

ASX Announcement & Media Release

MDS Financial Group Limited

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ASX Code: MWS

Half Yearly Report

MDS Financial Group Limited – Interim Financial Report for the 6 month period ended 31 December 2014

The six months ended 31 December 2014 was a transformational period for MDS Financial Group Limited (MDS) culminating in the completion of the acquisition of Sequoia Financial Group Ltd (Sequoia) in early January 2015 (together, the Group).

This transaction has substantially repositioned MDS and strengthened its range of products, services, and skills base, but most importantly, it has given the company a strong foundation to establish a leading Australian financial services company.

One-off costs associated with the acquisition of Sequoia have contributed to the company reporting a net loss for the half year of \$1,087,607. These costs relate to consolidating offices, removing duplicate administrative functions and associated redundancies, and a reduction of general operating expenses. MDS is on track to reduce its fixed costs by \$1.2m on an annualised basis which will in turn create a more sound financial base for the Group.

Revenue of \$2,312,949 has decreased on the prior year. The prior year comparison result included a successful IPO listing which was classified under corporate activity. The decrease was in line with expectations and does not include any contribution from the Sequoia business.

A promising outlook

The Board of MDS is confident that the Group is now in the best position in the company's history to capitalise on opportunities that it has created from this transformational transaction with Sequoia.

We have strengthened our skills base and leadership team at both a Board and Management level, we have a broader suite of products and services to grow our revenue base, and we have a number of strategic acquisition opportunities that will complement our market offering and better establish the company as a well regarded and innovative financial services company.

As part of the Sequoia acquisition, the Board of MDS has been significantly strengthened with the appointment of Scott Beeton as Managing Director and Chief Executive Officer, and Marcel Collignon as an Executive Director. Along with the Sequoia management team, they have been instrumental in the growth and development of Sequoia and will surely be instrumental in the growth of MDS going forward.

Your Board has announced its intention to call an Extraordinary Meeting of shareholders, most likely in April 2015, to seek approval for the acquisition of Sequoia Wealth Group Pty Ltd and the proposed rebranding of MDS and its subsidiaries to Sequoia. We believe these initiatives will further strengthen our market offering and ensure our presence is enhanced by a consistent and more recognised corporate identity across all divisions.

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We look forward to taking the next step in the Group's growth and development and delivering positive outcomes for our shareholders and other stakeholders. On behalf of the Board I would like to thank our shareholders for their continued support.

Richard Symon
Executive Chairman

– ENDS –

All market announcements are available to view at www.mdsfinancial.com.au/asx and at www.asx.com.au.

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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. MDS recently completed a transaction to acquire 100% of Sequoia Financial Group, which delivers financial products and services to self-directed investors, SMSF Trustees and their advisers through its wholly owned subsidiaries, Sequoia Superannuation Pty Ltd, Sequoia Asset Management Pty Ltd and Sequoia Specialist Investments Pty Ltd. SFG provides general advice to retail clients, is a leading originator of structured financial products and provides administration services to self-managed superannuation funds. Through the acquisition of SFG, MDS has now become a fully diversified financial services firm, offering an unrivalled suite of products and services to the sector.

ASX ANNOUNCEMENT



ABN: 90 091 744 884

Appendix 4D

Half Year Report

For The Half Year Ended 31 December 2014

(Previous corresponding period: Half Year Ended 31 December 2013)

This Half Year Report is provided to the
Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Results For Announcement To The Market

Revenue and Net Loss

		Percentage Change %		Amount \$
Revenues from ordinary activities	Down	36%	to	2,312,949
Loss from ordinary activities after income tax attributable to members	Up	139%	to	1,087,609
Net loss attributable to members	Up	139%	to	1,087,609

Dividends

No dividends have been declared or paid

Brief explanation of revenue, net loss and dividends to enable the above figures to understood.

Please refer to the attached media release for an explanation of the result

Net Tangible Assets per Security

	Current period	Previous corresponding period
Net tangible assets backing per security	-0.094cents	-0.175cents

MDS Financial Group Limited

ABN 90 091 744 884

**Interim Financial Report
31 December 2014**

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Directors' Report

The directors of MDS Financial Group Limited (the "Company") submit herewith the consolidated interim financial report of the Company for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and particulars of the directors of the Company during or since the end of the interim period are set out below. Directors were in office for the entire period unless otherwise stated.

- Mr Peter John Stirling, Chairman and Non Executive Director – resigned as Chairman 5 January 2015
- Ms Jamie Gee Choo Khoo, Non Executive Independent Director – resigned as a director 12 January 2015
- Mr Bruce Richard Sydney Symon, Executive Director – appointed as Chairman 5 January 2015
- Mr Scott Beeton, Managing Director – appointed as a director 24 December 2014
- Mr Marcel John Collignon, Executive Director – appointed as a director 24 December 2014

Review and results of operations

The six months ended 31 December 2014 was a transformational period for MDS Financial Group Limited (MDS) culminating in the completion of the acquisition of Sequoia Financial Group Ltd (Sequoia) in early January 2015 (together, the Group).

This transaction has substantially repositioned MDS and strengthened its range of products, services, and skills base, but most importantly, it has given the company a strong foundation to establish a leading Australian financial services company.

One-off costs associated with the acquisition of Sequoia have contributed to the company reporting a net loss for the half year of \$1,087,607. These costs relate to consolidating offices, removing duplicate administrative functions and associated redundancies, and a reduction of general operating expenses. MDS is on track to reduce its fixed costs by \$1.2m on an annualised basis which will in turn create a more sound financial base for the Group.

Revenue of \$2,312,949 has decreased on the prior year. The prior year comparison result included a successful IPO listing, in December 2014 classified under corporate activity. The decrease in revenue reported is in line with expectations and does not include any contribution from the Sequoia business.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the interim financial report and forms part of this directors' report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Mr Bruce Richard Sydney Symon
Chairman and Executive Director

Melbourne, 26 February 2015

MDS FINANCIAL GROUP LIMITED
ABN 90 091 744 884
AND CONTROLLED ENTITY'S

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF
MDS FINANCIAL GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2014 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review

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Drew Townsend

Partner

Date: 26 February 2015

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Directors' Declaration

In accordance with a resolution of the directors of MDS Financial Group Limited ("the Company"), the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 16 are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. 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.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'B. Symon', with a stylized flourish at the end.

Mr Bruce Richard Sydney Symon
Chairman and Executive Director

Melbourne, 26 February 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half year ended 31 December 2014

		Half-year ended 31 Dec 2014 \$	Half-year ended 31 Dec 2013 \$
Revenue	4	2,312,949	3,639,146
Expenses			
Data fees		(602,491)	(362,524)
Dealing and settlement		(997,530)	(1,489,885)
Employee benefits		(678,825)	(816,565)
Occupancy		(178,826)	(177,316)
Telecommunications		(110,654)	(118,031)
Marketing		(43,418)	(29,338)
General and administrative		(651,136)	(816,712)
Depreciation and impairment		(82,103)	(39,384)
Revaluation to fair value		(7,500)	(13,115)
Other expenses		(48,073)	(230,724)
Loss before income tax		(1,087,607)	(454,448)
Income tax expense		-	-
Loss after income tax		(1,087,607)	(454,448)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(1,087,607)	(454,448)

	Cents	Cents
Basic earnings per share	(0.001)	(0.097)
Diluted earnings per share	(0.001)	(0.097)

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 31 December 2014

		Consolidated	
		Half-year ended 31 Dec 2014	Full-year ended 31 June 2014
		\$	\$
Assets			
Cash and cash equivalents		337,454	615,941
Trade and other receivables		348,820	489,757
Financial assets at fair value through profit or loss	5	119,464	119,464
Other assets		177,096	162,945
Total current assets		982,834	1,388,110
Financial assets at fair value through profit or loss	5	212,940	170,440
Plant and equipment		26,188	32,954
Intangible assets	7	1,131,170	1,155,009
Other assets		605,673	255,673
Total non-current assets		1,975,971	1,614,075
Total assets		2,958,805	3,002,185
Trade and other payables		1,360,384	2,325,084
Borrowings	8	1,300,000	540,000
Deferred income		179,750	229,290
Employee benefits		98,749	146,452
Total current liabilities		2,938,883	3,240,827
Employee benefits		5,672	23,887
Total non-current liabilities		5,672	23,887
Total liabilities		2,944,555	3,264,714
Net assets		14,250	(262,527)
Equity			
Contributed equity		25,776,060	24,146,675
Reserves		-	46,384
Accumulated losses		(25,761,810)	(24,720,587)
Total equity		14,250	(262,527)

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

Statement of Changes in Equity

For the half-year ended 31 December 2014

Consolidated	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Consolidated Balance at 1st July 2013	23,418,955	46,384	(23,460,192)	5,148
Loss after income tax expense for the period	-	-	(454,448)	(454,448)
Total comprehensive income for the year	-	-	(454,448)	(454,448)
Contribution of Equity, net of transaction costs	727,720	-		727,720
Balance at 31 December 2013	24,146,675	46,384	(23,914,640)	278,419

Consolidated	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Consolidated Balance at 1st July 2014	24,411,675	46,384	(24,720,587)	(262,528)
Net loss after income tax	-	-	(1,087,607)	(1,087,607)
Transfer to retain earnings	-	(46,384)	46,384	-
Conversion of liabilities	74,000	-	-	74,000
Contribution of Equity, net of transaction costs	1,290,385	-	-	1,290,385
Balance at 31 December 2014	25,776,060	-	(25,761,810)	14,250

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

Statement of Cash Flows

For the half-year ended 31 December 2014

	Consolidated	
	Half-year ended 31 Dec 2014 \$	Half-year ended 31 Dec 2013 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	2,454,286	4,206,334
Payments to suppliers and employers (inclusive of GST)	(4,631,104)	(4,877,182)
Interest received	5,398	2,182
Interest paid	(57,451)	(19,339)
Net Cash used in operating activities	(2,228,871)	(688,005)
Cash flows from investing activities		
Payment for deposit of financial assets	(100,000)	
Payment for acquisition of financial assets	-	(125,939)
Payment for acquisition of fixed assets	-	(1,582)
Net cash used in investing activities	(100,000)	(127,521)
Cash flows from financing activities		
Proceeds from borrowings	760,000	-
Proceeds from issue of securities net of costs	1,290,385	727,721
Net cash used in financing activities	2,050,385	727,721
Net decrease in cash and cash equivalents	(278,486)	(87,805)
Cash and cash equivalents at the beginning of the financial half-year	615,941	315,526
Cash and cash equivalents at the end of the financial half-year	337,455	227,721

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

Notes to the Financial Statements

For the half year ended 31st December 2014

Note 1. Significant accounting policies

Basis of Preparation:

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: 'Interim Financial reporting'. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of MDS Financial Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half – year with the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

The interim financial statements were authorised for issue on the 26 February 2015.

Note 2. Going concern

For the half year ended 31 December 2014 the consolidated entity has a loss attributable to members of \$1,087,607 (2013: loss \$454,448) and negative cash flow from operating cash flow of \$2,228,871 (2013: negative \$688,005). At reporting date the consolidated entity has a current asset deficiency of \$1,956,049 (June 2014: deficiency \$1,852,717). 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 three factors, being the continuation of the business rationalisation to achieve operational scale, the full integration of the operations of Sequoia Financial Group following its acquisition by the Company and the raising of further funding if required.

The Directors announced to the market on the 2 January 2015 the successful acquisition of Sequoia Financial Group Limited. The directors anticipate that the combined group will strengthen revenues and improve performance and economics of scale.

The Company has actively undertaken steps to reduce fixed costs and improve the profitability of both its Data Subscriptions and Broking operations. Notwithstanding, the consolidated entity has the ability to scale down operations and discontinue certain programs should the need arise.

In the past the Company has successfully raised funds as and when required and will continue to do so if necessary to support or grow the business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern and pay its debts as and when they fall due.

Notes to the Financial Statements

For the half year ended 31st December 2014

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 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 incorporating The Bourse and Market Analyser
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.

	Data Subscriptions \$	Broking \$	Corporate Advisory \$	Unallocated \$	Consolidated \$
Six months ended 31 Dec 2014					
Revenue					
Operating revenue	636,587	1,630,164	2,500	36,198	2,312,949
Segment revenue	<u>636,587</u>	<u>1,630,164</u>	<u>2,500</u>	<u>36,198</u>	<u>2,312,949</u>
Assets					
Segment assets	<u>1,294,068</u>	<u>1,617,585</u>	<u>47,152</u>	<u>-</u>	<u>2,958,805</u>
Liabilities					
Segment liabilities	<u>1,890,250</u>	<u>402,623</u>	<u>651,681</u>	<u>-</u>	<u>2,944,554</u>
	Data Subscriptions \$	Broking \$	Corporate Advisory \$	Unallocated \$	Consolidated \$
Six months ended 31 Dec 2013					
Revenue					
Operating revenue	845,945	1,607,618	1,175,295	10,288	3,639,146
Segment revenue	<u>845,945</u>	<u>1,607,618</u>	<u>1,175,295</u>	<u>10,288</u>	<u>3,639,146</u>
Assets					
Segment assets	<u>1,244,318</u>	<u>1,069,959</u>	<u>299,791</u>	<u>-</u>	<u>2,614,068</u>
Liabilities					
Segment liabilities	<u>1,393,707</u>	<u>597,457</u>	<u>344,485</u>	<u>-</u>	<u>2,335,649</u>

Notes to the Financial Statements

For the half year ended 31st December 2014

Note 4. Revenue

	Consolidated	
	Half-year ended 31 Dec 2014	Half-year ended 31 Dec 2013
	\$	\$
Data subscriptions fees	636,587	845,945
Brokerage and commission revenue	1,630,164	1,607,618
Corporate advisory fees	10,000	1,175,295
	<hr/> 2,276,751	<hr/> 3,628,858
<i>Other revenue</i>		
Interest		
	432	2,182
Net fair value (loss)/gain on other financial investments	-	(35,138)
Other	35,766	43,244
	<hr/> 36,198	<hr/> 10,288
	<hr/> 2,312,949	<hr/> 3,639,146

Notes to the Financial Statements

For the half year ended 31st December 2014

Note 5. Financial assets at fair value through profit and loss

	Consolidated	
	Half-year ended 31 Dec 2014	Full-year ended 31 June 2014
	\$	\$
Current		
Ordinary shares – held for trading	119,464	119,464
	<u>119,464</u>	<u>119,464</u>

Reconciliation

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

Opening fair value	119,464	-
Additions	-	125,940
Disposals	-	-
Revaluation increments to fair value	-	(6,476)
Closing fair value	<u>119,464</u>	<u>119,464</u>

Non-current

Listed options – designated at fair value through profit or loss	212,788	170,288
Shares in other corporations – available for sale	152	152
Revaluation increments to fair value		
	<u>212,940</u>	<u>170,440</u>

Reconciliation

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

Opening fair value	170,440	152
Additions	50,000	170,288
Revaluation increments to fair value current year	(7,500)	-
Closing fair value	<u>212,940</u>	<u>170,440</u>

Fully paid ordinary shares held by the company, of two Australian companies whose shares are listed on the Australian Securities Exchange, are restricted securities and subject to escrow until 1 July 2015 and 20 December 2015.

Notes to the Financial Statements

For the half year ended 31st December 2014

Note 6. Interest in Principle Subsidiaries

Set out below are the Group's subsidiaries at 31 December 2014. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principle place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		At 31 December 2014	At 30 June 2014
Trader Dealer Online Pty Ltd	Australia	100%	100%
Bourse Data Pty Ltd	Australia	100%	100%
MDS Financial Services Pty Ltd (in administration)	Australia	-	100%
D2MX Pty Ltd	Australia	100%	100%
Market Data Service Pty Ltd	Australia	100%	100%
The Cube Financial Group Pty Ltd	Australia	100%	100%
MDSnews.com Pty Ltd	Australia	100%	100%
MDSnews Australia Pty Ltd	Australia	100%	100%

Notes to the Financial Statements

For the half year ended 31st December 2014

Note 7. Intangible Assets

	Consolidated	
	Half-year ended 31 Dec 2014 \$	Full-year ended 31 June 2014 \$
Non-current		
Goodwill		
Cost	8,173,200	8,173,200
Accumulated impairment losses	(7,112,368)	(7,112,368)
	<u>1,060,832</u>	<u>1,060,832</u>
Websites		
Cost	38,381	38,381
Accumulated impairment	(20,000)	(20,000)
Accumulated amortisation	(16,543)	(14,704)
	<u>1,838</u>	<u>3,677</u>
Other intangible assets		
Cost	220,000	220,000
Accumulated amortisation	(151,500)	(129,500)
	<u>68,500</u>	<u>90,500</u>
Total intangibles	<u><u>1,131,170</u></u>	<u><u>1,155,009</u></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 growth 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% (2012: 15%) pre-tax discount rate; and,
- b. 10% (2012: 0%) 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 decline in subscription revenue growth has flattened, increasing revenues are expected through a wider acceptance of its renewed product offering and new strategic partnerships.

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

Based on the above, management is satisfied that there are no indicators of impairment to the current carrying value of goodwill.

Notes to the Financial Statements

For the half year ended 31st December 2014

Note 8. Borrowings

	Jun-14	Dec- 14
Loan	\$540,000	\$540,000
Short term loan		\$200,000
Convertible Note #		\$560,000
	<u>\$540,000</u>	<u>\$1,300,000</u>

* Short-term loan to support an additional bond required for a one off trade

Convertible Notes issued to three parties, for a two year period at a conversion price of \$0.006 at a coupon of 12%

Note 9. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2014 of \$74,673 (2013: \$74,673) to its landlord and \$25,000 (2013: \$50,000), in relation to credit facilities to its bankers.

The group have not accrued for services from a supplier as the delivery of services disputed and a potential claim from the supplier highly unlikely. The transaction occurred more than two years ago with no claims for payment being made to date.

Note 10. Events after the end of the interim period

Other than the following, the directors are not aware of any significant event since the end of the interim period.

- Successful acquisition of Sequoia Financial Group Limited – completion occurred on 2 January 2014
At the time the financial statements were authorised for issue, the group had not yet confirmed the acquisition for 100% interest acquisition of Sequoia Financial Group Limited. In particular the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detail information about each class of acquired asset and liabilities of the acquired entity.
- Mr Peter John Stirling, Chairman and Non Executive Director – resigned as Chairman 5 January 2015
- Mr Bruce Richard Sydney Symon, Executive Director – appointed Chairman 5 January 2015
- Ms Jamie Gee Choo Khoo, Non Executive Independent Director – resigned 12 January 2015

Note 11. Fair value measurement

Fair Value Measurements at 31 December 2014 Using:

	Using Quoted Prices in Active Markets for Identical Assets	Using Significant Observable Inputs Other than Level 1 Inputs	Using Significant Unobservable Inputs
Description	(Level 1)	(Level 2)	(Level 3)
Investments in shares of listed corporations	119,464		
Investments in unlisted corporations		-	-
Investments in escrow shares of listed corporations	212,940	-	-

MDS FINANCIAL GROUP LIMITED

ABN 90 091 744 884

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
MDS FINANCIAL GROUP LIMITED**

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of MDS Financial Group Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of MDS Financial Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of MDS Financial Group Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MDS Financial Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MDS Financial Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of MDS Financial Group Limited's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial report, which indicates that the consolidated entity incurred a net loss of \$1,087 607 and had operating cash outflows of \$2,228,871 during the half-year ended 31 December 2014 and as of that date the company's current liabilities exceeded its current assets by \$1,956,049. These conditions, along with other matters as set forth in Note 2, 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 and at the amounts stated in the half-year financial report.

Hall Chadwick

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Drew Townsend

Partner

Date: 26 February 2015

