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ASX Announcement & Media Release

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Appendix 4E Preliminary Final Report June 2015

MDS Financial Group Ltd (the "Company") is pleased to submit the Preliminary Financial Report for period ending 30 June 2015.

A copy of the preliminary report is attached and can be downloaded from the company's website at www.mdsfinancial.com.au

MDS Financial Group Limited
Appendix 4E
ASX Preliminary Final Report
30 June 2015

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.

mdsfinancial
GROUP LIMITED

Contents

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Results for Announcement to the Market

Summary of Financial Information

The Board of MDS Financial Group Limited ("the Group") is pleased to report that MDS Financial Group (MDS) has made significant progress in 2015. Completing the transaction with Sequoia Financial Group (Sequoia) in January 2015 has been an important achievement for MDS, with 2015 becoming a transformational year for the Company and setting the scene for future growth.

Review of Results

The consolidated group has reported revenue for the year ended 30 June 2015 of $21,406,293 and a statutory loss after tax of $17,974,212.

Importantly, this result includes several one off abnormal items. The most significant extra ordinary item was the write down in the value of goodwill. The goodwill was associated with the transaction and three entities; the impact of this write down was $16,952,860. Further impact was made through adjustments to accounting revenue recognition in the 2014 financial year, expenses associated with the integration of MDS and Sequoia, staff changes and a comprehensive redundancy program.

Through the transaction with Sequoia, the Group has broadened its revenue base and now manages six distinct operating segments. Across these combined segments consolidated year on year revenue has increased by 10%.

While normalised operating expenses for the 2015 financial year has increased compared to the previous period, this is primarily a reflection of the combined entity and is in line with the breadth of its operations. The aggregate increase in reported expenses in the period is largely associated with the Sequoia and MDS transaction and one off abnormal items.

The consolidated entity incurred an operating cash outflow of $1,761,525 for the year ended 30 June 2015 (2014: $218,587).

Full Year Comparison

	12 months ended 30 June 2015 $	12 months ended 30 June 2014 $	Change %
Revenue from ordinary activities	21,406,293	19,509,124	10
Profit or (Loss) from ordinary activities	(17,974,192)	345,892	(5296)
Profit or (Loss) for period attributable to members	(17,974,192)	345,892	(5296)

Net Tangible Assets per Security

	Current Period	Previous Corresponding Period
Net tangible assets per security	0.25 cents	1.81 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated Restated 2014 * $
Revenue from continuing operations	3	21,406,293	19,509,124
Expenses			
Data fees		(575,189)	-
Dealing and settlement		(2,098,539)	-
Payments to investors		(9,690,353)	(12,223,777)
Commission and Hedging		(4,773,828)	(3,212,728)
Employee benefits	4a	(2,814,908)	(1,122,704)
Occupancy		(307,135)	-
Telecommunications		(135,299)	-
Marketing		(245,994)	-
General and administrative		(1,836,170)	(2,339,244)
Depreciation and impairment	4b/c	(17,130,595)	(89,509)
Other		(119,866)	(392)
Profit/ (Loss) before income tax from continuing operations		(18,321,583)	520,771
Income tax benefit/(expense)	4d	347,371	(174,879)
Profit/ (Loss) from continuing operations		(17,974,212)	345,892
Other comprehensive income			
Fair value gains on available-for-sale financial assets, net of tax		-	(482,765)
Other comprehensive income total		(17,974,212)	(136,873)
Total comprehensive income for the year			
Net Profit/(Loss) attributable to parent entity		(17,974,212)	345,892
Total comprehensive income attributable to parent entity		(17,974,212)	(136,873)

	Note	Cents	Cents
Basic earnings per share	21	(40.00)	2.16
Diluted earnings per share	21	(40.00)	2.16

* Refer to note 1(a)

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

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Consolidated 2015 $	Consolidated Restated *2014 $
Assets			
Cash and cash equivalents	5	613,527	1,459,019
Trade and other receivables	6	2,582,290	3,796,227
Financial assets at fair value through profit or loss	7	10,890,326	13,172,281
Income tax receivable		10,529	-
Other assets	8	152,805	104,600
Deferred Costs		4,177,366	64,657
Total current assets		18,426,843	18,596,784
Available for sale investments		1,213,248	1,211,844
Plant and equipment	9	30,349	45,263
Intangible assets	10	7,655,166	15,035,881
Deferred Tax Assets		3,321,786	2,672,325
Other assets		1,088,507	-
Deferred costs		2,759,619	6,936,985
Total non-current assets		16,068,675	25,902,298
Total assets		34,495,518	44,499,082
Trade and other payables	11	4,181,572	4,309,117
Financial Liabilities	7	10,890,326	13,172,281
Provision for income tax		-	735,035
Employee benefits	14	267,721	50,477
Deferred revenue	13	5,119,825	37,825
Total current liabilities		20,459,444	18,304,735
Borrowings		1,860,000	-
Employee benefits	14	13,107	39,163
Deferred tax liability		2,204,782	2,100,493
Deferred revenue	13	3,303,385	8,284,604
Total non-current liabilities		7,381,274	10,424,260
Total liabilities		27,840,718	28,728,995
Net assets		6,654,800	15,770,087
Equity			
Contributed equity	15	24,765,885	15,906,960
Reserves	16	(482,765)	(482,765)
Accumulated losses	17	(17,628,320)	345,892
Total equity		6,654,800	15,770,087

* Refer to note 1(a)

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

Consolidated	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 26 September 2013	15,682,772	-	-	15,682,772
Loss after income tax expense for the year	-	-	205,773	205,773
Adjustment on change in accounting policy (net of tax)	-	-	140,119	140,119
Total comprehensive income for the year	-	-	345,892	345,892
Transactions with owners in their capacity as owners:				
Assets available for sale	-	(482,765)	-	(482,765)
Share capital issued	302,000	-	-	302,000
Transaction costs	(77,812)			(77,812)
Balance at 30 June 2014 (Restated) *	**15,906,960**	**(482,765)**	**345,892**	**15,770,087**
Balance at 1 July 2014	15,906,960	(482,765)	345,892	**15,770,087**
Deemed issue of shares from reverse acquisition	8,553,712	-	-	8,553,712
Loss after income tax expense for the year	-	-	(17,974,212)	(17,974,212)
Total comprehensive income for the year	-	-	(17,974,212)	(17,974,212)
Transactions with owners in their capacity as owners:				
Share capital issued	315,000	-	-	315,000
Transaction costs	(9,787)	-	-	(9,787)
Balance at 30 June 2015	**24,765,885**	**(482,765)**	**(17,628,320)**	**6,654,800**

* Refer to note 1(a)

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated Restated 2014 * $
Cash flows from operating activities			
Cash receipts from customers		22,876,588	14,619,993
Cash paid to suppliers and employers		(23,588,375)	(14,308,387)
Interest received		13,493	16,331
Interest paid		(119,866)	(392)
		(943,365)	(108,958)
Net Cash used in operating activities	20	(1,761,525)	218,587
Cash flows from investing activities			
Purchase of available for sale assets		(150,000)	-
Payment for other asset		(136,633)	(1,496,573)
Net cash received from investing activities		(286,633)	(1,496,573)
Cash flows from financing activities			
Proceeds from borrowings		560,000	-
Proceeds from issue of securities net of costs		305,212	302,000
Repayment of borrowings		-	-
Net cash provided by financing activities		865,212	302,000
Net increase in cash and cash equivalents		(1,182,946)	(975,896)
Cash received from subsidiary on acquisition		337,454	2,435,005
Cash and cash equivalents at 1 July 2014		1,459,019	-
Cash and cash equivalents at 30 June 2015	5	613,527	1,459,019

* Refer to note 1(a)

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 2014, the half-year report for the period ended 31 December 2014 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 2015 while the previous corresponding period is the period ended 30 June 2014.

Change in the revenue recognition policy
Commencing 26 September 2013 (date of incorporation), all revenue and expenditure in relation to financial product including prepaid interest income and option premium are recognised in the income statement over the expected life of the instrument. Previously all income and expenditure were recognised upfront.

Reflecting the revenue and expenditure over the life of the instrument more accurately reflects the nature of this type of business, where on most occasion the expected life of product exceeds 12 months.

a) The restated prior period balances are as follows:

	30 June 2014	Increase/(Decrease) $	30 June 2014 (Restated) $
Consolidated Statement of financial position (extract)			
Deferred costs	-	7,001,642	7,001,642
Intangible assets	13,971,211	1,064,670	15,035,881
Deferred revenue	-	(8,322,429)	(8,322,429)
Deferred tax assets	175,596	2,496,729	2,672,325
Deferred tax liability	-	(2,100,493)	(2,100,493)
Accumulated profit/(loss)	205,773	140,119	345,892

	30 June 2014	Increase/(Decrease) $	30 June 2014 (Restated) $
Consolidated statement of profit or loss and other comprehensive income (extract)			
Revenue	17,848,737	1,660,387	19,509,124
Commission and hedging	(1,795,672)	(1,417,056)	(3,212,728)
Profit/(Loss) before income tax	320,601	200,170	520,771
Income tax benefit/(expense)	(114,828)	(60,051)	(174,879)
Loss for the period	205,773	140,119	345,892

Note 2. Operating Segments

Identification of reportable operating segments
The consolidated entity is organised into six operating segments: trading and execution, software subscription, capital markets advisory, SMSF administration, wealth advisory and investment solutions. 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:

Trading and Execution	provision of execution only, online trading
Software Subscriptions	provision of financial market data and analysis tools for sophisticated traders
Capital Markets Advisory	provision of capital markets advice and related services
SMSF Administration	provision of complete market solution for SMSF
Wealth Advisory	provision of client advisory services
Investment Solutions	provision of bespoke investment products

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

2015	Trading and Execution $	Software Subscriptions $	Capital Markets Advisory $	SMSF Administration $
Revenue	1,855,709	684,662	(281,873)	1,765,133
Segment result before impairment expense and revaluation increments to fair value	134,550	56,741	(401,873)	190,939
Impairment - further detail note 10		(530,000)		
Segment result	134,550	(473,259)	(401,873)	190,939
Assets				
Segment assets	2,658,567	662,293	37,121	2,069,492
Liabilities				
Segment liabilities	784,495	980,432	-	94,798

2015	Wealth Advisory $	Investment Solutions $	Unallocated $	Total $
Revenue	1,400,547	16,345,507	(363,392)	21,406,293
Segment result before impairment expense and revaluation increments to fair value	(431,937)	1,299,799	(1,561,416)	(1,093,681)
Impairment – further detail note 10	(5,883,397)	(2,000,000)	(8,539,463)	(16,957,860)
Segment result	(6,315,334)	(700,201)	(10,409,034)	(17,974,212)
Assets				
Segment assets	1,904,340	27,163,703	-	34,495,518
Liabilities				
Segment liabilities	1,993,939	23,987,054	-	27,840,718

2014	SMSF Administration $	Wealth Advisory $	Investment Solutions $	Unallocated $	Total $
Revenue	1,208,550	1,331,870	16,968,704	-	19,509,124
Segment result before impairment expense and revaluation increments to fair value	249,219	349,095	762,537	(1,014,958)	345,892
Segment result	249,219	349,095	762,537	(1,014,958)	345,892
Assets					
Segment assets	436,584	2,103,677	30,315,431	-	44,499,082
Liabilities					
Segment liabilities	386,828	1,721,700	16,246,764	-	28,728,995

Notes to Financial Information

Note 3. Revenue

	Consolidated 2015 $	Restated 2014 * $
Data subscriptions fees	679,238	-
Brokerage and commissions revenue	1,809,753	1,324,973
Superannuation product revenue	1,760,350	1,181,719
Structured product revenue	16,341,608	16,959,270
Corporate advisory fees	34,000	-
Other Income	-	-
Total operating income	20,624,949	19,465,962
Other revenue		
Interest	13,493	16,331
Other	767,851	26,831
Total other revenue	781,344	43,162
Total revenue	21,406,293	19,509,124

Note 4. Expenses

Loss before income tax includes the following specific expenses:

	Consolidated 2015 $	Restated 2014 * $
a) Employee benefits expense		
Wages and salaries	2,297,737	1,122,704
Other employment costs	517,171	-
	2,814,908	1,122,704
b) *Depreciation*		
Plant and equipment	50,271	16,257
Leasehold improvements	18,800	-
	69,071	16,257
c) Amortisation		
Websites	8,264	-
ASX membership	15,000	-
Client list	85,400	73,252
Impairment of goodwill	16,952,860	-
	17,061,524	73,252
Total depreciation, amortisation and impairment	17,130,595	89,509

* Refer to note 1(a)

Notes to Financial Information

Note 4. Income Tax Expense

	Consolidated	
d) *Income tax expense*	**2015 $**	**Restated 2014 * $**
Income tax expense		
Current tax	-	208,021
Under provision in respect of prior year	111,571	54,164
Deferred tax	(458,942)	(87,306)
	(347,371)	174,879
Numerical reconciliation of income tax expense to prima facie income tax payable		
Loss before income tax from continuing operations	(18,321,583)	520,771
Tax at the Australian rate of 30%	5,496,475	(156,231)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Impairment of goodwill	(5,085,858)	-
- Accounting for reverse acquisition	418,698	-
- Losses not previously recognised	43,890	-
- Under provision in respect of prior year	(80,323)	-
- Impact of tax cost base resetting from acquisition of Sequoia assets	(201,077)	-
- Other non-allowable items	(244,434)	(18,648)
Income tax expense	347,371	(174,879)

* Refer to note 1(a)

Notes to Financial Information

Note 5. Cash and Cash Equivalents

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Current		
Cash at bank and on hand	613,527	1,459,019

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:

Balance as per statement of cash flows	613,527	1,459,019

Note 6. Trade and Other Receivables

Current		
Trade receivables	1,672,519	3,772,629
Related party trade receivables	836,016	23,598
Allowance for doubtful debts	(3,909)	-
	2,504,626	3,796,227
Other receivables	77,664	-
	2,582,290	3,796,227

Impairment of receivables
The company has recognised an additional impairment to receivables in 2015 of $3,909 (2014: nil).

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

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
1 to 30 days overdue	-	-
31 to 60 days overdue	-	-
Over 60 days overdue	3,909	-
	3,909	-

* Refer to note 1(a)

Notes to Financial Information

Note 6. Trade and Other Receivables (continued)

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

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Opening balance	-	-
Additional provisions recognised	3,909	-
Closing balance	3,909	-

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $189,459 as at 30 June 2015 (2014: $nil). 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 related party receivables relates to Sequoia Wealth Group Pty Ltd, which the company is looking to acquire as per market announcement made on the 4 February 2015.

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

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
External receivables		
1 to 30 days overdue	1,226,563	3,680,271
31 to 60 days overdue	61,482	91,161
Over 60 days overdue	189,458	1,197
	1,477,503	3,772,629
Related party receivables		
1 to 30 days overdue	117,491	-
31 to 60 days overdue	177,996	-
Over 60 days overdue	809,300	23,598
	1,104,787	23,598
Total trade and other receivables	2,582,290	3,796,227

Note 7. Financial assets/liabilities at fair value through profit or loss

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Current		
Derivative assets	10,890,326	13,172,281

* Refer to note 1(a)

Notes to Financial Information

Note 8. Other Assets

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Current		
Other Assets	504	-
Prepayments	152,301	104,600
	152,805	104,600
Non-current		
Investments	14,402	-
Bonds and guarantees	1,074,106	-
	1,088,508	-

Note 9. Plant and Equipment

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Plant and equipment – at cost	61,520	61,520
Plant and equipment – acquisition	21,952	-
Plant and equipment – additions	8,699	-
Accumulated depreciation	(61,822)	(16,257)
	30,349	45,263
Leasehold improvements – acquisition	4,237	-
Accumulated depreciation	(4,237)	-
	-	-
Total plant and equipment – net book value	30,349	45,263

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

* Refer to note 1(a)

Notes to Financial Information

Note 10. Intangible Assets

	Consolidated 2015	Consolidated Restated 2014 *
	$	$
Goodwill		
Cost	14,734,397	-
Acquisition	9,600,295	14,734,397
Accumulated impairment losses	(16,952,860)	-
	7,381,832	14,734,397
Websites		
Acquisition	1,838	-
Additions	10,175	-
Accumulated amortisation	(3,251)	-
	8,762	-
Black Hole		
Cost	29,912	29,912
Accumulated amortisation	(26,159)	(21,146)
	3,753	8,766
ASX Membership		
Acquisition	62,500	-
Accumulated amortisation	(30,000)	-
	32,500	-
Customer List		
Cost	392,472	392,472
Acquisition	21,000	-
Accumulated amortisation	(185,153)	(99,753)
	228,319	292,719
Total intangibles	7,655,166	15,035,881

* Refer to note 1(a)

Notes to Financial Information

Note 10. 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	ASX Licence	Black Hole	Client List	Total
	$	$	$	$	$	$
Consolidated						
Balance at 26 September 2013	14,734,397	-	-	29,912	392,472	15,156,781
Impairment	-	-	-		-	-
Amortisation	-	-	-	(21,146)	(99,753)	(120,899)
Balance at 30 June 2014 (restated)*	14,734,397	-	-	8,766	292,719	15,035,882
Acquisition	9,600,295	1,838	47,500		21,000	9,670,633
Additions		10,175	-		-	10,175
Amortisation and impairment	(16,952,860)	(3,251)	(15,000)	(5,013)	(85,400)	(17,061,524)
Balance at 30 June 2015	7,381,832	8,762	32,500	3,753	228,319	7,655,166

Impairment testing

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

	Consolidated	
	2015	Restated 2014 *
	$	$
Sequoia Specialist Investments Pty Ltd	5,161,792	7,162,392
Sequoia Asset Management Pty Ltd	-	5,883,397
Sequoia Superannuation Pty Ltd	1,688,608	1,688,608
Software subscriptions segment	530,832	-
	7,381,232	14,734,397

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 5 years by using key assumptions.

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 in relation to the goodwill associated to various cash generating units:

a.15% to 20% (2014: 15%) pre-tax discount rate; and
b. 1% to 3.5% (2014: 2.5%) per annum projected revenue growth rate where applicable
c. 5% per annum projected cost increase

With respect to cash flow projections for goodwill, appropriate growth rates have been factored into the valuation models.

Pre-tax discount rates of 15% - 20% have been used in all models. The goodwill is considered to be sensitive to these assumptions and is carried in the statement of financial position at a written-down value.

The Bourse Data software was revised down due to increased market competition. Goodwill associated with Sequoia Asset Management Pty Ltd was revised down due to changes in the Future of Financial Advice (FOFA) legislation, which has impacted revenue recognition. Goodwill associated with Sequoia Specialist Investments Pty Ltd was revised down due to a conservative approach being taken by management.

Impairment has been recognised in respect of goodwill at the end of the reporting period. Based on the above, management is satisfied that there are no indicators of impairment to the current carrying value of goodwill.

* Refer to note 1(a)

Notes to Financial Information

Note 10. Intangible assets (continued)

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

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.

Black hole expenditure
Black hole expenditure is capital expenditure that is not deductible and relates to a business carried on for a taxable purpose. Sequoia Asset Management Pty Ltd has got black hole expenditure relating to the Australian Financial Services Licence (AFSL) status.

Client list
Sequoia Financial Group Pty Ltd has a customer list in Sequoia Asset Management Pty Ltd; this was acquired from JB Global Pty Ltd. The MDS Financial Group Ltd client list was acquired from the MINC and transferred by the group to Trader Dealer Online Pty Ltd. The client lists has a finite life considered to be five years, amortised on a straight-line basis.

Note 11. Trade and Other Payables

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Current		
Trade payables	3,297,713	4,150,111
Other payables	262,580	115,645
Accruals	621,279	43,361
	4,181,572	4,309,117

Note 12. Borrowings

Convertible notes	1,860,000	-
	1,860,000	-

Loans comprised of a number of convertible loans to the value of $1,860,000. Interest is payable at a rate of 12.0 percent per annum. The loan remains outstanding and repayable during the 2017 calendar year.

* Refer to note 1(a)

Notes to Financial Information

Note 13. Deferred Revenue

Deferred revenue, classified as current and noncurrent, consists of fees paid in advance for customer subscriptions and investment solutions; the provision of services is expected to be earned over the next 12 months.

	Consolidated	
	2015	Restated 2014 *
	$	$
Current		
Deferred revenue	5,119,825	37,825
Non-Current		
Deferred revenue	3,303,385	8,284,604
	8,423,210	8,322,429

Note 14. Employee Benefits

	Consolidated	
	2015	Restated 2014 *
	$	$
Current		
Liability for annual leave	118,776	-
Liability for long service leave	148,945	50,477
	267,721	50,477
Non-current		
Liability for long service leave	13,107	39,163
	13,107	39,163

Note 15. Equity - contributed

101,132,060 (2014: 15,906,960) Fully Paid Ordinary shares	24,853,485	15,984,773
Transaction Costs	(87,600)	(77,813)
	24,765,885	15,906,960

* Refer to note 1(a)

Notes to Financial Information

Note 15. Equity – contributed (continued)
Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Opening balance	30 Jun 2014	15,984,772	1.00	15,984,772
Reverse acquisition	02 Jan 2015	7,248,909	1.18	8,553,713
Share issue	02 Jan 2015	17,142,858	0.07	120,000
Placement	02 Jan 2015	12,500,000	0.04	50,000
Placement	18 Mar 2015	48,333,333	0.03	145,000
		101,209,873		24,853,485

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.

Convertible notes
During the financial year, the group entered into convertible loan agreements with a number of parties. The convertible note will convert into ordinary shares of the group at the share price of $0.006 if exercised.

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 2014 Annual Report.

Notes to Financial Information

Note 16. Equity – reserves

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Reserves	482,765	482,765

Note 17. Equity – accumulated losses

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Accumulated losses at the beginning of the financial year	345,892	-
Loss after income tax expense for the year	(17,974,212)	345,892
Accumulated losses at the end of the financial year	(17,628,320)	345,892

Note 18. Equity – dividends

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Dividends		
No dividends have been paid or declared during 2015 (2014: Nil)	-	-
Franking credits		
Franking credits available at the reporting date based on a tax rate of 30%	1,453,201	1,530,541

Note 19. Events occurring after the reporting date

Since 30 June 2015 there have been no matters and circumstances which have arisen that will 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.

* Refer to note 1(a)

Notes to Financial Information

Note 20. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
(a) Reconciliation of loss for the year to net cash flow used in operating activities:		
Profit /(Loss) for the year	(17,974,212)	345,892
Non-cash flows in operating loss:		
Depreciation, amortisation and impairment	17,130,595	89,509
Fair value adjustment on investments	361,536	(1,064,670)
Other	98,488	-
Changes in working capital and provisions:		
(Increase)/decrease in trade and other receivables	1,562,757	(3,698,527)
(Increase)/decrease in other assets	(234,479)	426,621
(Increase)/decrease in deferred costs	64,657	(7,001,642)
(Increase)/decrease in Deferred Tax Assets	(649,461)	(2,618,617)
(Increase)/decrease in Financial Assets	-	3,603,051
Increase/(Decrease) in deferred tax liability	104,289	2,100,493
Increase/(decrease) in trade and other creditors	(1,487,929)	3,304,596
Increase/(Decrease) in deferred income	(78,969)	8,322,429
Increase/(Decrease) in provision for income tax	(745,564)	65,314
Increase/(decrease) in Financial Liabilities	-	(3,603,051)
Increase/(decrease) in employee entitlements	86,767	(52,811)
Net cash used in operating activities	(1,761,525)	218,587

Acquisition of Entities

During the year a further 100% ownership interest in MDS Financial Group Ltd was acquired. Details of this transaction are: Purchase consideration		
Consisting of:		
Share issue	(8,553,731)	(15,682,772)
Assets and liabilities held at acquisition date:		
Cash	337,454	2,435,005
Receivables	645,380	114,628
Property, plant and equipment	26,188	55,681
Financial assets		17,054,629
Intangible assets	1,131,170	378,832
Other assets	818,613	566,894
Deferred tax asset		2,496,729
Deferred costs		8,418,698
Financial liabilities		(16,775,332)
Payables	(2,944,537)	(1,757,241)
Deferred tax liability		(2,100,493)
Deferred revenue		(9,939,655)
Goodwill on consolidation	8,539,463	14,734,397

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's reverse acquisition of MDS Financial Group Ltd.

* Refer to note 1(a)

Notes to Financial Information

Note 20. Reconciliation of profit after income tax to net cash from operating activities (continued)

The acquisition resulted in goodwill of $8,539,463 which has been written off in the year ended 30 June 2015. Goodwill represents the value to MDS of having an immediate ASX listed company status providing capital raising avenues made available should it be required.

Receivables and payables have been included at their fair value. Directors were of the opinion that these were fully recoverable and that no impairment of these was required.

Note 21. Earnings per share

	Consolidated	
	2015	**Restated 2014 ***
	$	**$**
Earnings per share from continuing operations		
Profit/(Loss) after income tax	(17,974,212)	345,892
Profit or (Loss) after income tax attributable to the owners of MDS Financial Group Ltd	(17,974,212)	345,892

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	44,948,808	15,984,772
Adjustments for calculation of ordinary shares used in calculating basic earnings per share:		
Weighted average number of ordinary shares used in calculating diluted earnings per share	44,948,808	15,984,772

	Cents	**Cents**
Basic earnings per share	(40.00)	2.16
Diluted earnings per share	(40.00)	2.16

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

* Refer to note 1(a)

Notes to Financial Information

Note 22. Going concern

The financial report shows that for year ended 30 June 2015 the consolidated entity has a loss attributable to members of $17,974,212 (2014: profit $345,892) and a negative cash flow from operating cash flows of $1,761,525 (2014: positive $218,587).

At balance date the consolidated entity has a current asset deficiency of $2,032,601 (2014: $292,049) and a net tangible asset deficiency of $2,117,370 (2014: net tangible assets surplus $162,374). These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern; however improvement in business performance is reducing this uncertainty.

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 the reported 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. A number of the creditor payment arrangements are expected to be finalised in the early half of the 2016 financial year. The Company has performed significant cost saving measures during the year, including one-off payments to long serving staff members.

- New revenue generating wholesale arrangements have been established in June 2015, the positive impact of these relationships have been seen in the June and July 2015 revenue numbers, with continued performance expected for the 2016 financial year. The company has significantly increased the bond deposit held with our third party clearer to $1,000,000. The increased bond deposit relates to increased trading volumes from these new wholesale groups.

- The Company owns 11.56% of Finance News Network. The Company carries this asset at minimal value on the balance sheet; however internal valuations conducted suggest that this asset has a significantly greater value which may be realised in the future. The company further holds 1,320,167 shares in NobelOak Life Ltd which have been valued at cost.

- New shares amounting to $124,316 have been issued in the month of August 2015; these shares have converted old liabilities and have increased current strategic share holdings in privately owned companies.

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. 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.

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 2015.

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 vies 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.

Michael Carter

Michael Carter
Chairman

31 August 2015