Statement of Comprehensive Income
For the year ended June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue from continuing operations	4	7,365,432	7,448,877
Expenses			
Data fees		(1,940,928)	(2,125,107)
Dealing and settlement		(2,317,281)	(1,817,352)
Employee benefits	5	(2,379,542)	(2,120,809)
Occupancy		(419,893)	(348,817)
Telecommunications		(330,135)	(239,814)
Marketing		(307,578)	(220,392)
General and administrative		(910,207)	(617,443)
Depreciation and impairment	5	(1,315,320)	(1,157,180)
Other		(336,792)	(90,756)
Loss before income tax from continuing operations		(2,892,244)	(1,288,793)
Income tax expense	6	-	-
Loss after income tax from continuing operations		(2,892,244)	(1,288,793)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(2,892,244)	(1,288,793)
Loss for the year is attributable to:			
Owners of MDS Financial Group Limited		(2,892,244)	(1,288,793)
		(2,892,244)	(1,288,793)
Total comprehensive income for the year is attributable to:			
Owners of MDS Financial Group Limited		(2,892,244)	(1,288,793)
		(2,892,244)	(1,288,793)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income
For the year ended June 2012

	Note	Consolidated 2012 $	2011 $
		Cents	Cents
Earnings per share from continuing operations attributable to the owners of MDS Financial Group Limited			
Basic earnings per share	33	(0.922)	(0.486)
Diluted earnings per share	33	(0.922)	(0.486)
Earnings per share for loss attributable to the owners of MDS Financial Group Limited			
Basic earnings per share	33	(0.922)	(0.486)
Diluted earnings per share	33	(0.922)	(0.486)

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

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Assets			
Cash and cash equivalents	7	288,755	892,338
Trade and other receivables	8	434,680	376,057
Financial assets at fair value through profit or loss	9	8,840	65,698
Other assets	10	456,067	58,010
Total current assets		1,188,342	1,392,103
Financial assets at fair value through profit or loss	9	239,350	694,792
Plant and equipment	11	94,601	141,128
Intangible assets	12	1,250,361	2,405,608
Other assets	10	130,673	124,673
Total non-current assets		1,714,985	3,366,201
Total assets		2,903,327	4,758,304
Trade and other payables	13	1,799,277	1,127,818
Borrowings	14	367,052	-
Deferred income	15	375,354	494,151
Employee benefits	16	205,236	196,083
Total current liabilities		2,746,919	1,818,052
Employee benefits	16	31,327	18,165
Total non-current liabilities		31,327	18,165
Total liabilities		2,778,246	1,836,217
Net assets		125,081	2,922,087
Equity			
Contributed equity	17	21,940,384	21,845,146
Reserves	18	46,384	46,384
Accumulated losses	19	(21,861,687)	(18,969,443)
Total equity		125,081	2,922,087

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2012

Consolidated	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 July 2010	20,671,655	3,080	(17,683,730)	2,991,005
Loss after income tax expense for the year	-	-	(1,288,793)	(1,288,793)
Total comprehensive income for the year	-	-	(1,288,793)	(1,288,793)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,213,542	-	-	1,213,542
Shares bought back	(40,051)	-	-	(40,051)
Share based payments	-	43,304	3,080	46,384
Balance at 30 June 2011	21,845,146	46,384	(18,969,443)	2,922,087

Consolidated	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 July 2011	21,845,146	46,384	(18,969,443)	2,922,087
Loss after income tax expense for the year	-	-	(2,892,244)	(2,892,244)
Total comprehensive income for the year	-	-	(2,892,244)	(2,892,244)
Transactions with owners in their capacity as owners:				
Share based payments	95,238	-	-	95,238
Balance at 30 June 2012	21,940,384	46,384	(21,861,687)	125,081

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

Statement of Cash Flows
For the year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Cash receipts from customers		8,296,919	6,305,360
Cash paid to suppliers and employers		(9,283,366)	(6,933,729)
Interest received		10,175	23,247
Interest paid		(35,772)	(3,953)
Net Cash used in operating activities	31	(1,012,044)	(609,075)
Cash flows from investing activities			
Proceeds from sale of investments		62,700	30,000
Proceeds from repayment of bonds and guarantees		-	36,420
Payment for property, plant and equipment		(4,707)	(28,984)
Payment for investments		-	(35,550)
Payment for other asset		(6,000)	-
Payment for subsidiary	28	-	(150,000)
Payments for intangible assets		(108,839)	(394,130)
Net cash used in investing activities		(56,846)	(542,244)
Cash flows from financing activities			
Proceeds from borrowings		571,429	-
Proceeds from issue of securities net of costs		-	1,213,542
Repayment of borrowings		(106,122)	-
Payment for share buy back		-	(40,051)
Net cash provided by financing activities		465,307	1,173,491
Net (decrease)/increase in cash and cash equivalents		(603,583)	22,172
Cash and cash equivalents at 1 July		892,338	870,166
Cash and cash equivalents at 30 June	7	288,755	892,338

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

Notes to the Financial Statements

Note	Contents

Notes to the Financial Statements

Note 1: Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are those of the consolidated entity consisting of MDS Financial Group Limited and its controlled entities. Separate financial statements of MDS Financial Group Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001, however limited financial information on MDS Financial Group Limited as an individual entity is included in note 27.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. MDS Financial Group Limited is a for profit entity for the purpose of these accounts.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2010-5 Amendments to Australian Accounting Standards
The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)
The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets
The consolidated entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amended disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the consolidated entity has a continuing exposure to the asset after the sale.

AASB 1054 Australian Additional Disclosures
The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation
The consolidated entity has applied AASB 2011-5 amendments from 1 July 2011. These amendments extended relief from consolidation, the equity method and proportionate consolidation where the ultimate or intermediate parent applied not-for-profit Aus paragraphs in Australian IFRSs as adopted in Australia.

Notes to the Financial Statements

Note 1: Statement of Significant Accounting Policies (continued)

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Going concern
The financial report shows that for year ended 30 June 2012 the consolidated entity has a loss attributable to members of $2,892,244 (2011: loss $1,288,793) and a negative cash flow from operating cash flows of $1,012,044 (2011: negative $609,075). At balance date the consolidated entity has a current asset deficiency $1,558,577 (2011: $425,949) and a net tangible asset deficiency of $1,125,280 (2011: net tangible assets $516,479). These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

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

- The consolidated entity is managing its outstanding creditors. At the date of signing the financial report payments are being made to creditors as funds become available and no creditor has issued formal legal proceedings to recover amounts owed at the date of signing the financial report. The consolidated entity also has current borrowings at Note 14 which have been borrowed under a Committed Equity Facility Agreement. At the date of signing the financial report, the consolidated entity has sought deferral of payment obligations until monies become available. The lender has not undertaken formal legal proceedings to recover the amount owed and the directors are forecasting to repay the borrowing from future capital raisings. Under the Committed Equity Facility the current borrowings are due in full on the 22 November 2012.

- The parent entity has arranged for the placement of 66,666,667 ordinary shares at a price of 1.5 cents per share to a sophisticated investor which, subject to shareholder approval pursuant to ASX Listing Rule 7.1, will result in a capital inflow of $1,000,000 in four tranches over the period to 30 November 2012, with the first payment of $50,000 received on signing the agreement (which has been received by the company at the date of signing the financial report); a second payment of $200,000 being made by 5 October 2012; a third payment of $250,000 is to be made on or before 31 October 2012 and a fourth, and final, payment, of $500,000, following shareholder approval pursuant to ASX Listing Rule 7.1, on 30 November 2012. Further information is provided in note 30.

- As announced to the ASX, the directors have resolved to proceed with a Rights Issue to current shareholders with a view to completion by 30 November 2012. The directors are seeking to raise approximately $2.3 million under the Rights Issue

  The company has budgeted an improved financial performance over the period of 12 months from the date of signing the financial report. Initiatives contributing to this are:

  - The current year operating loss includes significant impairment costs associated with the write-down of intangible software development assets and unlisted options which do not affect future profit or cash flows.

  - The consolidated entity has entered into a strategic alliance in connection with its Data Subscriptions business which will result in significant cost savings in the current financial year.

  - The consolidated entity has initiated an aggressive wholesale broking client acquisition strategy which has resulted in a number of new wholesale groups becoming clients since reporting date.

  - The consolidated entity has initiated a programme to reduce its ongoing compliance costs through the consolidation of its various activities onto a single AFS Licence. Currently the consolidated entity operates under three separate AFS Licences.

  - The consolidated entity's corporate advisory mandate pipeline has strengthened in the last 12 months with a number of mandates in the final stages and new appointments made to the corporate advisory team since the end of the financial year.

  - Marketing of data subscriptions and broking activities will be revitalised in the current financial year through a change in corporate branding and the release of a new community/social networking site to drive enhanced value for clients and engagement with peers.

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

Notes to the Financial Statements

Note 1: Statement of Significant Accounting Policies (continued)

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

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MDS Financial Group Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. MDS Financial Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial report is presented in Australian dollars, which is MDS Financial Group Limited's functional and presentation currency.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
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.

Rendering of services
Revenue from the provision of services to customers is recognised upon delivery of the service to the customer. Revenue received that relates to the provision for future services is accounted for as deferred income.

Note 1: Statement of Significant Accounting Policies (continued)

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

Commissions
When the consolidated entity 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 consolidated entity.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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

Income Tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provisions in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intent to settle simultaneously.

MDS Financial Group Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to member of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

Note 1: Statement of Significant Accounting Policies (continued)

Trade Receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets
Investments and other financial assets are measured at either amortised cost or fair value depending upon their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or, ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available–for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or, observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available for sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly to profit or loss.

Derivative financial instruments
Derivatives are initially measured at fair values on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Notes to the Financial Statements

Note 1: Statement of Significant Accounting Policies (continued)

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

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

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

	2012	2011
Plant and equipment:	11.3% to 50%	11.3% to 50%

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Australian Securities Exchange licence
The licence relating to participant status of the Australian Securities Exchange is being amortised on a straight-line basis over a period of 5 years commencing 1 July 2011.

Software Development
Significant costs associated with software development are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

Note 1: Statement of Significant Accounting Policies (continued)

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits
Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled and cash-settled share-based remuneration benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the reporting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Note 1: Statement of Significant Accounting Policies (continued)

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transaction is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based remuneration benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the conditions is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the consolidated entity.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities uncured by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree’s identifiable net assets. All acquisition costs are expensed as incurred to profit and loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity’s operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer’s previously held equity interest in the acquirer.

Note 1: Statement of Significant Accounting Policies (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of MDS Financial Group Limited, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from, or payable to, the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

Notes to the Financial Statements

Note 1: Statement of Significant Accounting Policies (continued)

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011)
This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 July 2013 will require increased disclosures by the consolidated entity.

Notes to the Financial Statements

Note 1: Statement of Significant Accounting Policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumption that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances, the resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor’s financial position.

Fair value and hierarchy of financial instruments
The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of the useful life of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating condition specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity’s current understanding of the tax law. Where

Note 2. Critical accounting judgements, estimates and assumptions (continued)

the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Long service leave provision
As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increased through promotion and inflation have been taken into account.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating Segments

Identification of reportable operating segments
The consolidated entity is organised into three operating segments: data subscriptions, broking and corporate advisory. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The data subscriptions segment consists of two products: The Bourse and Market Analyser. Goodwill associated with this segment relates to The Bourse. For the year ended 30 June 2012 The Bourse's contribution to Segment Result before impairment expense and revaluation increments to fair value was a profit of $286,416 whereas Market Analyser's contribution was a loss of $819,428.

The CODM review both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and profit before income tax.

The information reported to the CODM is on a least a monthly basis.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Data subscriptions	provision of financial market data and analysis tools for sophisticated traders
Broking	provision of execution only, online trading
Corporate advisory	provision of capital markets advice and related services

All products and services are provided predominantly to customers in Australia.

Intersegment transactions
Intersegment transactions were made at cost. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Notes to the Financial Statements

Note 3. Operating Segments (continued)

2012	Broking $	Data Subscriptions $	Corporate Advisory $	Consolidated $
Revenue	3,929,305	3,187,209	248,918	7,365,432
Segment result before impairment expense and revaluation increments to fair value	(671,692)	(533,011)	(138,641)	(1,343,344)
Impairment – software development	-	(1,093,458)	-	(1,093,458)
Revaluation increment to fair value – unlisted options	-	-	(455,442)	(455,442)
Segment result	(671,692)	(1,626,469)	(594,083)	(2,892,244)
Income tax expense				-
Loss after income tax expense				(2,892,244)
Assets				
Segment assets	1,129,755	1,489,889	393,286	3,012,930
Total assets				3,012,930
Acquisition of non-current assets	-	113,546	-	113,546
Liabilities				
Segment liabilities	711,548	1,916,800	259,501	2,887,849
Total liabilities				2,887,849

2011	Broking $	Data Subscriptions $	Corporate Advisory $	Consolidated $
Revenue	1,945,519	3,864,505	1,629,853	7,448,877
Segment result	(1,176,772)	(503,550)	391,529	(1,288,793)
Income tax expense				-
Loss after income tax expense				(1,288,793)
Assets				
Segment assets	785,820	3,239,589	732,895	4,758,304
Total assets				4,758,304
Acquisition of non-current assets	238,381	334,733	-	573,114
Liabilities				
Segment liabilities	387,527	1,434,389	14,301	1,836,217
Total liabilities				1,836,217

Notes to the Financial Statements

Note 4. Revenue

	Consolidated	
	2012	**2011**
	$	**$**
Continuing Operations		
Data subscriptions fees	3,397,165	4,025,367
Brokerage and commissions revenue	3,547,060	1,690,270
Corporate advisory fees	697,894	923,240
	7,642,119	6,638,877
Other revenue		
Interest	10,175	23,247
Net fair value (loss)/gain on other financial investments	(449,600)	696,788
Other	162,738	89,965
	(276,687)	810,000
	7,365,432	7,448,877

Note 5. Expenses

Loss before income tax includes the following specific expenses:

	2012	2011
Employee benefits expense		
Wages and salaries	2,116,497	1,929,574
Other employment costs	263,045	145,851
Expense of share based payments	-	45,384
	2,379,542	2,120,809
Depreciation		
Plant and equipment	41,360	69,682
Leasehold improvements	9,874	16,411
	51,234	86,093
Amortisation		
Software development	125,452	54,623
Websites	3,676	3,676
ASX membership	27,500	-
Client list	14,000	-
	170,628	58,299
Impairment		
Goodwill	-	995,288
Software development	1,093,458	-
Websites	-	17,500
	1,093,458	1,012,788
Total depreciation, amortisation and impairment	1,315,320	1,157,180

Notes to the Financial Statements

Note 5. Expenses (continued)

Rental expense on operating leases		
Property lease	206,135	188,750
Finance costs		
Interest paid/payable	35,772	3,953

Note 6. Income Tax Expense

	Consolidated	
	2012	2011
	$	$
Income tax expense		
Current tax	-	-
	-	-
Numerical reconciliation of income tax expense to prima facie income tax payable		
Loss before income tax from continuing operations	2,892,244	1,288,793
Tax at the Australian rate of 30%	(867,673)	(386,638)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Impairment of goodwill	-	298,586
- Impairment and amortisation of intangible assets	379,226	-
- share based payments	28,571	13,915
- black-hole expenditure	(3,431)	(10,116)
- unrealised loss/(gain) on investments	136,663	(209,646)
- other items	61,008	8,509
Current year tax losses and temporary differences not recognised	265,636	285,390
Income tax expense	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	8,319,781	7,434,327
Potential tax benefit @30%	2,495,934	2,230,298

Notes to the Financial Statements

Note 7. Cash and Cash Equivalents

	Note	Consolidated 2012 $	Consolidated 2011 $
Current			
Cash at bank and on hand		288,755	892,338

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated 2012 $	Consolidated 2011 $
Balance as per statement of cash flows	288,755	892,338

Note 8. Trade and Other Receivables

	Consolidated 2012 $	Consolidated 2011 $
Current		
Trade receivables	518,157	297,228
Allowance for doubtful debts	(94,416)	(30,797)
	423,741	266,431
Other receivables	10,939	109,626
	434,680	376,057

Impairment of receivables
The company has recognised a loss of $63,919 (2011: $30,797) in profit or loss in respect of impairment of receivables for the year ended 30 June 2012.

The ageing of the impaired receivables recognised above are as follows:

	Consolidated 2012 $	Consolidated 2011 $
1 to 30 days overdue	-	-
31 to 60 days overdue	-	-
Over 60 days overdue	94,416	30,797
	94,416	30,797

Notes to the Financial Statements

Note 8. Trade and Other Receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2012	2011
	$	$
Opening balance	30,797	-
Additional provisions recognised	84,783	30,797
Receivables written off during the year as uncollectable	(18,182)	-
Unused amounts reversed	(2,982)	-
Closing balance	94,416	30,797

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $42,546 as at 30 June 2012 ($52,110 as at 30 June 2011). The consolidated entity did not consider a credit risk exists on the aggregate balances after reviewing agency credit information and credit terms of customers based on recent collection practices.

The aging of the past due but not impaired receivables are as follows:

	Consolidated	
	2012	2011
	$	$
1 to 30 days overdue	7,576	7,568
31 to 60 days overdue	12,855	31,961
Over 60 days overdue	22,115	12,581
	42,546	52,110

Note 9. Financial assets at fair value through profit or loss

	2012	2011
	$	$
Current		
Ordinary shares - held for trading	8,840	65,698
	8,840	65,698

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	65,698	10,500
Additions	-	75,550
Disposals	(62,700)	(30,000)
Revaluation increments to fair value	5,842	9,648
Closing fair value	8,840	65,698

Note 9. Financial assets at fair value through profit or loss (continued)

	Consolidated 2012 $	2011 $
Non-current		
Unlisted options – designated at fair value through profit or loss	239,198	694,640
Share in other corporations – available for sale	152	152
	239,350	694,792

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2012 $	2011 $
Opening fair value	694,792	7,652
Impaired	-	(7,500)
Revaluation increments to fair value	(455,442)	694,640
Closing fair value	239,350	694,792

Unlisted options held by the company, being options over ordinary shares of an Australian company whose shares are listed on the Australian Securities Exchange, are restricted securities and subject to escrow until 28 February 2013. The options may be exercised at any time up to 28 February 2014.

Note 10. Other Assets

	2012 $	2011 $
Current		
Prepayments	106,067	58,010
Bonds and guarantees	350,000	-
	456,067	58,010
Non-current		
Bonds and guarantees	130,673	124,673

Note 11. Plant and Equipment

	2012	2011
Non-current		
Plant and equipment – at cost	470,839	502,127
Accumulated depreciation	(390,981)	(385,616)
	79,858	116,511
Leasehold improvements – at cost	42,471	42,471
Accumulated depreciation	(27,728)	(17,854)
	14,743	24,617
Total plant and equipment – net book value	94,601	141,128

Notes to the Financial Statements

Note 11. Plant and Equipment (continued)

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

	Plant and equipment	Leasehold improvements	Total
	$	$	$
Consolidated			
Balance at 1 July 2010	157,209	41,028	198,237
Additions	28,984	-	28,984
Depreciation	(69,682)	(16,411)	(86,093)
Balance at 30 June 2011	116,511	24,617	141,128
Additions	4,707	-	4,707
Depreciation	(41,360)	(9,874)	(51,234)
Balance at 30 June 2012	79,858	14,743	94,601

Note 12. Intangible Assets

	Consolidated	
	2012	**2011**
	$	**$**
Non-current		
Goodwill		
Cost	2,056,120	2,056,120
Accumulated impairment losses	(995,288)	(995,288)
	1,060,832	1,060,832
Websites		
Cost	38,381	38,381
Accumulated impairment	(20,000)	(20,000)
Accumulated amortisation	(7,352)	(3,676)
	11,029	14,705
Software development		
Cost	1,273,533	1,164,694
Accumulated impairment	(1,093,458)	-
Accumulated amortisation	(180,075)	(54,623)
	-	1,110,071
Other intangible assets		
Cost	220,000	220,000
Accumulated amortisation	(41,500)	-
	178,500	220,000
Total intangibles	1,250,361	2,405,608

Note 12. Intangible assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill	Websites	Software Development Assets	ASX Licence	Client List	Total
	$	$	$	$	$	$
Consolidated						
Balance at 1 July 2010	2,056,120	17,500	858,945	-	-	2,932,565
Acquisition through business combination	-	-	-	150,000	-	150,000
Client list	-	-	-		70,000	70,000
Impairment	(995,288)	(17,500)	-	-	-	(1,012,788)
Amortisation	-	(3,676)	(54,623)	-	-	(58,299)
Internal development	-	18,381	305,749	-	-	324,130
Balance at 30 June 2011	1,060,832	14,705	1,110,071	150,000	70,000	2,405,608
Impairment	-	-	(1,093,458)	-	-	(1,093,458)
Amortisation	-	(3,676)	(125,452)	(27,500)	(14,000)	(170,628)
Internal development	-	-	108,839	-	-	108,839
Balance at 30 June 2012	1,060,832	11,029	-	122,500	56,000	1,250,361

Impairment testing

Goodwill acquired through business combinations has been allocated to the following cash generating units:

	Consolidated	
	2012	**2011**
	$	**$**
Data subscriptions segment	1,060,832	1,060,832
	1,060,832	1,060,832

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 12 month projection period approved by management and extrapolated for a further 4 years by using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the Data Subscriptions division:
a. 15% (2011: 12%) pre-tax discount rate; and,
b. 0% (2011: -10%) per annum projected revenue growth rate.

The discount rate of 15% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements.

Management believes that previous declines in subscription revenue growth will be contained through wider acceptance of its renewed product offering and that further cost savings will arise from changes to the underlying delivery platform.

There were no other key assumptions for the data subscriptions division.

Note 12. Intangible assets (continued)

Based on the above, Management is satisfied that there are no indicators of impairment to the current carrying value of goodwill. In 2011 an impairment of $995,288 was applied as the carrying amount of goodwill exceeded its recoverable amount for the data subscriptions division.

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

Software development assets
Software development is amortised on a straight-line basis over the period of the useful life of the underlying asset, which is currently estimated to be 10 years.

On 30 November 2011, the Company announced that a Heads of Agreement had been reached between the Company and IRESS Market Technology (ASX:IRE) under which IRESS would become an integral supplier to the Company's Data Subscriptions business. Following the subsequent successful integration of the IRESS platform and upgrades to the Company's existing data products: The Bourse and MA7, the Board reviewed its commitment to the Company's existing software development and determined that there was no longer a commercial value associated with that software development. As a consequence, software development assets were fully impaired at 30 June 2012.

ASX membership
The cost of acquiring D2MX Pty Ltd's market participant status of the Australian Securities Exchange is being amortised over a period of five years commencing from the time that the Group's existing third-party execution facilities were transferred to D2MX Pty Ltd in August 2011.

Client list
The client list was acquired by the Group from the MINC Financial Services group on 19 April 2011. The client list has a finite life considered to be five years, amortised on a straight-line basis.

Note 13. Trade and Other Payables

	Consolidated	
	2012	2011
	$	$
Current		
Trade payables	1,212,421	668,535
Other payables	144,979	149,830
Accruals	441,877	309,453
	1,799,277	1,217,818

Note 14. Borrowings

	2012	2011
Current		
Other loans	476,655	-
Less prepaid borrowing costs	(109,603)	-
	367,052	-

Other loans comprise outstanding principal on the draw-down of USD$600,000 under the terms of a Secured Loan Agreement between the Company and TCA Global Credit Master Fund, LP on 16th March 2012. Interest is payable at a rate of 12.0 percent per annum.

Further information about other loans is included as part of Note 21 – Financial Instruments and Note 24 – Contingent Liabilities.

Notes to the Financial Statements

Note 15. Deferred Income

	Consolidated	
	2012	2011
	$	$
Current		
Deferred income	375,354	494,151

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

Note 16. Employee Benefits

	Consolidated	
	2012	2011
	$	$
Current		
Liability for annual leave	114,493	112,998
Liability for long service leave	90,743	83,085
	205,236	196,083
Non-current		
Liability for long service leave	31,327	18,165
	31,327	18,165

Note 17. Equity - contributed

317,072,916 (2011: 312,311,011) Fully Paid Ordinary shares	21,940,384	21,845,146
12,500,000 (2011: 12,500,000) Unlisted options	-	-
	21,940,384	21,845,146

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2010	250,396,612		20,671,655
Shares bought back	31 August 2010	(1,668,804)	$0.024	(40,051)
Issue of share to employee share scheme	17 September 2010	583,203	$0.024	13,997
Issue of shares	1 March 2011	37,000,000	$0.020	740,000
Issue of shares	15 April 2011	8,000,000	$0.020	160,000
Issue of shares	27 May 2011	18,000,000	$0.020	360,000
Share issue transaction costs				(60,455)
Balance	30 June 2011	312,311,011		21,845,146
Issue of shares	23 March 2012	4,761,905	$0.020	95,238
Balance	30 June 2012	317,072,916		21,940,384

Note 17. Equity – contributed (continued)

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

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company. The shares have no par value.

Share buy-back
There is no current on-market share buy-back.

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

Capital risk management
The consolidated entity’s objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns to shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity’s share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing business in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2011 Annual Report.

Note 18. Equity – reserves

	Consolidated	
	2012	**2011**
	$	**$**
Share based payments	46,384	46,384
	46,384	46,384
Movement:		
Share based payments		
Balance at the beginning of the financial year	46,384	3,080
Option expense	-	46,384
Transfer to accumulated losses	-	(3,080)
Balance at the end of the financial year	46,384	46,384

Notes to the Financial Statements

Note 19. Equity – accumulated losses

	Consolidated	
	2012	2011
	$	$
Accumulated losses at the beginning of the financial year	18,969,443	17,683,730
Loss after income tax expense for the year	2,892,244	1,288,793
Share based payments	-	(3,080)
Accumulated losses at the end of the financial year	21,861,687	18,969,443

Note 20. Equity – dividends

Dividends

No dividends have been paid or declared during 2012 (2011: Nil)

Franking credits

Franking credits available at the reporting date based on a tax rate of 30%	1,422,418	1,422,418

Note 21. Financial Instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ("finance") under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity has not entered into forward foreign exchange contracts to protect against exchange rate movements. The directors are of the view that the cost of hedging the consolidated entity's short-term foreign exchange exposure outweighs the risk of adverse currency movements.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows.

	Assets		Liabilities	
	2012	2011	2012	2011
	$	$	$	$
Consolidated				
US dollars	151,620	-	476,655	-
	151,620	-	476,655	-

.

Note 21. Financial Instruments (continued)

The consolidated entity had net liabilities denominated in foreign currencies of $325,036 (assets $151,619 less liabilities $476,655) as at 30 June 2012 (2011: $Nil (assets $Nil less liabilities $Nil)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2011: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $36,115 lower/$15,478 higher (2011: $Nil lower/$Nil higher) and equity would have been $36,115 lower/$15,478 higher (2011: $Nil lower/$Nil higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2012 was $6,228 (2011: loss of $Nil).

Price risk
The consolidated entity is exposed to price risk in relation to the valuation of financial assets at fair value through profit or loss. A 10% movement in the valuation of unlisted options would result in a profit or loss of $27,725.

Interest rate risk
The consolidated entity is not exposed to any significant interest rate risk.

The consolidated entity's borrowings outstanding, totalling $476,655 (2011: $Nil), is a principal and interest payment loan. Monthly cash outlays of approximately $3,284 (2011: Nil) per month are required to service the interest payments which are at a fixed rate of 12.0 percent per annum. In addition, minimum principal payments of $476,655 (2011: $Nil) are due during the year ending 30 June 2013.

Credit risk
Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The Board of Directors has established a credit policy under which each new customer is analysed individually. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and note to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2012	**2011**
	$	**$**
Other loans	1,365,854	-
	1,365,854	-

Unused borrowing facilities comprise US $1,400,000 available via a committed equity facility agreement with TCA Global Credit Master Fund, LP, an investment fund registered in the Cayman Islands. Conditions precedent to the advance of funds under this facility and certain terms associated with any such advance, which relate to the underlying market value and liquidity of the consolidated entity's listed shares, may, at the reporting date, preclude any advance being made under the facility.

Note 21. Financial Instruments (continued)

Remaining contractual maturities
The following table details the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
2012						
Non-derivatives						
Non-interest bearing						
Trade payables	-	668,535	-	-	-	668,535
Interest bearing						
Other loans	12.00	476,675	-	-	-	476,675
		1,145,210	-	-	-	1,145,210
2011						
Non-derivatives						
Non-interest bearing						
Trade payables	-	668,535	-	-	-	668,535
		668,535	-	-	-	668,535

Trade payables are due normally within 60 days. The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

Fair value of financial instruments
The following table details the consolidated entity's fair values of financial instruments categorised by the following levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
2012				
Assets				
Listed ordinary shares	8,040	-	-	8,040
Unlisted ordinary shares	-	-	152	152
Unlisted options	-	239,350	-	239,350
	8,040	239,350	152	247,542
2011				
Assets				
Listed ordinary shares	65,698	-	-	65,698
Unlisted ordinary shares	-	-	152	152
Unlisted options	-	694,640	-	694,640
	65,698	694,640	152	760,490

There were no transfers between levels during the financial year.

Notes to the Financial Statements

Note 21. Financial Instruments (continued)

Unless otherwise stated, the carrying amounts of financial assets reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 22. Key management personnel disclosures

Directors
The following persons were directors of MDS Financial Group Limited during the financial year:

Mr Sean Peter Rothsey	Non-Executive Chairman
Ms Jamie Gee Choo Khoo	Non-Executive Director
Mr Wayne Noel Johnson	Executive Deputy Chairman
Mr Damian Wayne Isbister	CEO Corporate and Trading (resigned 17 July 2012)
Mr Bruce Richard Sydney Symon	Executive Director

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Thomas Patrick Boland	CEO - Trading
Mr Craig Bradley Foley	Chief Information Officer
Mr Anthony John Iremonger	Chief Financial Officer and Company Secretary (resigned 20 July 2012)
Mr Andrew Guy Phillips	Acting Chief Financial Officer and Company Secretary (appointed 26 June 2012)

Remuneration
The aggregate remuneration made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2012	**2011**
	$	**$**
Short-term employee benefits	910,268	627,771
Post employment benefits	72,320	58,540
Share-based payments	-	47,384
	982,588	733,695

Shareholding
The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties is set out below

30 June 2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
S Rothsey	16,493,688	-	-	-	16,493,688
W Johnson	17,615,199		-	-	17,615,199
J Khoo	-	-	-	-	-
D Isbister	26,326,632	-	-	-	26,326,632
R Symon	28,545,000	-	-	-	28,545,000
T Boland	1,441,667	-	-	-	1,441,667
C Foley	114,242	-	-		114,242
A Iremonger	13,000,000	-	-	-	13,000,000
A Phillips	-	-	-	-	-
	103,536,428	-	-	-	103,536,428

Note 22. Key management personnel disclosures (continued)

30 June 2011	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
S Rothsey	15,743,688	-	750,000	-	16,493,688
W Johnson	16,115,199		1,500,000	-	17,615,199
J Khoo	-	-	-	-	-
D Isbister	26,326,632	-	-	-	26,326,632
R Symon	27,045,000	-	1,500,000	-	28,545,000
T Boland	1,000,000	-	441,667	-	1,441,667
C Foley	72,575	41,667	-		114,242
A Iremonger	13,000,000	-	-	-	13,000,000
	99,303,094	41,667	4,191,667	-	103,536,428

Option holding
The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

30 June 2012	Balance at the start of the year	Granted as remun-eration during the year	Expired during the year	Acquired during the year	Balance at the end of the year	Vested during the year	Vested and exercise-able	Vested and unexer-cisable
W Johnson	12,500,000	-	-	-	-	-	12,500,000	-
	12,500,000	-	-	-	-	-	12,500,000	-

30 June 2011	Balance at the start of the year	Granted as remun-eration during the year	Expired during the year	Acquired during the year	Balance at the end of the year	Vested during the year	Vested and exercise-able	Vested and unexer-cisable
D Isbister	27,000,000	-	(27,000,000)	-	-	-	-	-
A Iremonger	10,000,000	-	(10,000,000)	-	-	-	-	-
R Symon	25,000,000	-	(25,000,000)	-	-	-	-	-
W Johnson	-	12,500,000	-	-	-	12,500,000	12,500,000	-
	62,000,000	12,500,000	(62,000,000)	-	-	12,500,000	12,500,000	-

Receivable from and payable to key management personnel
The following balances are outstanding at the reporting date in relation to remuneration arrangements with key management personnel:

	Consolidated 2012 $	Consolidated 2011 $
Trade payables to Noblemen Ventures Pty Ltd (director-related entity of Mr Wayne Johnson)	11,000	30,800
Trade payables to Symon Financial Services Pty Ltd (director related entity of Mr Richard Symon	11,000	11,000
Trade payables to Merkin Pastoral Holdings Pty Ltd (director related entity of Mr Sean Rothsey)	22,569	-

Related party transactions
Related party transactions are set out in note 26

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership (formally PKF East Coast Practice), the auditor of the company, and its related practices:

	Consolidated	
	2012	2011
	$	$
Audit services		
Audit or review of the financial report	61,000	54,800
Audit of Australian Financial Services Licences	12,500	9,000
Other services		
Preparation of the tax return	15,000	11,500
Other tax services	3,665	12,275
	92,165	87,575

Note 24. Contingent liabilities

Contingent liabilities
The consolidated entity has given bank guarantees as at 30 June 2012 of $74,673 (2011: $74,673) to its landlord and $50,000 (2011: $50,000), in relation to credit facilities, to its bankers.

Pursuant to the terms of a Secured Loan Agreement entered into on 14 March 2012, the consolidated entity issued 4,761,905 ordinary shares ("Banking Fee Shares") to TCA Global Credit Master Fund, LP on 23 March 2012 as surety for a US $100,000 Banking Fee payable under the agreement. The Banking Fee Shares are subject to escrow for a period of six months from the date of the Secured Loan Agreement. At the conclusion of the escrow period, the Banking Fee Shares can be sold and the proceeds applied in satisfaction of the Banking Fee. If, upon the sale of all the Banking Fee Shares the aggregate proceeds of the sale of all the Banking Fee Shares is less than the Banking Fee, the Company must pay the difference.

Based on the carrying value of the consolidated entity's US Dollar assets and liabilities and the last sale price of the Company's listed shares on 30 June 2012, the consolidated entity has a contingent liability at 30 June 2012 of $21,371 (2011: $Nil).

	Consolidated	
	2012	2011
	$	$
Banking fee	97,561	-
Less: expected proceeds from sale of banking fee shares	76,190	-
	21,371	-

Notes to the Financial Statements

Note 25. Commitments for expenditure

	Consolidated	
	2012	**2011**
	$	**$**
Less than one year	225,872	341,650
Between one and five years	395,108	647,710
More than five years	-	-
	620,980	989,360

Commitments relate to the lease of the Group's Melbourne premises and computer data centre. The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by 4% per annum. Rental of the data centre is for a renewable 12 month period.

Note 26. Related Party Transactions

Parent entity
MDS Financial Group Limited is the parent entity and ultimate controlling entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 22 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2012	**2011**
	$	**$**
Payment of commission on corporate advisory fees to Merkin Pastoral Holdings Pty Ltd (director related entity of Sean Rothsey)	103,019	-
Payment of share issue transaction costs to Harford Vantage (Australia) Pty Ltd (director related entity of Jamie Khoo)	-	55,000
Payment of share issue transaction costs to Noblemen Ventures Pty Ltd (director related entity of Wayne Johnson)	-	5,455

Receivable from and payable to related parties
There were no receivables from or payable to related parties at reporting date in relation to transactions with related parties detailed above.

Loans to/from related parties
There were no loans for or from related parties at the reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates

Notes to the Financial Statements

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2012	**2011**
	$	**$**
Loss after tax	(474,385)	(1,326,881)
Total comprehensive income	(474,385)	(1,326,881)

Statement of financial position

	Consolidated	
	2012	**2011**
	$	**$**
Total current assets	196,318	454,690
Total assets	1,557,150	2,883,111
Total current liabilities	859,367	177,823
Total liabilities	1,250,613	414,212
Net Assets	306,537	2,468,899
Equity		
Contributed equity	53,619,319	53,524,081
Reserves	46,384	46,384
Accumulated losses	(53,359,166)	(51,101,567)
Total equity	306,537	2,468,898

Contingent liabilities
Details of the parent entity's contingent liability arising in relation to its obligations under the terms of a Secured Loan Agreement with TCA Global Credit Master Fund, LP are set out in Note 24. The parent entity had no contingent liabilities at 30 June 2011.

Capital commitments – Property, Plant and equipment
The parent entity had no capital commitments for property plant and equipment as at 30 June 2012 and 30 June 2011.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.
- Investments in associated are accounted for at cost, less any impairment.

Note 28. Business combinations

On 1 April 2011 MDS Financial Group Limited acquired 100% of the issued shares of D2MX Pty Ltd for a total consideration transferred of $150,000. The company, having previously sold its underlying business (comprising its client lists and various other assets), was acquired for the value of its intellectual property including its Australian Financial Services Licence and participant membership of the Australian Securities Exchange Limited ("ASX Licence"). It was acquired to facilitate the growth of the consolidated entity's Broking segment and to achieve costs savings and synergies by eliminating reliance on third-party execution of trades on the ASX. The acquired business' licences have been fair-valued at $150,000. The acquired business contributed revenues of $88,574 and a loss after tax of $10,149 for the period from 1 April 2011 to 30 June 2011.

Details of the acquisition are as follows:

	Acquiree's carrying amount $	**Fair value $**
Intangible assets	100,000	150,000
Net assets acquired	100,000	
Acquisition-date fair value of the total consideration transferred		150,000
Representing:		
Cash paid or payable to vendor		150,000
Acquisition costs expensed to the statement of comprehensive income		20,226

	Consolidated	
	2012 $	**2011 $**
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	150,000
Add: acquisition costs expensed	-	20,226
Net cash used	-	170,226

Notes to the Financial Statements

Note 29. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of Incorporation	Percentage Owned (%) 2012	2011
Subsidiaries of MDS Financial Group Limited			
Bourse Data Pty Ltd	Australia	100	100
The Cube Financial Group Limited	Australia	100	100
D2MX Pty Ltd	Australia	100	100
Market Data Services Pty Ltd	Australia	100	100
MDSnews Australia Pty Ltd	Australia	100	100
MDSnews.com Pty Ltd	Australia	100	100
MDS Financial Services Pty Ltd	Australia	100	100
Subsidiaries of MDSnews.com Pty Ltd.			
Trader Dealer Online Pty Ltd	Australia	100	100

Note 30. Events occurring after the reporting date

On 27 September 2012 the parent entity entered into an agreement with an independent third-party to subscribe to the issue of 66,666,667 MDS Financial Group Limited ordinary shares at an issue price of 1.5 cents per share for a total issue price of $1,000,000. Under the terms of a binding letter of offer, the placement will be completed in four tranches with the first payment of $50,000 on signing the agreement; a second payment of $200,000 being made by 5 October 2012; a third payment of $250,000 is to be made on or before 31 October 2012 and a fourth, and final, payment, of $500,000, following shareholder approval pursuant to ASX Listing Rule 7.1, on 30 November 2012. An attachment of 1 option for every 4 shares is to be issued at the completion of the final placement at an exercise price of 4 cents per option for a term of 2 years.

The Board also resolved, on 27 September 2012, to undertake a Rights Issue to shareholders at an issue price of 1.5 cents per share. The terms of this offer will be announced in October 2012.

Other than the above, no matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 31. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2012	**2011**
	$	**$**
(a) Reconciliation of loss for the year to net cash flow used in operating activities		
Loss for the year	(2,892,244)	(1,288,793)
Non-cash flows in operating loss		
Depreciation, amortisation and impairment	1,315,320	1,157,180
Fair value adjustment on investments	449,600	(696,788)
Fair value adjustment on borrowings	11,348	-
Share based payments expense	95,238	46,384
Investments acquired for non-cash consideration	-	(40,000)
Changes in working capital and provisions		
(Increase)/decrease in trade and other receivables	(58,623)	(132,276)
Decrease/(increase) in other assets	(507,660)	68,971
Increase/(decrease) in trade and other creditors	671,459	306,827
Decrease in deferred income	(118,797)	(67,953)
Increase/(decrease) in provisions for employee benefits	22,315	37,373
Net cash used in operating activities	(1,012,044)	(609,075)

Note 32. Non-cash investing and financing activities

	Consolidated	
	2012	**2011**
	$	**$**
Acquisition of financial assets at fair value through profit or loss as fee income	-	40,000

Note 33. Earnings per share

	Consolidated 2012 $	Consolidated 2011 $
Earnings per share from continuing operations		
Loss after income tax	2,892,244	1,288,793
Loss after income tax attributable to the owners of MDS Financial Group Limited	2,892,244	1,288,793
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	313,599,067	265,071,900
Adjustments for calculation of ordinary shares used in calculating basic earnings per share:		
Options*	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	313,599,067	265,071,900
	Cents	**Cents**
Basic earnings per share	(0.922)	(0.486)
Diluted earnings per share	(0.922)	(0.486)

*Options to acquire ordinary shares are not considered dilutive as the exercise of the options would decrease the basic loss per share.

Note 34. Share based payments

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the parent entity to certain key management personnel of the consolidated entity. The options, which vest immediately, are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of options granted under the plan:

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
18/05/11	30/06/13	$0.05	12,500,000	-	-	-	12,500,000

Note 34. Share based payments (continued)

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
18/05/11	30/06/13	$0.05	-	12,500,000	-	-	12,500,000
27/11/08	27/11/10	$0.05	2,000,000	-	-	(2,000,000)	-

The average remaining contractual life of options outstanding at the end of the financial year was 1.0 years (2011: 2.0 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18/05/11	30/06/13	$0.02	$0.05	60.0%	0.00%	4.65%	$0.00371

Employee share scheme
A share plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may issue shares to employees for no cash consideration. All Australian resident permanent employees (excluding executive directors) who have been continuously employed by the group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

The scheme is administered by Trinity Management Group Pty Ltd, an unrelated third-party. The scheme's Trustee is Trinity Management Pty Ltd.

Shares issued by the trust to the employees may be acquired on-market prior to the issue or issued as new shares by the parent entity.

Under the scheme, eligible employees may be granted up to $1,000 worth of fully paid ordinary shares in MDS Financial Group Limited annually for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average price at which the company's shares are traded on the ASX during the week up to and including the grant, is recognised as part of employee benefit costs in the period the shares are granted.

Offers under the scheme are at the discretion of the company.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the group. In all other respects the shares rank equally with other fully-paid ordinary shares on issue (refer to note 17).

The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the company's shares are traded on the ASX during the week up to and including the date of the grant.

Where shares are issued to employees of subsidiaries within the group, the subsidiaries compensate MDS Financial Group Limited for the fair value of these shares.

	Consolidated	
	2012	**2011**
Number of shares issued under the plan to participating employees	-	1,083,342

No shares were issued under the plan in 2012. In 2011, each participant was issued with shares worth $1,000 based on the weighted average market price of $0.024.

The number of shares issued under the plan in 2012 included 41,667 shares issued to key management personnel as identified in key management personnel disclosures (note 22) and the remuneration report in the directors' report.

Note 34. Share based payments (continued)

Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Options issued under employee share option plan	-	46,384
Shares issued under employee share scheme	-	(1,000)
	-	45,384

Directors' Declaration

In the directors' opinion

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 259A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Sean Peter Rothsey
Director

Melbourne
3 October 2012

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INDEPENDENT AUDITOR'S REPORT

To the members of MDS Financial Group Limited

Report on the Financial Report

We have audited the accompanying financial report of MDS Financial Group Limited, which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MDS Financial Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of MDS Financial Group Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 "Going concern" in the financial report, which indicates that the consolidated entity incurred a net loss of $2,892,244 during the year ended 30 June 2012 and had net cash outflows from operating activities of $1,012,044. At 30 June 2012, the consolidated entity had a deficiency of working capital of $1,558,577. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 29 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of MDS Financial Group Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

BDO East Coast Partnership

BDO

David Garvey

Partner

Melbourne, 3 October 2012

Additional ASX Information (un-audited)

SHARE HOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 20 September 2012.

1. Top 20 Shareholders

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

Rank	Name	Units	% of Units
1.	MR RICHARD SYMON	25,750,000	8.12
2.	HKM INVESTMENTS PTY LTD <ISBISTER FAMILY A/C>	25,000,000	7.88
3.	CITICORP NOMINEES PTY LIMITED	24,410,000	7.70
4.	GLOBAL EQUITY MANAGEMENT PTY LTD	21,422,361	6.76
5.	ALUN STEVENS & ASSOCIATES PTY LTD <THE STEVENS FAMILY A/C>	20,923,737	6.60
6.	MS LOETITIA HENRIETTE TIBI	20,048,300	6.32
7.	MERKIN MANAGEMENT PTY LTD <ROTHSEY SUPER FUND A/C>	16,493,688	5.20
8.	BARODA HILL INVESTMENTS LIMITED	15,696,000	4.95
9.	MR YIH PEIR JEFFREY HING + MS BEI KEEN WONG	15,000,000	4.73
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	15,000,000	4.73
11.	FINICO PTY LIMITED	12,342,382	3.89
12.	MR ANTHONY JOHN IREMONGER + MS JIAN FANG SUN	10,000,000	3.15
13.	MR STEPHEN JOHN BRADY + MRS SEBASTIANA DIANA BRADY <S & D BRADY FAMILY A/C>	8,463,554	2.67
14.	MR LEON HINDE	6,522,361	2.06
15.	MR STIVEN RAZMOVSKI + MRS TRAJANKA RAZMOVSKI <THE RAZZ A/C>	5,862,552	1.85
16.	BETHCORP PTY LTD <JONIC INV P/L S/F A/C>	5,700,000	1.80
17.	MS LAY KEE TAY	5,553,700	1.75
18.	TCA GLOBAL CREDIT MASTER FUND LP	4,761,905	1.50
19.	MR MING CHEN	4,114,200	1.30
20.	MAKERA SUPER PTY LTD <MAKERA SUPER FUND A/C>	4,000,000	1.26

Totals: Top 20 holders of ISSUED CAPITAL	**267,064,740**	**84.23**
Total Remaining Holders Balance	**50,008,176**	**15.77**

Additional ASX Information (un-audited)

2. Distribution of equity securities

Analysis of ordinary shareholders by size of holding:

Range	Number of Shareholders
1 - 500	27
501 – 1,000	2
1,001 – 5,000	5
5,001 – 10,000	20
10,001 – 100,000	116
100,001 and over	76
TOTAL	**246**

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.

6. Review of Operations

A review of operations for the Group is set out on pages 5 to 9 of this annual report, commencing with the Chairman's Report.

Directory

Company Directors

Mr Sean Peter Rothsey	Non-Executive Chairman
Ms Jamie Gee Choo Khoo	Non-Executive Director
Mr Wayne Noel Johnson	Executive Director and Deputy Chairman
Mr Bruce Richard Sydney Symon	Executive Director

Company Secretary
Mr Andrew Guy Phillips

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Share Registry
Computershare Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Bankers
National Australia Bank
330 Collins Street
Melbourne VIC 3000

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

Auditor
BDO East Coast Partnership
140 William Street
Melbourne VIC 3000

Securities Exchange

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

ASX Code

MWS

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