



ASX Announcement & Media Release

MDS Financial Group Limited

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Directors

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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

317.1 million listed shares
12.5 million unlisted options

Appendix 4E: 30 June 2012 Preliminary Final Report

MDS Financial Group (the "Company") has today released its Appendix 4E Preliminary Final Report for the financial year ended 30 June 2012.

Preliminary Result

The Company announces a revenue result of \$7,365,432, a slight decrease (1.1%) on the prior year.

This revenue result includes an increase of 101.5% in the Company's Stock Broking operating segment following the acquisition and integration of its wholly owned subsidiary D2MX Pty Limited and a decrease (by 17.6%) in Data Subscriptions and Sales which has resulted in the restructure of this business segment through the lowering of costs and improvements in efficiencies.

Revenue from the Company's Corporate Advisory segment was impacted by an adjustment for unrealised losses on unlisted options held by the Company that were included in the prior year's income.

The loss from ordinary activities of \$2,892,244 was an increase of 124.4% on the prior year's loss and is predominantly attributable to adjustments in corporate fee options held of \$455,442 and an impairment of \$1,093,458 from redundant software development and software as a result of restructuring the data and software business.

In summary there was a series of one-off adjustments made during the year which negatively affected the result, but have been taken up to provide a fair and true assessment of the Company's balance sheet, to allow these legacy items to be eliminated during this financial year as part of the rationalisation process of the Company. These adjustments include:

- The revaluation of the unlisted options held from Corporate Advisory activities referenced above - \$455,442;
- The impairment of the redundant in-house software development resulting from the IRESS strategic alliance announced on 30 November 2011 - \$1,093,458;
- Staff redundancies as part of the acquisitions of D2MX and restructure - \$263,045;
- The allowance of Doubtful Debts as part of the Group's assessment of operations - \$94,416.

The total of these one-off adjustments is \$1,906,361. To normalise the result on an operational basis, the Company's loss recorded equates to \$985,883.

Outlook

The Directors are satisfied that all legacy items have now been resolved and the Company is in the final stages of a capital restructure. The TCA loan facilities remain available to the Company, however the Directors are reviewing other alternatives currently available, and an announcement is likely to be made in September 2012 which will allow the Company to reach its further potential.

ASX Announcement & Media Release

The existing strategies will provide a strong platform for growth. As announced in the 4C Commentary, 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.

Cost saving initiatives, as previously announced, and staff restructuring will allow the Company to operate on a lower cost base. The full effects of the cost saving initiatives are only available from 1 July 2012 and will be fully realised throughout the new financial year.

ABOUT MDS FINANCIAL GROUP

MDS Financial Group is a full-service corporate advisory and capital markets specialist with clients in Australia and the Asia-Pacific region. The Company is listed on the Australian Securities Exchange Ltd (ASX), and has three licensed subsidiaries. One of its licensed subsidiaries is an ASX market participant, with institutional and third-party wholesale brokerage facilities underpinned by substantial retail online trading and market data services.



Sean Rothsey
Chairman

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MDS Financial Group Limited

Appendix 4E

ASX Preliminary Final Report

30 June 2012

Lodged with the ASX under Listing Rule 4.3A

This report is based on the Financial Report which is in the process of being audited.

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Results for Announcement to the Market

Summary of Financial Information

The Board of MDS Financial Group Limited ("the Group") announced today consolidated group revenue for the year ended 30 June 2012 of \$7,365,432 and a net loss after tax of \$2,892,244 after writing down the carrying value of capitalised software development costs and unlisted options.

Review of Results

Revenue from the Group's Broking businesses increased by \$1,974,229 (101.5%) to \$3,919,449 from \$1,945,200 in the previous year reflecting the successful integration into the Group of stockbroker D2MX Pty Ltd (acquired in April 2011) and former employees of MINC Financial Services Pty Ltd and the utilisation of the client list acquired as part of the purchase of assets from MINC Financial Services Pty Ltd in April 2011.

The Company's Data Subscriptions business experienced a decline in revenue with total current year revenue of \$3,179,215 being down \$681,167 (17.6%) on the previous year's \$3,860,382. During the second half of the financial year, the Company completed a substantial upgrade to its software offerings: The Bourse and Market Analyser, integrating technology and data services provided by IRESS Market Technology. The Board expects significant ongoing cost savings to arise subsequent to the reporting period as a result of those changes. The cessation of previous internal software development projects as a consequence of the IRESS integration resulted in recognition of an impairment cost of \$1,093,458.

Revenue from the Company's Corporate Advisory business was reduced to \$248,294 after recognition of unrealised losses of \$455,442 arising from the revaluation of unlisted options included in prior year income of \$1,627,528.

Full Year Comparison

	12 months ended 30 June 2012 \$	12 months ended 30 June 2011 \$	Increase %
Revenue from ordinary activities	7,365,432	7,448,877	-1.12
Loss from ordinary activities	2,892,244	1,288,793	+124.41
Loss for period attributable to members	2,892,244	1,288,793	+124.41

Dividends

	Amount per Security	Franked amount per Security
Current period		
Final Dividend	-	-
Previous corresponding period		
Final Dividend	-	-

Net Tangible Assets per Security

	Current Period	Previous Corresponding Period
Net tangible assets per security	-0.40 cents	0.165 cents

Statement of Comprehensive Income

For the year ended June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
Revenue from continuing operations	3	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	4	(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	4	(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	5	-	-
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)
		Cents	Cents
Basic earnings per share	24	(0.922)	(0.486)
Diluted earnings per share	24	(0.922)	(0.486)

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	2011
		\$	\$
Assets			
Cash and cash equivalents	6	288,755	892,338
Trade and other receivables	7	434,680	376,057
Financial assets at fair value through profit or loss	8	8,840	65,698
Other assets	9	565,670	58,010
		<hr/>	<hr/>
Total current assets		1,297,945	1,392,103
		<hr/>	<hr/>
Financial assets at fair value through profit or loss	8	239,350	694,792
Plant and equipment	10	94,601	141,128
Intangible assets	11	1,250,361	2,405,608
Other assets	9	130,673	124,673
		<hr/>	<hr/>
Total non-current assets		1,714,985	3,366,201
		<hr/>	<hr/>
Total assets		3,012,930	4,758,304
		<hr/>	<hr/>
Trade and other payables	12	1,799,277	1,127,818
Borrowings	13	476,655	-
Deferred income	14	375,354	494,151
Employee benefits	15	205,236	196,083
		<hr/>	<hr/>
Total current liabilities		2,856,522	1,818,052
		<hr/>	<hr/>
Employee benefits	15	31,327	18,165
		<hr/>	<hr/>
Total non-current liabilities		31,327	18,165
		<hr/>	<hr/>
Total liabilities		2,887,849	1,836,217
		<hr/>	<hr/>
Net assets		125,081	2,922,087
		<hr/>	<hr/>
Equity			
Contributed equity	16	21,940,384	21,845,146
Reserves	17	46,384	46,384
Accumulated losses	18	(21,861,687)	(18,969,443)
		<hr/>	<hr/>
Total equity		125,081	2,922,087
		<hr/> <hr/>	<hr/> <hr/>

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)
<i>Transactions with owners in their capacity as owners:</i>				
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)
<i>Transactions with owners in their capacity as owners:</i>				
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	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)
		<hr/>	<hr/>
Net Cash used in operating activities	22	(1,012,044)	(609,075)
		<hr/>	<hr/>
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)	-
Payments for intangible assets		(108,839)	(544,130)
		<hr/>	<hr/>
Net cash used in investing activities		(56,846)	(542,244)
		<hr/>	<hr/>
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)
		<hr/>	<hr/>
Net cash provided by financing activities		465,307	1,173,491
		<hr/>	<hr/>
Net increase in cash and cash equivalents		(603,583)	22,172
Cash and cash equivalents at 1 July		892,338	870,166
		<hr/>	<hr/>
Cash and cash equivalents at 30 June	6	288,755	892,338
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The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Information

Note 1: Basis of preparation

This preliminary financial report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited financial report. The financial report has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary financial report does not include all notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011, the half-year report for the period ended 31 December 2011 and any public announcements made by the Group during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. These policies have been consistently applied to all the years presented.

This report is based on the Financial Report, which is in the process of being audited.

The current reporting period in the preliminary financial report is the year ended 30 June 2012 while the previous corresponding period is the year ended 30 June 2011.

Note 2. 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 CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and profit before income tax.

The information reported to the CODM is on at 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 and retail advisory
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 Financial Information

Note 2. Operating Segments (continued)

	Broking	Data Subscriptions	Corporate Advisory	Unallocated	Consolidated
2012	\$	\$	\$	\$	\$
Revenue	3,919,449	3,179,215	248,294	18,474	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	1,906,800	259,501	-	2,887,849
Total liabilities					2,887,849
	Broking	Data Subscriptions	Corporate Advisory	Unallocated	Consolidated
2011	\$	\$	\$	\$	\$
Revenue	1,945,220	3,860,382	1,627,528	15,747	7,448,877
Segment result	(1,187,128)	(504,747)	391,288	11,794	(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 Financial Information

Note 3. Revenue

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

Note 4. Expenses

Loss before income tax includes the following specific expenses:

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

Notes to Financial Information

Note 4. Expenses (continued)

	Consolidated 2012 \$	Consolidated 2012 \$
<i>Rental expense on operating leases</i>		
Property lease	206,135	188,750
<i>Finance costs</i>		
Interest paid/payable	35,772	3,953

Note 5. Income Tax Expense

<i>Income tax expense</i>		
Current tax	-	-
	-	-
<i>Numerical reconciliation of income tax expense to prima facie income tax payable</i>		
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 not recognised	265,636	285,390
Income tax expense	-	-
<i>Tax losses</i>		
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 Financial Information

Note 6. Cash and Cash Equivalents

	Note	Consolidated	
		2012	2011
		\$	\$
Current			
Cash at bank and on hand		288,755	892,338
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>			
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:			
Balance as per statement of cash flows		288,755	892,338

Note 7. Trade and Other Receivables

	Consolidated	
	2012	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 \$63,619 (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	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 Financial Information

Note 7. 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)	-
	<hr/>	<hr/>
Closing balance	94,416	30,797
	<hr/> <hr/>	<hr/> <hr/>

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 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
	<hr/>	<hr/>
	42,546	52,110
	<hr/> <hr/>	<hr/> <hr/>

Note 8. Financial assets at fair value through profit or loss

	2012	2011
	\$	\$
Current		
Ordinary shares - held for trading	8,840	65,698
	<hr/>	<hr/>
	8,840	65,698
	<hr/> <hr/>	<hr/> <hr/>

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
	<hr/>	<hr/>
Closing fair value	8,840	65,698
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Information

Note 8. 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
	<hr/>	<hr/>
	239,350	694,792
	<hr/> <hr/>	<hr/> <hr/>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	694,792	7,652
Impaired	-	7,500
Revaluation increments to fair value	(455,442)	694,640
	<hr/>	<hr/>
Closing fair value	239,350	694,792
	<hr/> <hr/>	<hr/> <hr/>

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 9. Other Assets

	2012	2011
	\$	\$
Current		
Prepayments	215,670	58,010
Bonds and guarantees	350,000	-
	<hr/>	<hr/>
	565,670	58,010
	<hr/> <hr/>	<hr/> <hr/>
Non-current		
Bonds and guarantees	130,673	124,673
	<hr/> <hr/>	<hr/> <hr/>

Note 10. Plant and Equipment

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

Notes to Financial Information

Note 10. 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 2009	157,209	41,028	198,237
Additions	28,984	-	28,984
Depreciation	(69,682)	(16,411)	(86,093)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2011	116,511	24,617	141,128
Additions	4,707	-	4,707
Depreciation	(41,360)	(9,874)	(51,234)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2012	79,858	14,473	94,601

Note 11. Intangible Assets

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

Notes to Financial Information

Note 11. 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	Other Intangible Assets	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	220,000	2,405,608
Impairment	-	-	(1,093,458)	-	(1,093,458)
Amortisation	-	(3,676)	(125,452)	(41,500)	(170,628)
Internal development	-	-	108,839	-	108,839
Balance at 30 June 2012	1,060,832	11,029	-	178,500	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
	<u>1,060,832</u>	<u>1,060,832</u>

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:

- 15% (2011: 15%) pre-tax discount rate; and,
- 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.

Notes to Financial Information

Note 11. 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.

Other intangible assets

ASX membership

The cost of acquiring D2MX Pty Ltd's market participant status of the Australian Securities Exchange will be amortised over a period of five years commencing from the time that the Group's existing third-party execution facilities are transferred to D2MX Pty Ltd in August 2012.

Client list

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

Note 12. 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
	<hr/>	<hr/>
	1,799,277	1,217,818
	<hr/> <hr/>	<hr/> <hr/>

Note 13. Borrowings

Current

Other loans	476,655	-
	<hr/>	<hr/>
	476,655	-
	<hr/> <hr/>	<hr/> <hr/>

Other loans comprise outstanding principal on the draw-down of USD\$600,000 under the terms of a USD \$2 Million facility entered into on 16th March 2012. Interest is payable at a rate of 12.0 percent per annum.

Notes to Financial Information

Note 14. Deferred Income

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

Note 15. Employee Benefits

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

Note 16. 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	-	-
	<hr/>	<hr/>
	21,940,384	21,845,146
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Information

Note 16. Equity – contributed (continued)

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	<u>317,072,916</u>		<u>21,940,384</u>

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.

Notes to Financial Information

Note 17. Equity – reserves

	Consolidated	
	2012	2011
	\$	\$
Share based payments	46,384	46,384
	<hr/> 46,384	<hr/> 46,384
Movement:		
<i>Share based payments</i>		
Balance at the beginning of the financial year	46,384	3,080
Option expense	-	43,304
	<hr/> 46,384	<hr/> 46,384
Balance at the end of the financial year	<hr/> <hr/> 46,384	<hr/> <hr/> 46,384

Note 18. Equity – accumulated losses

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)
	<hr/> 21,861,687	<hr/> 18,969,443
Accumulated losses at the end of the financial year	<hr/> <hr/> 21,861,687	<hr/> <hr/> 18,969,443

Note 19. 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
<hr/> <hr/> 1,422,418	<hr/> <hr/> 1,422,418

Note 20. Events occurring after the reporting date

Since 30 June 2012 one event has occurred and was reported to the market on 18 July 2012. This announcement was the resignation of a Director, Mr Isbister, effective from 17 July 2012.

Notes to Financial Information

Note 21. Reconciliation of profit 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	<u>(1,012,044)</u>	<u>(609,075)</u>

Note 22. Non-cash investing and financing activities

	Consolidated	
	2012	2011
	\$	\$
Acquisition of financial assets at fair value through profit or loss as fee income	<u>-</u>	<u>40,000</u>

Notes to Financial Information

Note 23. Earnings per share

	Consolidated	
	2012	2011
	\$	\$
Earnings per share from continuing operations		
Loss after income tax	2,892,244	1,288,793
	<hr/>	<hr/>
Loss after income tax attributable to the owners of MDS Financial Group Limited	2,892,244	1,288,793
	<hr/>	<hr/>
	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*	-	-
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	313,599,067	265,071,900
	<hr/>	<hr/>
	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 24. Share based payments

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)
	<hr/>	<hr/>
	-	45,384
	<hr/>	<hr/>

Compliance Statement

1. This Appendix 4E has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2012.
2. This Appendix 4E, and the accounts upon which the Appendix 4E is based (if separate), use the same accounting policies.
3. This Appendix 4E does give a true and fair view of the matters disclosed.
4. This Appendix 4E is based on financial statements which are in the process of being audited.
5. The entity has a formally constituted audit committee.
6. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Sean Peter Rothsey
Director

Melbourne
31 August 2012

