

21 October 2014

The Directors
Multi Channel Solutions Limited
Unit 1, 2 Turbo Road
KINGS PARK NSW 2148

Dear Sirs,

Independent Expert's Report on the proposal to restructure the debt and equity position of the Company

1. INTRODUCTION

Background

- 1.1 Multi Channel Solutions Limited ("MUT" or "the Company") is an Australian based listed public company involved in the distribution of bath accessories and beauty products to Australian supermarkets, retail and variety stores and beauty salons.
- 1.2 As recently announced to the market, MUT has signed an Alliance Agreement with Triple R International Limited ("Triple R"), a Chinese based company which is supplying MUT with unique and marketable products for retail distribution.
- 1.3 The Company has proposed a broad review and restructure that will aim to formalise and deepen the Triple R alliance.
- 1.4 The proposed restructure includes addressing debt, equity and cost structures of the Company to ensure they are more appropriate to manage the next stage of growth. This will include the following:
- a) Conversion to equity of Convertible Notes and loans owing to John and Sharon White ("the White Parties"), to be converted into MUT shares ("Debt Conversion") which will result in the White Parties holding an interest in the Company above 20%;
 - b) the issue of MUT shares based on the achievement of performance milestones ("Incentive Shares") to Triple R under the terms of the Alliance Agreement, which will result in Triple R holding an interest in the Company above 20%; and
 - c) the issue of MUT shares to other parties as detailed in section 2.
- 1.5 The Debt Conversion and issue of Incentive Shares are collectively referred to in this report as the "Transaction",

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which is subject to MUT obtaining Shareholder approval.

Purpose of Report

- 1.6 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of MUT other than those associated with the proposed issue of MUT shares to the White Parties and Triple R (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.7 HCC understands and has agreed that this report will accompany the notice to convene a meeting of MUT shareholders, to assist the Non-Associated Shareholders in their consideration of the resolutions to be put at a General Meeting.

Opinion

- 1.8 We provide the following opinion in relation to the Transaction:
- The value of the Debt Conversion of \$0.004 per share is within the value range determined for the MUT shares of between \$0.0033 and \$0.0055 per share;
 - We have been unable to attribute a value to the Incentive Shares for the purpose of this report based on the inherent uncertainty regarding the achievement of the underlying Milestones. Refer to sections 4.4 and 8.3 for further information.
- 1.9 As the Debt Conversion and issue of Incentive Shares are interdependent resolutions we are required to provide an opinion on the collective Transaction. Therefore due to the limitation of information available to attribute a value to the Incentive Shares, in our opinion, the proposed Transaction is ***not fair but reasonable*** to the Non-Associated Shareholders of MUT.
- 1.10 The ultimate decision however on whether to accept the proposed Transaction should be based on MUT shareholders own assessment of their circumstances.

2. THE PROPOSED TRANSACTION

- 2.1 MUT has signed an agreement with Triple R, a Chinese based company which is supplying MUT with unique and marketable products for retail distribution. We are advised that since signing this agreement MUT and Triple R have established operations and have begun selling Triple R introduced products. The Alliance Agreement is for an initial period of three years and contains a revised equity incentive package whereby Triple R or its nominee will be issued shares in the Company if certain pre-determined performance criteria are achieved, as further described below.
- 2.2 The Company has proposed a broad company review and restructure that will aim to formalise and deepen the Triple R alliance. The proposed restructure includes addressing debt, equity and cost structures of the Company to ensure they are more appropriate to manage the next stage growth expectations.
- 2.3 As part of the debt and equity restructure, MUT has proposed to convert Convertible Notes with a face value totalling \$1,916,205 and other loans totalling \$595,176 into MUT shares at \$0.004 per share. Of these amounts, \$1,610,000 in Convertible Notes and \$180,152 in loans (a combined value of \$1,790,152) is owed to the White Parties. This Debt Conversion will result in the White Parties being issued with a total of 447,537,998 MUT shares ("Debt Conversion Shares"), and holding a maximum equity interest in the Company of **27.3%**.
- 2.4 The Company will convert \$159,542 of outstanding debt into 39,885,662 shares to the White Parties pursuant to its 15% placement capacity prior to the date of the Notice of Meeting. The balance of 407,652,336 Debt Conversion Shares will be issued to the White Parties subject to shareholder and other regulatory approvals.
- 2.5 The incentive structure in the Alliance Agreement has been designed to drive sales and margin growth and includes the issue of Incentive Shares to Triple R for no cash consideration based on the achievement of the following performance milestones.

<u>Milestone</u>	<u>Incentive Shares</u>	<u>Performance Milestone</u> ^{2, 3}
0	50,000,000	Issue of Shares for Agreement to enter into New Alliance Agreement
1	75,000,000	Increase in Bronson net sales by \$2m ¹
2	100,000,000	Increase in Bronson net sales by \$4m ¹
3	125,000,000	Increase in Bronson net sales by \$6m ¹
4	150,000,000	Increase in Bronson net sales by \$8m ¹
	<u>500,000,000</u>	

¹ at acceptable margin/approved sales in a financial year

² 3 year time frame to reach Milestones or they lapse

³ Board discretion in adjudicating milestone attainment

- 2.6 Triple R will also receive a total of 135,000,000 shares to be transferred from Desmond Smale, 75,000,000 on execution of the Alliance Agreement (which has already occurred) and 60,000,000 on Milestone 1 above being achieved. Mr Smale has agreed to transfer these Shares to Triple R in consideration for Triple R entering in to the Alliance Agreement on the basis that the arrangement under the Alliance Agreement is in the best

interests of all Shareholders and will create significant Shareholder wealth and growth for the Company. Accordingly, neither Mr Smale nor any of his associates will receive any consideration for the transfer of Shares to Triple R under this agreement. The Transaction will result in Triple R increasing its relative interest in the Company up to **32.7%**, including the 50,000,000 shares already held, assuming all Incentive Shares are issued.

- 2.7 Peloton Capital will also be issued with 35,000,000 MUT shares and Roger Smith 20,000,000 MUT shares as consideration for fees owing in relation to the Transaction.
- 2.8 In order to reflect the magnitude of the proposed restructure and the refocused nature of the Company's activities, the Company proposes to change its name from Multi Channel Solutions Limited to Bronson Group Limited. Bronson is a name that is well recognized in the market place and is also contained in the name of the Company's main operating Company, Bronson Marketing Pty Ltd.
- 2.9 The Company also proposes to undertake a share consolidation on the basis of 1 new share for every 5 on issue. Shares disclosed in this report are on a pre-consolidation basis.
- 2.10 The following table shows the effect on the share capital of MUT after the Transaction and other proposed debt to equity conversions:

Effect on Ordinary Shares of MUT	Number of Shares
Shares currently on issue	950,003,037
Debt Conversion Shares to the White Parties	407,652,336
Shares to be issued from the Debt and Loan Conversions – Other parties	180,307,215
Upfront Milestones Shares to Triple R or nominee	50,000,000
Shares to be issued to Peloton and R. Smith in lieu of fees payable	<u>55,000,000</u>
Total ordinary shares on issue immediately after shareholder approval	1,642,962,588
Incentive Shares to be issued to Triple R	<u>450,000,000</u>
Total proposed ordinary shares on issue	2,092,962,588

- 2.11 Following completion of the Transaction the White Parties and Triple R will hold the following relevant interests in MUT:

MUT Shareholder	Before / After Incentive Shares (%)	
The White Parties	27.3	21.4
Triple R	10.7	32.7

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 OVERVIEW OF MUT
- 7 VALUATION METHODOLOGIES
- 8 VALUE OF MUT
- 9 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of MUT of the fairness and reasonableness of the Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the MUT shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 For the Transaction to be fair, the value of the consideration being provided must be equal to or greater than the value of the MUT ordinary shares to be issued. To be reasonable the shareholders must obtain an overall benefit if the Transaction proceeds.
- 3.5 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act").

Corporations Act Requirements

- 3.6 If the Transaction is approved and completed:
 - a) the White Parties will have a maximum 27.3% relevant equity interest in MUT's issued ordinary shares as a result of the issue of the Debt Conversion Shares.
 - b) Triple R will have a maximum 32.7% relevant interest in MUT's issued ordinary shares as a result of the issue of all the Incentive Shares.
- 3.7 Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%, or increases from a starting point that is above 20% and below 90%. Section 606(1) therefore prohibits John White, Triple R and each of their respective Associates from acquiring a relevant interest in the issued ordinary shares in MUT under the Transaction, unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.
- 3.8 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of MUT passed at a general meeting as per Section 611. This is the exception which MUT is seeking to rely on to be able to issue the Debt Conversion Shares and Incentive Shares. At the general meeting of MUT no votes will be allowed to be cast by the John White, Sharon White, Triple R and each of their respective Associates and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the relevant resolution is passed.
- 3.5 Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Experts Reports" requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair

and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

4. OPINION

4.1 In our opinion, the proposed Transaction is ***not fair but reasonable*** to the Non-Associated Shareholders of MUT.

4.2 Our opinion is based solely on information available as at the date of this report.

4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

4.4 For the Transaction to be fair, the consideration or price of the shares being issued to the White Parties and Triple R must be equal to or greater than the value of the MUT shares to be issued.

4.4.1 Based on the analysis contained in Section 8.2 of this report, the indicative value of the MUT shares for the purpose of this report is as follows:

	Low	High	Midpoint
MUT Shares	0.0033	0.0055	0.0044

4.4.2 The issue price of the shares to be issued to the White Parties is \$0.004 per share, which is within the range of values determined for the MUT shares.

4.4.3 The auditors of MUT are Hall Chadwick Chartered Accountants and Business Advisors Sydney Partnership. The partners of Hall Chadwick Chartered Accountants and Business Advisors Sydney have a 100% interest in HCC. The Company sought to engage the services of an independent expert to value the Incentive Shares and the corresponding benefit or value attributed to the issue of the Incentive Shares to Non-Associated Shareholders. The Incentive Shares effectively represent an option or right for Triple R to receive further shares in MUT should the Milestones be achieved. The value of this right is the value of the MUT share, adjusted for the probability of the Milestones being achieved. However the independent expert has been unable to provide a valuation of the Incentive Shares or the value attributed to achieving the Milestones due to the inherent uncertainty regarding the achievement of the Milestones. Refer to section 8.3 for further explanation.

4.4.4 The value of achieving the Milestones attributable to the Incentive Shares is the strategic support to be provided by Triple R to assist MUT in achieving the sales targets prescribed for the shares to be issued. We have assumed the value of the Triple R Alliance Agreement, which has been negotiated on arms-length terms and market based considerations, will be equal to the value of the Incentive Shares issued. However, at this point in time there are insufficient grounds on which to quantify a value of the Incentive Shares given that the Triple R Alliance is in its early stage of operation and market penetration. Accordingly it is not possible to quantify the resulting benefit to MUT of achieving the Milestones based on the limited trading information available and the subjective nature of determining the likelihood of MUT achieving the Milestones.

4.4.5 However notwithstanding the difficulty in quantifying the value of the Incentive Shares at this point in time, the Alliance Agreement contains the performance criteria which

must be achieved prior to any Incentive Shares being issued. In the context of the current annual sales of MUT (FY2014, \$3.7 million), the attainment of any of the Milestones will be material to the operations of the Company.

4.4.6 In summary:

- The value of the Debt Conversion of \$0.004 per share is within the value range determined for the MUT shares of between \$0.0033 and \$0.0055 per share;
- We have been unable to attribute a value to the Incentive Shares for the purpose of this report based on the inherent uncertainty regarding the achievement of the underlying Milestones.

4.4.7 As the Debt Conversion and issue of Incentive Shares are interdependent resolutions we are required to provide an opinion on the collective Transaction. Therefore due to the limitation of information available to attribute a value to the Incentive Shares, in our opinion, the proposed Transaction is *not fair* to the Non-Associated Shareholders of MUT.

Reasonable

4.5 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

4.5.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors:

- The Alliance Agreement has enabled the Company to reach agreement with certain Creditors for the conversion of their debt into equity which significantly reduces the Company's debt levels and associated costs and ensures they are more appropriate to manage the next stage of growth.
- The acquisition of a strategic stake in the Company by Triple R reinforces the Company's access to the supply and manufacturing resources of Triple R which will create and expand the market opportunities for the Company into the future.
- The Incentive Shares to be issued to Triple R under the Alliance Agreement are part of the broader objective to strengthen the relationship between MUT and Triple R. Achievement of the Milestones required for the issue of the Incentive Shares will have a direct impact on the future profits of the Company and provide an opportunity for MUT to increase shareholder value.
- The Alliance Agreement contains the measurable performance criteria which must be achieved prior to any Incentive Shares being issued. In the context of the current annual sales of MUT (FY2014, \$3.7 million), the attainment of any of the milestones will be material to the operations of the Company.

- As part of the proposed restructure, Mr Ross Standfast and Mr Hans Luttringer, two experienced retail executives, will also assist the Company in maximizing the benefits of the Triple R alliance and refocussing on the Company's Australian operations. Mr Luttringer will be seconded to MUT by Triple R and accordingly Triple R will be paying for the costs associated with the provision of Mr Luttringer services.
- The Transaction will result in an increase in MUT's net assets and market capitalisation and provide an opportunity for MUT to increase shareholder value and put the Company in a better position to incentivise all key partners involved in driving increased sales revenue and contribution.
- The Transaction will result in an increase in MUT's net assets and market capitalisation and provide an opportunity for MUT to increase shareholder value and put the Company in a better position to incentivise all key partners involved in driving increased sales revenue and contribution.
- Considering the increase in the share price that occurred after the first announcement of the Alliance Agreement, the MUT share price is likely to fall in the event the Transaction is not approved. For the month immediately prior to the original announcement of the Alliance Agreement on 20 February 2014 MUT shares traded at a VWAP of \$0.002. MUT shares are currently trading at around \$0.004 per share.
- The Directors and their advisors are not aware of any more favourable transaction than the one proposed.
- The MUT Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and is a strategic opportunity for the Company.

4.6 *Accordingly, in our opinion, the Transaction is not fair but reasonable to the Non-Associated Shareholders of MUT.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to MUT Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired is equal to or greater than the value of the shares being issued. Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.
- 5.3 Our report has compared the likely advantages and disadvantages to Non-Associated Shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the consideration to be provided under the proposal and the value of the shares being issued is only one element of this assessment.
- 5.4 Additionally we have considered whether any shareholder will obtain a level of control in MUT as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case the White Parties and Triple R will obtain a level of control of MUT which needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being provided.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of MUT.
- 5.6 In evaluating the Transaction, we have considered the value of the MUT shares being issued and compared this to the value consideration to be provided by the White Parties and Triple R. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in MUT will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of MUT;
 - The value of MUT shares;
 - Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Share trading history of MUT shares;
 - The likely value and liquidity of MUT shares in the absence of the acquisition.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the

information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.

- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of MUT. The auditors of MUT are Hall Chadwick Chartered Accountants and Business Advisors Sydney Partnership. The partners of Hall Chadwick Chartered Accountants and Business Advisors Sydney have a 100% interest in HCC. HCC adopts internal procedures and structures to safeguard our independence from MUT and manage any perceived conflict of interest arising from the role of HC Sydney as auditors of MUT. We have assessed that HCC has sufficient independence to undertake this engagement.
- 5.12 The Company sought to engage the services of an independent expert to value the Incentive Shares and the corresponding benefit or value attributed to the issue of the Incentive Shares to Non-Associated Shareholders. Further information on this valuation is included at section 8.3.
- 5.13 We have analysed and reviewed information provided by the Directors of MUT and made further enquiries where appropriate.
- 5.14 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

6. OVERVIEW OF MUT

6.1 Corporate History

- 6.1.1 MUT was officially listed on the ASX on 29 May 1987 and since 2004 has focused its business activities on the distribution of consumer products in particular bath accessories and beauty products to Australian supermarkets, retail and variety stores and beauty salons. MUT distribute a limited number of consumer products through operations in USA via traditional retail, home shopping networks and catalogue shopping.
- 6.1.2 In 2007 MUT acquired Bronson Marketing to expand its operations in the marketing and distribution of consumer products and to take advantage of the various relationships with Chinese manufacturers and retail distributors in Australia and the USA.
- 6.1.3 Bronson Marketing was established on 8 September 1995 and has focused its business activities on supplying the major retail outlets in Australia with bath accessories, beauty products and personal care products.
- 6.1.4 The last twelve months has been a difficult period for Australian retailers. As stated in the Company's preliminary final report for the year ended 30 June 2014, Bronson's sales grew by 4% while the U.S operation lost ground. Significant sales were also lost from one of MUT's customer's going into liquidation.
- 6.1.5 Bronson Marketing continue to focus on strengthening their core business in personal care with the major retailers. The U.S. operation, Home & Business Consumer Products LLC has to this point been unsuccessful and the Board is examining the option to scale down these operations and focus primarily on Australia.
- 6.1.6 The Alliance Agreement between MUT and Triple R is intended to strengthen the relationship between these parties and delivery increased sales of Triple R introduced products.

6.2 Financial Information

- 6.2.1 Set out below is the Audited Consolidated Profit and Loss Statements of MUT for the financial years ended 30 June 2012 (“FY 2012”), 30 June 2013 (“FY 2013”) and 30 June 2014 (“FY 2014”).

MULTI CHANNEL SOLUTIONS LIMITED			
CONSOLIDATED PROFIT AND LOSS STATEMENT			
	FY 2012	FY 2013	FY 2014
Revenues	4,630,824	3,664,796	3,702,630
Cost of products sold	1,809,726	1,172,155	2,131,731
Advertising and media expenses	5,909	7,398	77,574
Travel expenses	45,187	35,088	22,911
Financial expenses	432,015	393,495	449,431
Depreciation and amortisation	23,488	16,832	87,677
Employee benefit expenses	1,186,093	880,338	782,959
Legal compliance and professional fees	154,525	126,930	120,429
Rental and operating lease expenses	163,288	168,688	171,319
Provision for slow moving stock	10,699	-	143,950
Provision for profit drawings in advance	620,648	1,080,757	671,516
Provision for doubtful debts	-	134,518	30,252
Bad debt	-	-	8,307
Impairment of goodwill	-	1,100,000	2,317,956
Option issue expenses	-	-	52,534
Warehouse and distribution costs	393,896	325,983	303,408
Other expenses	92,443	81,754	113,813
Total expenses	4,937,917	5,523,936	7,485,764
Loss before income tax	(307,093)	(1,859,140)	(3,783,134)
Income tax benefit	-	-	-
Net loss after income tax expense	(307,093)	(1,859,140)	(3,783,134)

The result for FY2014 included the write down of assets relating to profit drawings in advance and goodwill totalling \$2,989,472.

6.2.2 Set out below is the Audited Consolidated Statement of Financial Position of MUT as at 30 June 2014.

MULTI CHANNEL SOLUTIONS LIMITED	
STATEMENT OF FINANCIAL POSITION	
AS AT 30 JUNE 2014	
<u>CURRENT ASSETS</u>	
Cash and cash equivalents	13,747
Trade and other receivables	607,155
Inventories	680,882
Other current assets	17,678
	<u>1,319,462</u>
<u>NON-CURRENT ASSETS</u>	
Plant and equipment	37,227
Intangible assets	230,137
	<u>267,364</u>
TOTAL ASSETS	<u>1,586,826</u>
<u>CURRENT LIABILITIES</u>	
Trade and other payables	1,151,023
Short-term provisions	154,706
Financial liabilities	766,361
	<u>2,072,090</u>
<u>NON-CURRENT LIABILITIES</u>	
Financial liabilities ¹	3,180,538
	<u>3,180,538</u>
TOTAL LIABILITIES	<u>5,252,628</u>
NET ASSETS	<u>(3,665,802)</u>
<u>EQUITY</u>	
Issued capital	8,431,687
Reserves	180,923
Accumulated losses	<u>(12,278,483)</u>
Parent entity interest	(3,665,873)
Non-controlling interest	71
TOTAL EQUITY	<u>(3,665,802)</u>

¹ The financial liabilities include convertible notes and loans of which \$2,511,381 will convert to equity as part of the Transaction.

7. VALUATION METHODOLOGIES

7.1 Selection of Methodology

7.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to MUT shares.

7.1.2 In assessing the value of MUT we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Comparable Market Transactions: the identification of comparable sale transactions.

We consider each of these valuation methodologies below.

7.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of ‘unusual’ and/or ‘abnormal’ trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

We consider that adopting a market value of shares methodology to determine an indicative value of MUT is appropriate as it reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of MUT shares.

Although the liquidity of the market for MUT shares is less than ideal to assess the market value of the quoted equity, the alternative methods are less appropriate given the Company has been trading at a loss for a number of years.

7.1.4 Capitalisation of Future Maintainable Earnings

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

MUT has incurred net losses in prior years therefore the earnings based method is not appropriate for the valuation of MUT.

7.1.5 Discounted Cash Flow – Net Present Value

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Although the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned. The forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operational cycle for more cyclical industries.

MUT has not prepared long-term forecast future cash flows on which a valuation can be based. Therefore the use of the discounted cash flow method has not been selected for MUT.

7.1.6 Realisation of Assets

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's Statement of Financial Position to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

MUT is predominantly a revenue based business. The book value of its assets may therefore not be representative of the inherent value of the business. MUT also has a net asset deficit as at 30 June 2014 where its liabilities exceed its assets therefore this approach is not appropriate.

7.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable sale transactions to a similar industry company or business to that being valued.

We have determined that this method is not considered appropriate for valuing MUT considering its history of trading losses.

We are also not aware of any alternative offers or transactions for the acquisition of the shares in MUT.

7.2 **Premium for Control**

7.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

7.2.2 Our experience suggests that the premium for control (over and above the market price of the Company's shares) ranges, on average, between 20% and 35%. However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

7.2.3 The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The control premium is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors.

7.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20% of the issued shares in a company. At this time

a premium for control should normally be considered.

- 7.2.5 A premium for control is relevant to the Transaction, as it will result in:
- the White Parties will have a maximum 27.3% relevant equity interest in MUT's issued ordinary shares as a result of the issue of the Debt Conversion Shares.
 - Triple R will have a maximum 32.7% relevant interest in MUT's issued ordinary shares as a result of the issue of all the Incentive Shares.
- 7.2.6 For the reasons detailed above, we have determined that the change in the level of ownership is sufficient in the proposed Transaction to require a premium for control to be included when valuing the MUT shares.
- 7.2.7 We have applied a premium for control of **10%** to the traded value of MUT shares based on the following:
- a) No individual party will obtain control of MUT. Non-Associated Shareholders still retain 45.9% equity interest following the Transaction and assuming the full issue of Incentive Shares and still have a future opportunity to obtain a premium from the sale of their shares;
 - b) the White Parties or Triple R may not obtain any board representation or control over management policy and the strategic direction of MUT;
 - c) the White Parties or Triple R do not obtain control of free cash flows of MUT, decision making regarding the acquisition and disposal of assets and the redeployment of the proceeds;
 - d) The liquidity of MUT shares has been extremely low, with only 10% of shares on issue traded in the last 12 months. Considering the effect low liquidity may have on the MUT share value, we believe that a premium for control above 10% may overstate the value that a potential investor is willing to pay to obtain a controlling interest in the Company; and
 - e) MUT has incurred losses in prior years of operation and is currently in a negative net asset position.

8. VALUE OF MUT

8.1 General

8.1.1 This section sets out our assessment of the underlying value of MUT shareholdings.

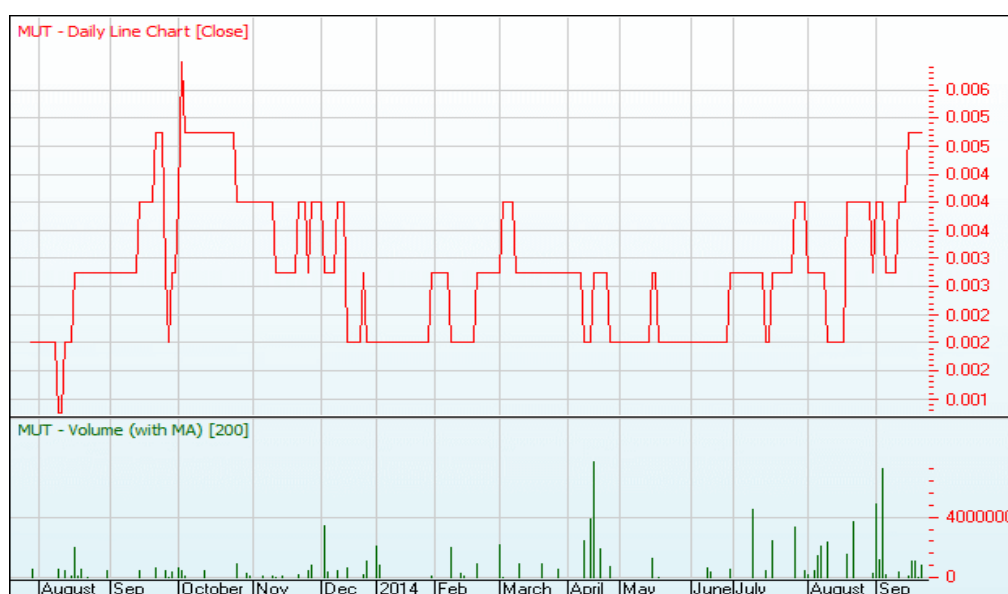
8.1.2 We have selected the market value of shares as the valuation methodology for MUT as detailed in section 7.

8.1.3 Due to the losses historically incurred by MUT and their negative net asset position no secondary valuation approach is appropriate for MUT.

8.2 Market Value of Shares

8.2.1 In our opinion the value of MUT for the purpose of the Transaction should be examined on the basis of the current market value of the shares listed on the ASX. The market value of the shares listed on the ASX reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of the Company.

8.2.2 Following is a graph of the trading of MUT shares over the last twelve months:



8.2.3 The table below sets out the movement of MUT share prices and trading up to and including the last announcement regarding the Transaction on 18 September 2014:

	Low \$	High \$	VWAP ¹	Volume
1 month	0.003	0.006	0.004	22,711,950
2 months	0.002	0.006	0.004	33,544,490
3 months	0.002	0.006	0.004	42,948,920
6 months	0.001	0.006	0.003	63,081,520
12 months	0.001	0.006	0.003	90,079,840

(1) The VWAP was calculated using the total value of all transactions divided by the total trading volume in the time period considered.

- 8.2.4 For the month immediately prior to the original announcement of the Alliance Agreement on 20 February 2014 MUT shares traded at a VWAP of \$0.002.
- 8.2.5 We conclude that the value of the MUT shares under the market value approach for the purpose of this report is in the range of \$0.003 to \$0.005, with a VWAP of \$0.004 per share, being the VWAP of MUT shares for the three months prior to the 18 September 2014 announcement.
- 8.2.6 We note this valuation is on a portfolio basis and does not reflect a premium for control. Inclusive of a 10% premium for control (as determined in Section 7.2), the value of the MUT shares under the market value approach for the purpose of this report is between \$0.0033 and \$0.0055 per share, with a midpoint of **\$0.0044 per share**.

8.3 Value of Incentive Shares

- 8.3.1 The auditors of MUT are Hall Chadwick Chartered Accountants and Business Advisors Sydney Partnership. The partners of Hall Chadwick Chartered Accountants and Business Advisors Sydney have a 100% interest in HCC. The Company sought to engage the services of an independent expert to value the Incentive Shares and the corresponding benefit or value attributed to the issue of the Incentive Shares to Non-Associated Shareholders.
- 8.3.2 The Incentive Shares effectively represent an option or right for Triple R to receive further shares in MUT should the Milestones be achieved. The value of this right is the value of the MUT share, adjusted for the probability of the Milestones being achieved. However the independent expert has been unable to provide a valuation of the Incentive Shares or the value attributed to achieving the Milestones due to the following reasons:
- The new products to be included in the sales forecasts provided by MUT management effectively represent new business to MUT and in the absence of historical data it would not be possible to assess the reasonableness of the forecasts as required under Regulatory Guide 111 'Content of Expert Reports' and Regulatory Guide 170 'Prospective Financial Information'.
 - The probability of achieving the Milestones is also a subjective assessment based on the budgeted sales and is not able to be independently verified.
- 8.3.3 The value of achieving the Milestones attributable to the Incentive Shares is the strategic support to be provided by Triple R to assist MUT in achieving the sales targets prescribed for the shares to be issued. We have assumed the value of the Triple R Alliance Agreement, which has been negotiated on arms-length terms and market based considerations, will be equal to the value of the Incentive Shares issued. However, there are insufficient grounds on which to quantify a value of the Incentive Shares and the resulting benefit to MUT of achieving the Milestones based on the limited information available and the subjective nature of determining the likelihood of MUT achieving the Milestones.

9. ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

9.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

9.2 Advantages of the Transaction

- 9.2.1 The Alliance Agreement has enabled the Company to reach agreement with certain Creditors for the conversion of their debt into equity which significantly reduces the Company's debt levels and associated costs and ensures they are more appropriate to manage the next stage of growth.
- 9.2.2 The acquisition of a strategic stake in the Company by Triple R reinforces the Company's access to the supply and manufacturing resources of Triple R which will create and expand the market opportunities for the Company into the future.
- 9.2.3 The Incentive Shares to be issued to Triple R under the Alliance Agreement are part of the broader objective to strengthen the relationship between MUT and Triple R. Achievement of the Milestones required for the issue of the Incentive Shares will have a direct impact on the future profits of the Company and provide an opportunity for MUT to increase shareholder value.
- 9.2.4 The Alliance Agreement contains the measurable performance criteria which must be achieved prior to any Incentive Shares being issued. In the context of the current annual sales of MUT (FY2014, \$3.7 million), the attainment of any of the milestones will be material to the operations of the Company.
- 9.2.5 As part of the proposed restructure, Mr Ross Standfast and Mr Hans Luttringer, two experienced retail executives, will also assist the Company in maximizing the benefits of the Triple R alliance and refocussing on the Company's Australian operations. Mr Luttringer will be seconded to MUT by Triple R and accordingly Triple R will be paying for the costs associated with the provision of Mr Luttringer services.
- 9.2.6 The Transaction and resulting increase in market capitalisation has the potential to improve liquidity in shares increasing ease of trading.
- 9.2.7 Considering the increase in the share price that occurred after the first announcement of the Alliance Agreement, the MUT share price is likely to fall in the event the Transaction is not approved. For the month immediately prior to the original announcement of the Alliance Agreement on 20 February 2014 MUT shares traded at a VWAP of \$0.002. MUT shares are currently trading at around \$0.004 per share.

9.3 Disadvantages of the Transaction

- 9.3.1 An opportunity may be lost to obtain a takeover premium for the company's shares unless the White Parties or Triple R sold their interest in MUT or subscribed for a 100% interest.
- 9.3.2 There is no guarantee that Triple R will achieve the Milestones required as a condition to the issue of the Incentive Shares relating to each Milestone within the 3 year period or that Triple R's services will result in a positive economic outcome.
- 9.3.3 The Transaction will result in the dilution of Non-Associated Shareholders ownership interest from 94.5% to 62.1% immediately following approval of the Transaction, and 45.9% if all Incentive Shares are issued.
- 9.3.4 The Company may need to raise additional working capital to fund its business objectives in the future. Any future capital raising will further dilute the interests of existing Shareholders

10. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

10.1 Fairness

10.1.1 For the Transaction to be fair, the consideration or price of the shares being issued to the White Parties and Triple R must be equal to or greater than the value of the MUT shares to be issued.

10.1.2 Based on the analysis contained in this report, the indicative value of the MUT shares for the purpose of this report is as follows:

	Low	High	Midpoint
MUT Shares	0.0033	0.0055	0.0044

10.1.3 The issue price of the shares to be issued to the White Parties is \$0.004 per share, which is within the range of values determined for the MUT shares.

10.1.4 As discussed in Section 8.3 of this report, we have been unable to attribute a value to the Incentive Shares for the purpose of this report based on the inherent uncertainty regarding the achievement of the Milestones.

10.1.5 The value of achieving the Milestones attributable to the Incentive Shares is the strategic support to be provided by Triple R to assist MUT in achieving the sales targets prescribed for the shares to be issued. We have assumed the value of the Triple R Alliance Agreement, which has been negotiated on arms-length terms and market based considerations, will be equal to the value of the Incentive Shares issued. However, there are insufficient grounds on which to quantify a value of the Incentive Shares and the resulting benefit to MUT of achieving the Milestones based on the limited information available and the subjective nature of determining the likelihood of MUT achieving the Milestones.

10.1.6 In summary:

- The value of the Debt Conversion of \$0.004 per share is within the value range determined for the MUT shares of between \$0.0033 and \$0.0055 per share;
- We have been unable to attribute a value to the Incentive Shares for the purpose of this report based on the inherent uncertainty regarding the achievement of the underlying Milestones.

10.1.7 As the Debt Conversion and issue of Incentive Shares are interdependent resolutions we are required to provide an opinion on the collective Transaction. Therefore due to the limitation of information available to attribute a value to the Incentive Shares, in our opinion, the proposed Transaction is ***not fair*** to the Non-Associated Shareholders of MUT.

10.2 Reasonableness

10.2.1 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

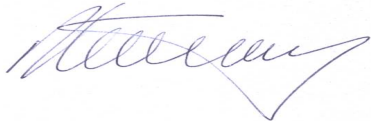
- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

10.2.2 We have concluded that the Transaction is reasonable. In forming our opinion we have also considered the following relevant factors.

- The Alliance Agreement has enabled the Company to reach agreement with certain Creditors for the conversion of their debt into equity which significantly reduces the Company's debt levels and associated costs and ensures they are more appropriate to manage the next stage of growth.
- The acquisition of a strategic stake in the Company by Triple R reinforces the Company's access to the supply and manufacturing resources of Triple R which will create and expand the market opportunities for the Company into the future.
- The Incentive Shares to be issued to Triple R under the Alliance Agreement are part of the broader objective to strengthen the relationship between MUT and Triple R. Achievement of the Milestones required for the issue of the Incentive Shares will have a direct impact on the future profits of the Company and provide an opportunity for MUT to increase shareholder value.
- The Transaction will result in an increase in MUT's net assets and market capitalisation and provide an opportunity for MUT to increase shareholder value and put the Company in a better position to incentivise all key partners involved in driving increased sales revenue and contribution.
- The Alliance Agreement contains the measurable performance criteria which must be achieved prior to any Incentive Shares being issued. In the context of the current annual sales of MUT (FY2014, \$3.7 million), the attainment of any of the milestones will be material to the operations of the Company.
- As part of the proposed restructure, Mr Ross Standfast and Mr Hans Luttringer, two experienced retail executives, will assist the Company in maximizing the benefits of the Triple R alliance and refocussing on the Company's Australian operations. Mr Luttringer will be seconded to MUT by Triple R and accordingly Triple R will be paying for the costs associated with the provision of Mr Luttringer services.
- The Transaction and resulting increase in market capitalisation has the potential to improve liquidity in shares increasing ease of trading.
- Considering the increase in the share price that occurred after the first announcement of the Alliance Agreement, the MUT share price is likely to fall in the event the Transaction is not approved. For the month immediately prior to the original announcement of the Alliance Agreement on 20 February 2014 MUT shares traded at a VWAP of \$0.002. MUT shares are currently trading at around \$0.004 per share.
- The Directors and their advisors are not aware of any more favourable transaction than the one proposed.
- The MUT Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and is a strategic opportunity for the Company.

10.2.3 Accordingly, in our opinion, having considered the advantages of the Transaction and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of MUT should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited

A handwritten signature in blue ink, appearing to read 'David Kenney', is written over a faint, circular, light blue watermark or stamp. The signature is fluid and cursive.

DAVID KENNEY

APPENDIX I - SOURCES OF INFORMATION

- Multi Channel Solutions Limited Audited Financial Report for the years ended 30 June 2013 and 30 June 2014;
- Alliance Agreement between Multi Channel Solutions Limited and Triple R International Limited;
- Multi Channel Solutions Limited Notice of General Meeting and Explanatory Memorandum;
- MUT Company registry details;
- MUT share trading history;
- Publicly available information on MUT, including media releases, ASX announcements and websites;
- S&P Capital IQ market data;
- Regulatory Guide 74 ‘Acquisitions Agreed to by Shareholders’;
- Regulatory Guide 111 ‘Content of Expert Reports’;
- Regulatory Guide 112 ‘Independence of Expert’s Reports’; and
- APES 225 ‘Valuation Services’.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to MUT with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of MUT.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with MUT, its related parties or associates that would compromise our impartiality.

Mr David Kenney, a director of Hall Chadwick Corporate (NSW) Limited, who is a registered company auditor, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of MUT for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of MUT have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by MUT as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

MUT has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by MUT to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of MUT. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to MUT shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the Proposed Transaction is fair and reasonable. HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to MUT shareholders.

Shareholders should read all documents issued by MUT that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the Non-Associated Shareholders of MUT. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than an Non-Associated Shareholder of MUT, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX III - FINANCIAL SERVICES GUIDE

Dated 21 October 2014

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of dealing in the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of Multi Channel Solutions Limited ("MUT" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by MUT in relation to the proposed issue of shares by MUT (the "Transaction").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$15,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr David Kenney, a director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

HC entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of the Client or has other material financial interests in the Transaction.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:
The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing,

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: 02 9263 2600
Facsimile: 02 9263 2800