MULTI CHANNEL SOLUTIONS LIMITED

A.B.N. 60 006 569 124

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2013

COMPANY INFORMATION

Directors in Office:	Desmond Smale	(Executive Chairman)
	Roger Smith	(Non-executive Director)
	John White	(Non-executive Director)
	Clay Moore	(Executive Director)
Company Secretary:	Michael Willoughby	
Auditors:	Hall Chadwick Level 29 31 Market Street Sydney NSW 2000	
Share Registry:	Computershare Investor Services Pty Ltd. Level 12 565 Bourke Street Melbourne, Vic. 3000	
Bankers	National Australia Bank Level 1, 252 Forest Road Hurstville NSW 2223	
Registered Office:	Unit 1, 2 Turbo Road Kings Park, NSW, 2148 Telephone (02) 9672 8777 Facsimile (02) 9671 1808	
Stock Exchange Listing:	The Australian Stock Exchange Limited ASX Code: MUT	

Financial Report for the Year Ended 30 June 2013

DIRECTORS' REPORT

Your directors present their report of the company and its controlled entities for the financial year ended 30 June 2013.

Directors

The names of directors in office at any time during or since the end of the year are:

Desmond Smale, Executive Chairman

Roger Smith, Non Executive Director

John White, Non Executive Director

Clay Moore, Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Michael Willoughby

Group accountant for past five years with Multi Channel Solutions Limited. Appointed Company Secretary on 30th November 2012.

Principal Activities

The principal activity of the company during the year consisted of the marketing and distribution of consumer based products. There were no significant changes in the nature of the economic entity's principal activity during the financial year.

Operating Results

The consolidated loss of the group after providing for income tax amounted to $1,859,140 (2012: $307,093).

Dividends

No interim dividend (2012: Nil) was paid during the year. No final dividend is recommended by the Directors.

Review of Operations

Trading Operations

DIRECTORS' REPORT

The Trading loss for the 2013 financial year is $223,607 compared to a loss of $307,093 for the prior corresponding period. Revenue for the 2013 financial year was $3,664,796 compared to $4,630,824 for the prior corresponding period. The profit improvement can be attributed to cost cutting measures implemented earlier in the year. The revenue shortfall can be attributed to the significant decline in sales to Retail Adventure Pty Ltd (RAPL) as a result of them being placed in Administration, as well as the loss of some Bath Accessories product lines.

The Consolidated loss from ordinary activities for the year ended 30th June 2013 was $1,859,140, an increase of $1,552,047 on the previous year. This can be attributed to a write down of RAPL - $134,518, the increased Provision for profit drawings in advance for Home & Business to $1,080,757 and the impairment of Goodwill by $1,100,000. We believe that it is prudent to make these write downs and provision.

Australian Operations

The Australian subsidiary, Bronson Marketing Pty. Ltd has made significant progress in its diversification program with several projects expected to reach maturity in financial year 2014. One of these major projects is the supply of a new Premium Hair Care range to a supermarket group. With a range of 12 new lines of Salon quality Shampoos, Conditioners, Treatments and Styling products in over 500 stores. We are of the view that this product range will have a significant impact on revenue effective from August 2013 and have reasonable expectations that the revenue contribution will enable us to achieve a revenue growth of approximately 50% over financial year 2013. The opening orders received to date have surpassed our budget forecast. Details of this project were announced to the ASX on 26th August 2013. Additionally four new lines of Cotton products will be added to our existing range and will also contribute to revenue effective January 2014.

American Operations

Cat Litter sales of our American operation are gradually growing with new distribution into Freedom Pets, Canada. Our US subsidiary has also diversified into a new and currently trending category. We are working on a major project which we expect to come into fruition in the immediate future. More details will be included in an announcement to be made to the ASX next week.

Significant Changes in the State of Affairs

On the 26th August 2013 Bronson Marketing Pty. Ltd launched a new premium Salon quality hair care range and opening orders are being delivered. The range comprises of four shampoos, four Conditioners, two styling and two treatment products. We are encouraged by the expanded distribution and the initial order quantities which have surpassed our budget expectations.

Borrowings issued during the year

A total of $445,152 in cash was raised from loans and $100,000 raised by the issue of shares for further funding of the Home & Business Consumer Products business in the USA.

Information on Directors

Desmond Smale	—	Chairman and Executive Director
Experience and qualifications	—	Appointed Chairman 2007. Board member since 2007. Has a finance and marketing background having held various senior management positions in Qantas Airways. He has guided Bronson Marketing over the last 18 years.
Interest in Shares and Options	—	472,289,494 Ordinary Shares in Multi Channel Solutions Limited and options to acquire a further 17,500,000 ordinary shares.
Directorships held in other listed entities	—	Nil
Roger Smith	—	Non Executive Director
Experience and qualifications	—	Board member since 1991. Has many years experience in retail trade and financial planning.
Interest in Shares and Options	—	7,217,072 Ordinary Shares in Multi Channel Solutions Limited and options to acquire a further 17,500,000 ordinary shares.
Directorships held in other listed entities	—	Nil
John White	—	Non Executive Director
Experience and qualifications	—	Board member since December 2009. Has vast experience in all aspects of business particularly in direct mailing. He owns and runs a successful and

DIRECTORS' REPORT

		established mailing house facility.
Interest in Shares and Options	—	1,500,000 Ordinary Shares in Multi Channel Solutions Limited and options to acquire a further 17,500,000 ordinary shares.
Directorships held in other listed entities	—	Nil
Clay Moore	—	Executive Director
Experience and qualifications	—	Board member since December 2009. Has over 20 years experience in sales and marketing. He is the president - sales and marketing of Home and Business Consumer Products LLC in which he has a 49% shareholding.
Interest in Shares and Options	—	17,500,000 options to acquire ordinary shares in Multi Channel Solutions Limited.
Directorships held in other listed entities	—	Nil

REMUNERATION REPORT

The remuneration policy of Multi Channel Solutions Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives. The Board of Multi Channel Solutions Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group and to attain the targets set by the Board and management.

This report details the nature and amount of remuneration for each key management person of Multi Channel Solutions Limited, and for the executives receiving the highest remuneration.

Throughout the financial year, the company did not have a remuneration committee as the directors believe the size of the consolidated entity and the size of the Board did not warrant its existence.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is based on the following:

- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation and options.
- Incentives paid in the form of options are intended to align the interests of the directors and company with those of the shareholders.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9% of the individual's average weekly ordinary time earnings (AWOTE), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payment towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination will lapse. The Non Executive Directors are not entitled to retirement benefits,

All remuneration paid to KMP is valued at the cost to the company and expensed.

DIRECTORS' REPORT

Key Management Personnel Remuneration

Key Management Person	Cash, salary and commissions	Superannuation	Options	Total
	$	$	$	$
2013				
Desmond Smale	224,688	18,692	-	243,380
Errol Graham	78,271	6,577	-	84,848
Michael Willoughby	110,740	9,900	-	120,640
Roger Smith	-	-	-	-
John White	-	-	-	-
Clay Moore	-	-	-	-
	413,699	35,169	-	448,868
2012				
Desmond Smale	205,178	50,953	-	256,131
Errol Graham	200,942	18,000	-	218,942
Roger Smith	-	-	-	-
John White	-	-	-	-
Clay Moore	-	-	-	-
	406,120	68,953	-	475,073

Meetings of Directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Desmond Smale	11	11
Roger Smith	11	11
John White	11	11
Clay Moore	11	11

Indemnification and Insurance of Officers and Auditors

During the year the Company did not take out Directors and Officers Liability Insurance and did not take out any indemnification against company auditors.

Options

At the date of this report, the unissued ordinary shares of Multi Channel Solutions Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
17 November 2010	30 November 2013	$0.03	30,000,000
17 November 2010	30 November 2014	$0.04	40,000,000
			70,000,000

Events Subsequent to Balance Date

On the 26th August 2013 Bronson Marketing Pty. Ltd launched a new premium Salon quality hair care range and opening orders are being delivered. The range comprises of four shampoos, four Conditioners, two styling and two treatment products. We are encouraged by the expanded distribution and the initial order quantities which have surpassed our budget expectations.

Environmental Regulations

To the best of the Directors' knowledge, all activities have been undertaken in compliance with the requirements of environmental regulations.

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Multi Channel Solutions Limited support and have adhered to the principles of good corporate governance. The company's corporate governance statement is on page 47.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

Non Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by management prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Hall Chadwick for non-audit services provided during the year ended 30 June 2013.

Taxation Services	$6,900

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 9 of the financial report.

Desmond Smale, Director

Dated this 30th day of September 2013

HALLCHADWICK
Chartered Accountants and Business Advisers

MULTI CHANNEL SOLUTIONS LIMITED
ABN 60 006 569 124

AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MULTICHANNEL SOLUTIONS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(b) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Level 29, 31 Market Street
Sydney, NSW 2000

Graham Webb
Partner
Date: 30 September 2013

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 30.06.2013	Consolidated Group 30.06.2012
		$	$
Revenue	2	3,664,796	4,630,824
Expenses			
Cost of product sold		1,172,155	1,809,726
Advertising and media expenses		7,398	5,909
Travel expenses		35,088	45,187
Financial expenses		393,495	432,015
Depreciation and amortisation		16,832	23,488
Employee benefit expenses		880,338	1,186,093
Legal compliance and professional fees		126,930	154,525
Rental and operating lease expenses		168,688	163,288
Impairment of goodwill		1,100,000	-
Provision for slow moving stock		-	10,699
Provision for profit drawings in advance		1,080,757	620,648
Provision for doubtful debt		134,518	-
Warehouse and distribution costs		325,983	393,896
Other expenses		81,754	92,443
Total Expenses		5,523,936	4,937,917
(Loss) before income tax	3	(1,859,140)	(307,093)
Income tax benefit/(expense)	4	-	-
(Loss) for the year		(1,859,140)	(307,093)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Adjustments from translation of foreign controlled entities		41,338	78,465
Other comprehensive income for the year, net of tax		41,338	78,465
Total comprehensive income for the year		(1,817,802)	(228,628)
Loss attributable to members of the parent entity		(1,859,140)	(307,093)
		(1,859,140)	(307,093)
Total comprehensive income attributable to members of the parent entity		(1,817,802)	(228,628)
		(1,817,802)	(228,628)
Earnings per share			
From continuing operations			
Basic earnings per share (cents)	8a	(0.04447)	(0.01086)
Diluted earnings per share (cents)	8b	(0.01663)	(0.00218)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Consolidated Group 30.06.2013 $	30.06.2012 $
CURRENT ASSETS			
Cash and cash equivalents	9	52,489	5,533
Trade and other receivables	10	740,713	871,321
Inventories	11	548,301	581,482
Other current assets	16	405,733	365,417
TOTAL CURRENT ASSETS		1,747,236	1,823,753
NON-CURRENT ASSETS			
Plant and equipment	14	70,502	80,419
Other non-current assets	16	300,901	678,339
Intangible assets	15	2,394,921	3,466,060
TOTAL NON-CURRENT ASSSETS		2,766,324	4,224,818
TOTAL ASSETS		4,513,560	6,048,571
CURRENT LIABILITIES			
Trade and other payables	17	609,397	649,681
Short-term provisions	18	154,911	134,730
Current tax liabilities	19	-	34,986
Financial liabilities	20	782,254	911,570
TOTAL CURRENT LIABILITIES		1,546,562	1,730,967
NON-CURRENT LIABILITIES			
Financial liabilities	20	3,122,497	2,755,301
TOTAL NON-CURRENT LIABILITIES		3,122,497	2,755,301
TOTAL LIABILITIES		4,669,059	4,486,268
NET ASSETS		(155,499)	1,562,303
EQUITY			
Issued capital	21	8,281,687	8,181,687
Reserves	22	376,248	767,199
Retained earnings		(8,813,505)	(7,386,654)
Parent interest		(155,570)	1,562,232
Non controlling interests		71	71
TOTAL EQUITY		(155,499)	1,562,303

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Consolidated Group

	Share Capital Ordinary	Accumulated (Losses)/ Profit	Option Reserve	Foreign Currency Translation Reserve	Non Controlling Interests	Total
	$	$	$	$	$	$
Balance at 1.7.2011	8,181,687	(7,079,561)	1,000,329	(311,595)	71	1,790,931
Loss attributable to members of parent entity	-	(307,093)	-	-	-	(307,093)
Total other comprehensive income for the year	-	-	-	78,465	-	78,465
Balance at 30.06.2012	8,181,687	(7,386,654)	1,000,329	(233,130)	71	1,562,303
Balance at 1.7.2012	8,181,687	(7,386,654)	1,000,329	(233,130)	71	1,562,303
Loss attributable to members of parent entity	-	(1,859,140)	-	-	-	(1,859,140)
Shares issued during the period	100,000	-	-	-	-	100,000
Transfer of expired options from option reserve to accumulated losses	-	432,289	(432,289)	-	-	-
Total other comprehensive income for the year	-	-	-	41,338	-	41,338
Balance at 30.06.2013	8,281,687	(8,813,505)	568,040	(191,792)	71	(155,499)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 30.06.2013 $	30.06.2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,774,584	4,792,838
Payments to suppliers		(3,658,989)	(4,542,447)
Interest received		1,036	775
Interest paid		(334,579)	(335,100)
Income tax paid		(35,696)	(90,684)
Other income		19,783	18,070
Net cash (outflow)/inflow from operating activities	26b	(233,861)	(156,548)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(6,914)	(5,422)
Payment for intangible assets		(28,862)	(48,104)
Net cash (outflow)/inflow from investing activities		(35,776)	(53,526)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		100,000	-
Repayment of hire purchase liabilities		(15,163)	(21,118)
Payments to related parties		(77,955)	(126,507)
Proceeds from convertible notes		-	400,000
Repayment of convertible notes		-	(50,000)
Proceeds from borrowings		645,152	-
Repayment of borrowings		(200,000)	-
Net cash inflow/(outflow) from financing activities		452,034	202,375
Net increase/(decrease) in cash held		182,397	(7,699)
Cash at beginning of year		(628,957)	(621,255)
Effect of exchange rates on cash holdings in foreign currencies		775	(3)
Cash at end of year	26a	(445,785)	(628,957)

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Multi Channel Solutions Limited and controlled entities ('Consolidated Group' or 'Group').

The separate financial statements of the parent entity, Multi Channel Solutions Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial report was authorised for issue on 30 September 2013 by the Board of Directors.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The group is a for-profit entity for financial reporting purposes under Australia Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Going Concern**

The financial statements have been prepared on the going concern basis, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The net loss after income tax for the consolidated entity for the financial year ended 30 June 2013 was $1,859,140, and as at 30 June 2013, total liabilities exceeded total assets by $155,419.

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis for the following reasons:-

- The Group has raised funds throughout the year by way of loans to fund the company's ongoing working capital requirements.
- The Group has the ability to raise further funding for its operations through the issue of convertible notes, equity or loans from both related parties and externally.
- Based on the Group's budget for the year ended September 2014, the directors expect the Group to be profitable in the 2014 financial year. This is because:
  - The diversification into new categories will broaden our distribution base and our revenue stream
  - The recently launched Vitashine Hair Care range as well as further new lines are expected to make a major revenue and profit contribution to Bronson Marketing Pty. Ltd
  - The diversification into a new category in the US is expected to produce a significant improvement to revenue and Home & Business Consumer Products LLC share of profit under the agreement between Bay Street Brands LLC and Clay Moore.

b. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Multi Channel Solutions Limited at the end of the reporting period. A controlled entity is any entity over which Multi Channel Solutions Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 13 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reverse Acquisition

The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary Bronson Marketing Pty Ltd (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, Multi Channel Solutions Limited (the acquiree for accounting purposes).

As set out in Note 15, goodwill amounting to $14,791,630 arose on the difference between the fair value of the net assets of Multi Channel Solutions Limited at the date of acquisition and the fair value of the portion of Bronson Marketing Pty Ltd shares deemed to be issued to Multi Channel Solutions Limited shareholders to complete the acquisition. As at 30 June 2013, the carrying value of this goodwill was $3,417,956 (2012: $3,417,956).

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

c. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Multi Channel Solutions Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group under the tax consolidation regime. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity

d. **Inventories**

Inventories are measured at the lower of cost and net realisable value.

e. **Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line or diminishing value basis as appropriate over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	11–40%
Office equipment	10– 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

f. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. **Intangibles**

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest,

over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (*proportionate interest method*). The Group determines which method to adopt for each acquisition.

Under the *full goodwill method*, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Patents and web design

Patents and web design are recognised at cost. Patents and web design have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and web design are amortised over their useful life.

Class of Intangible Asset	**Useful Life**
Patents	10 years
Web design	2 years

h. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the statement of profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

— assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

i. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

j. **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

l. **Revenue**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

m. **Trade, Other Receivables and Other Assets**

(i) Trade and other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(ii) Other Assets

Other Assets include amounts receivable under the joint venture agreement between Home & Business Consumer Products LLC. Other assets expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other amounts are classified as non-current assets.

Other assets are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment. Refer to Note 16 for further discussion on Other Assets.

n. **Borrowing Costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

o. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p. **Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of grant, Fair value is measured by use of the Black Scholes Option Pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

q. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

r. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Key Estimates

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The discounted cash flow method has been used to arrive at the carrying value of goodwill in the accounts.

An impairment of $1,100,000 has been recognised in respect of goodwill in the current reporting period.

Key Judgements

Provision for impairment of non current assets

Included in non current assets is the profit drawings in advance account against which a provision has been booked for the year ended 30th June of $1,080,757, giving a total provision of $1,916,083. Whilst Home & Business Consumer Products LLC is still in the process of establishing its products in the American market it was considered prudent to book a provision at this juncture of the Company's development, against the cat litter products.

	Consolidated Group	
	2013	2012
	$	$
NOTE 2: REVENUE		
Revenue from operating activities		
Product Sales	3,643,977	4,611,979
Interest received or due and receivable from other persons	1,036	775
Other revenue	19,783	18,070
	3,664,796	4,630,824

NOTE 3: OPERATING (LOSS)

	2013	2012
(Loss) before income tax expense includes the following expenses		
Cost of product sold	1,172,155	1,809,726
Financial expenses	393,495	432,015
Depreciation and amortisation	16,832	23,488
Employee benefit expenses	880,338	1,186,093
Rental and operating lease expenses	168,688	163,288
Impairment of goodwill	1,100,000	-
Provision for slow moving stock	-	10,699
Provision for profit drawings in advance	1,080,757	620,648
Provision for doubtful debt	134,518	-
Legal compliance and professional fees	126,930	154,525
Warehouse and distribution costs	325,983	393,896

NOTE 4: INCOME TAX EXPENSE

		Consolidated Group	
		2013	2012
		$	$
a.	The components of income tax expense comprise:		
	Current tax	-	-
	Deferred tax	(581,833)	(111,976)
	Utilisation of deferred tax assets previously not recognised	-	(82,107)
	Deferred tax assets not recognised (losses)	16,226	185,132
	Deferred tax assets not recognised (temporary)	565,606	8,951
		-	-
b.	The prima facie tax on (loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
	Prima facie tax payable on (loss) from ordinary activities before income tax at 30% (2012: 30%)	(557,742)	(92,128)
	Add:		
	Tax effect of:		
	— other non-allowable items	3,195	6,599
	Less:		
	Tax effect of:		
	— Difference in tax rate	(27,286)	(26,447)
	— Utilisation of deferred tax assets previously not recognised	-	(82,107)
	— Deferred tax assets not recognised (losses)	16,226	185,132
	— Deferred tax assets not recognised (temporary)	565,606	8,951
	Income tax expense/(benefit)	-	-

The deferred tax assets on carried forward tax losses is $3,609,501 (2012:$(3,482,404)

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

a. **Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:**

Key Management Person	Position
Desmond Smale	Managing Director and Chairman
Roger Smith	Non Executive Director
John White	Non Executive Director
Clay Moore	Executive Director
Errol Graham	Company Secretary and Chief Financial Officer (Resigned 26 October 2012)
Michael Willoughby	Company Secretary and Chief Financial Officer (Appointed 30 November 2012)

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (cont)

The totals of remuneration paid to KMP of the company and the Group during the year are as follows.

	2013	2012
	$	$
Short-term employee benefits	413,699	406,120
Post-employment benefits	35,169	68,953
	448,868	475,073

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report

b. **KMP Options and Rights Holdings**

The Number of Options over ordinary shares held by each KMP of the group during the financial year.

	Balance 1.7.2012	Granted as Compensation and Exercisable	Options Expired	Balance 30.06.2013
Desmond Smale	22,500,000	-	(5,000,000)	17,500,000
Roger Smith	22,500,000	-	(5,000,000)	17,500,000
John White	22,500,000	-	(5,000,000)	17,500,000
Clay Moore	22,500,000	-	(5,000,000)	17,500,000
Errol Graham	22,500,000	-	(22,500,000)	-
Total	112,500,000	-	-	70,000,000

	Balance 1.7.2011	Granted as Compensation and Exercisable	Options Expired	Balance 30.06.2012
Desmond Smale	22,500,000	-	-	22,500,000
Roger Smith	22,500,000	-	-	22,500,000
John White	22,500,000	-	-	22,500,000
Clay Moore	22,500,000	-	-	22,500,000
Errol Graham	22,500,000	-	-	22,500,000
Total	112,500,000	-	-	112,500,000

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (CONTINUED)

c. **KMP Shareholdings**

The number of ordinary shares held by each KMP of the group during the financial year

	Balance 01.07.2012	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.06.2013
Desmond Smale	472,289,494	-	-	-	472,289,494
Roger Smith	7,217,072	-	-	-	7,217,072
John White	1,500,000	-	-	-	1,500,000
Clay Moore	-	-	-	-	-
Michael Willoughby	-	-	-	-	-
Total	481,006,566	-	-	-	481,006,566

	Balance 01.07.2011	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.06.2012
Desmond Smale	472,289,494	-	-	-	472,289,494
Roger Smith	7,217,072	-	-	-	7,217,072
John White	1,500,000	-	-	-	1,500,000
Clay Moore	-	-	-	-	-
Errol Graham	-	-	-	-	-
Total	481,006,566	-	-	-	481,006,566

* Net Change Other refers to shares purchased or sold during the financial year.

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group	
	2013 $	2012 $
Remuneration of the auditor of the parent entity for:		
— audit and review of the financial report	78,623	78,104
— taxation services	6,900	3,250
— accounting services	-	1,500
Total	85,523	82,854

NOTE 7: DIVIDENDS

No dividends have been paid during the financial year.

NOTE 8: EARNINGS PER SHARE

			Consolidated Group	
			2013	**2012**
a.	Net (loss) used in the calculation of basic EPS	$	(1,859,140)	(307,093)
	Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	No.	41,805,342	28,277,945
b.	Net (loss) used in the calculation of diluted EPS	$	(1,859,140)	(307,093)
	Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	No.	111,805,342	140,777,945

	Consolidated Group	
	2013	**2012**
	$	**$**
NOTE 9: CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	52,489	5,533
	52,489	5,533

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	939,764	945,161
Less provision for settlement discount	(51,082)	(73,840)
Less provision for doubtful debt	(147,969)	-
	740,713	871,321

Contract terms are up to 70 days. Of the above amount $792 (2012: $17,852) is past due not impaired. Settlement discounts are provided as part of trading terms for payment within specified time frames.

NOTE 11: INVENTORIES

CURRENT		
Finished Goods, at cost	516,706	756,213
Stock in transit, at cost	31,595	23,644
Less provision for slow moving stock	-	(214,637)
	548,301	565,220

NOTE 12: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	Parent Entity	
	2013 $	2012 $
Results of the parent entity		
(Loss) for the year	(1,583,005)	(581,315)
Other comprehensive income		
Total comprehensive income for the year	(1,583,005)	(581,315)
Financial position of the parent entity at year end		
Current assets	34,496	960
Total assets	2,352,652	3,419,116
Current Liabilities	139,495	150,307
Total liabilities	2,693,716	2,277,176
Total equity of the parent entity comprising of:		
Share capital	36,578,804	36,478,804
Reserves	1,102,668	1,534,955
Retained earnings	(38,022,536)	(36,871,818)
Total equity	(341,064)	1,141,941

Parent entity guarantees in respect of its subsidiaries

The parent entity has guaranteed the liabilities of its subsidiary, Bronson Marketing Pty Ltd, to its bankers.

Contingent liabilities

Multi Channel Solutions Limited does not have any contingent liabilities at 30 June 2013.

NOTE 13: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2013	2012
Subsidiaries of Multi Channel Solutions Limited			
Bronson Marketing Pty Ltd	Australia	100%	100%
Icon Marketing International Pty Ltd #	Australia	100%	100%
Bay Street Brands LLC (subsidiary of Icon Marketing International Pty Ltd)	United States	100%	100%
Ab Solutions LLC (subsidiary of Icon Marketing International Pty Ltd) #	United States	80.16%	80.16%
Home & Business Consumer Products LLC	United States	51%	51%

 # These companies did not trade during the financial year

** Percentage of voting power is in proportion to ownership*

b. **Controlled Entities**

No controlled entities were acquired or disposed of during the financial year.

NOTE 14: PLANT AND EQUIPMENT

	Consolidated Group	
	2013	**2012**
	$	**$**
Office furniture and equipment, motor vehicles	334,670	327,756
Less accumulated depreciation	(264,168)	(247,337)
	70,502	80,419
Opening Balance	80,419	110,532
Additions	6,915	5,422
Disposals	-	(12,047)
Depreciation	(16,832)	(23,488)
	70,502	80,419

NOTE 15: INTANGIBLE ASSETS

Goodwill at cost	14,791,630	14,791,630
Less accumulated impairment losses	(12,473,674)	(11,373,674)
	2,317,956	3,417,956
Patent & web design, at cost	76,965	48,104
Net carrying value	2,394,921	3,466,060

	Goodwill	**Patent & Web Design**
	$	**$**
Consolidated Group:		
Year ended 30 June 2012		
Balance at the beginning of the year	3,417,956	-
Additions	-	48,104
Carrying value at 30 June 2012	3,417,956	48,104
Year ended 30 June 2013		
Balance at the beginning of the year	3,417,956	48,104
Additions	-	28,861
Amortisation charge	-	-
Impairment losses	(1,100,000)	-
Closing value at 30 June 2013	2,317,956	76,965

Patent and web design costs have been capitalised at 30 June 2013 and have a finite life of 10 years and 2 years respectively. Patent and web design have not been amortised at 30 June 2013 or 30 June 2012 as the accumulated amortisation charge is not considered material.

Impairment Disclosure

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments.

	2013 $	2012 $
Distribution segment	2,317,956	3,417,956
Total	2,317,956	3,417,956

The recoverable amount of the cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five-year period. The cash flows are discounted using a discount rate of 15%, based on a weighted average of the group's debt facilities, inclusive of a risk free premium.

The following assumptions were used in the value-in-use calculations:

	Year	Growth Rate	Discount Rate
Distribution segment	2014	14.13%	15.0%
	2015-2018	5.00%	15.0%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use future estimated average growth rates. Costs are calculated taking into account historical costs as well as estimated inflation rates over the period. We are forecasting a revenue growth rate of 14.13% for Bronson Marketing Pty. Ltd in financial year 2013/14. This incorporates revenue from all new lines. Most of this growth can be attributed to revenue from the Vitashine range which will contribute 41% of budgeted revenue. We have not budgeted for any growth from products in our current range.

	Consolidated Group	
	2013	2012
	$	$

NOTE 16: OTHER ASSETS

CURRENT		
Prepayments and deposits	66,565	15,662
Profit drawings in advance (i)	339,168	349,755
	405,733	365,417
NON-CURRENT		
Profit drawings in advance (i)	2,216,984	1,298,987
Less provision for profit drawings in advance (ii)	(1,916,083)	(620,648)
	300,901	678,339

(i) The amount for profit drawings in advance totalling $2,556,152 is recoverable from the future earnings of Home & Business Consumer Products LLC (H&B), in accordance with the joint venture agreement between H&B and Clay Moore. The current amount of $339,168 and the non current amount of $300,901 primarily relate to a new product to be launched in the 2014 financial year which the Directors are confident of achieving budget and recovering the profit drawing advance balance of $640,069

(ii) The provision primarily relates to the cat litter product which did not achieve forecast revenues and profits in prior years.

NOTE 17: TRADE AND OTHER PAYABLES

CURRENT		
Trade Creditors	337,489	268,585
Sundry creditors and accrued expenses	271,908	381,096
	609,397	649,681

NOTE 18: SHORT TERM PROVISIONS

Employee entitlements	154,911	134,730
	154,911	134,730
Opening Balance	134,730	94,132
Additional provisions	71,642	110,967
Amounts used	(51,461)	(70,369)
	154,911	134,730

	Consolidated Group	
	2013	2012
	$	$
NOTE 19: CURRENT TAX LIABILITY		
Opening balance	34,986	115,540
Additional provision	710	10,129
Payments	(35,696)	(90,683)
	-	34,986

The current tax liability relates to the 2008 tax liabilities of Bronson Marketing Pty Ltd and Multi Channel Solutions Ltd. The additional provision in each year relates to general interest charges. This liability has been fully repaid in the current year in accordance with the repayment program agreed with the Australian Taxation Office.

NOTE 20: BORROWINGS

	2013 $	2012 $
CURRENT		
Secured liabilities		
Bank overdrafts	498,274	634,490
Trade finance	283,980	261,916
Hire purchase	-	15,164
Total current borrowings	782,254	911,570
NON-CURRENT		
Unsecured liabilities		
Convertible notes	1,890,000	1,890,000
Loans from shareholders	787,345	865,301
Loans from related parties	95,152	-
Other loans	350,000	-
Total non-current borrowings	3,122,497	2,755,301
Total borrowings	3,904,751	3,666,871
a. Total current and non-current secured liabilities	782,254	649,654

Convertible notes are issued for a term of 12 months and 24 months and on expiry can be converted into ordinary shares or redeemed for their face value. The conversion price is the weighted average price of the shares for the last five trading days prior to exercise date less a discount of 25% of this value. The interest rate applicable is 15% per annum on $430,000 and 11% per annum on $1,460,000. No convertible notes are due to expire within 12 months of balance date.

Other loans are issued for a term of between 13 months and 24 months and are repayable on the loan maturity date. The interest rate applicable on shareholder loans of $787,345 is nil and on related party loans of $95,152 is 15% per annum. Interest rate on other loans from non related parties is $300,000 at 11% and $50,000 at 15% per annum.

The bank overdraft and trade finance are secured by way of a charge over debtors and guarantees provided by Desmond Smale, Jennifer Smale, Scanbeer Pty Ltd and Multi Channel Solutions Limited.

The hire purchase liabilities are secured over the Company's motor vehicles.

NOTE 21: ISSUED CAPITAL

	Consolidated Group	
	2013	**2012**
49,111,278 (2012: 28,277,945) fully paid ordinary shares	8,281,687	8,181,687
	8,281,687	8,181,687

a. **Ordinary shares**

	No.	**No.**
At the beginning of reporting period	28,277,945	28,277,945
Shares issued during the year		
- 05 November 2012	20,833,333	-
At the end of the reporting period	49,111,278	28,277,945
	$	**$**
At the beginning of reporting period	8,181,687	8,181,687
Shares issued during the year		
- 05 November 2012	100,000	-
At the end of the reporting period	8,281,687	8,181,687

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

b. **Options**

i. For information relating to the Multi Channel Solutions Limited options, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 27 Share-based Payments.

ii. For information relating to share options issued as acquisition options and outstanding at year-end, refer to Note 27 Share-based Payments.

c. **Capital Management**

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital, convertible notes and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

NOTE 22: RESERVES

a. **Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

b. **Option Reserve**

The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 23: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2013	**2012**
	$	**$**
a. **Operating Lease Commitments**		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
minimum lease payments		
— not later than twelve months	144,372	140,436
— Later than twelve months but not later than 5 years	132,341	269,169
	276,713	409,605

The property lease is non-cancellable with a 5 year term, and rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by CPI per annum. An option exists to renew the head office lease at the end of the five year term for an additional term of three years. A security deposit of $61,871.00 is guaranteed by the bank.

	2013 $	2012 $
b. **Hire Purchase Commitments**		
Payable		
Minimum hire purchase payments		
— not later than twelve months	-	15,652
— Later than twelve months but not later than 5 years	-	-
	-	15,652
Less future finance charges	-	(488)
Present value of Minimum Hire Purchase payments	-	15,164

NOTE 24: CONTINGENT LIABILITIES

There are no contingent liabilities within the group at reporting date.

NOTE 25: SEGMENT REPORTING

Segment Information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of geographic segments. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

Types of products and services by segment

(i) *USA*

Supplies consumer products to USA Club stores and retail groups.

(ii) *Australia*

Marketing and distribution of consumer based products to large retailers.

(iii) *Corporate*

Provide corporate and legal services to the Group.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

All such transactions are eliminated on consolidation in the Group's financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

NOTE 25: SEGMENT REPORTING (CONTINUED)

	USA	Australia	Corporate	Total
	$	$	$	$
(i) Segment Performance				
Year Ended 30.06.2013				
Revenue				
External Sales	178,367	3,465,610	-	3,643,977
Interest Income	-	2	1,034	1,036
Other Revenue	-	19,783	-	19,783
Inter-Segment Sales	-	162,654	6,000	168,654
Total Segment Revenue	**178,367**	**3,648,049**	**7,034**	**3,833,450**
Inter-Segment Elimination	-	(162,654)	(6,000)	(168,654)
Total Group Revenue	**178,367**	**3,485,395**	**1,034**	**3,664,796**
Segment Net (Loss)/Profit (before tax)	**(545,715)**	**269,580**	**(1,583,005)**	**(1,859,140)**
Year Ended 30.06.2012				
Revenue				
External Sales	165,579	4,446,400	-	4,611,979
Interest Income	-	3	772	775
Other Revenue	-	18,070	-	18,070
Inter-Segment Sales	-	100,085	-	100,085
Total Segment Revenue	**165,579**	**4,564,558**	**772**	**4,730,909**
Inter-Segment Elimination	-	(100,085)	-	(100,085)
Total Group Revenue	**165,579**	**4,464,473**	**772**	**4,630,824**
Segment Net (Loss)/Profit (before tax)	**(528,950)**	**803,172**	**(581,315)**	**(307,093)**

NOTE 25: SEGMENT REPORTING (CONTINUED)

	USA	Australia	Corporate	Total
	$	$	$	$
(ii) Segment Assets				
As at 30.06.2013				
Segment Assets	1,745,630	8,244,982	2,352,652	12,343,264
Segment asset increases for the period				
Capital Expenditure	28,170	6,915	-	35,085
Inter-segment eliminations	(866,990)	(6,997,698)	(100)	(7,563,889)
Total Group Assets	**906,810**	**1,254,199**	**2,352,552**	**4,513,561**
As at 30.06.2012				
Segment Assets	1,267,287	8,196,890	3,419,116	12,883,293
Segment asset increases for the period				
Capital Expenditure	48,104	5,422	-	53,526
Inter-segment eliminations	(213,548)	(6,674,600)	(100)	(6,888,248)
Total Group Assets	**1,101,843**	**1,527,712**	**3,419,016**	**6,048,571**
(iii) Segment Liabilities				
As at 30.06.2013				
Segment Liabilities	7,669,376	9,077,036	2,693,716	19,440,128
Inter-segment eliminations	(7,570,833)	(6,981,167)	(219,069)	(14,771,069)
Total Liabilities	**98,543**	**2,095,869**	**2,474,647**	**4,669,059**
As at 30.06.2012				
Segment Liabilities	6,959,802	9,297,033	2,277,176	18,534,011
Inter-segment eliminations	(6,829,707)	(6,981,167)	(236,869)	(14,047,743)
Total Liabilities	**130,095**	**2,315,866**	**2,040,307**	**4,486,268**

(iv) ***Major customers***

The Group has a number of customers to which it provides products. In the USA segment, the Group supplied one single external customer which accounts for 52.3% of external revenue (2012: 63.4%). The next most significant client accounts for 16.6% (2012: 16.5%).

In the Australia segment the Group supplies one external customer which accounts for 58.26% of external revenue (2012: 45.9%). The next most significant client accounts for 15.82% (2012: 27.20%).

NOTE 26: CASH FLOW INFORMATION

	Note	Consolidated Group 2013 $	2012 $
a. Reconciliation of Cash Flow			
Cash at the end of the financial year as showing in the statement of cash flows is balanced to items in the statement of financial position as follows:			
Cash and cash equivalents	9	52,489	5,533
Bank overdraft	20	(498,274)	(634,490)
		(445,785)	(628,957)
b. Reconciliation of (loss) after income tax expense to net cash provided by operating activities			
(Loss) after income tax		(1,859,140)	(307,093)
(Less)/add non-cash flows in (loss) from ordinary activities:			
Depreciation		16,832	23,488
Provision for profit drawings in advance		1,080,757	620,648
Impairment of goodwill		1,100,000	-
Changes in assets and liabilities			
Decrease/(increase) in trade and other receivables		171,170	180,858
(Increase)/Decrease in prepayments and other current assets		(24,054)	3,145
Decrease/(Increase) in inventories		16,919	299,295
(Decrease) /increase in income tax payable		(34,986)	(80,555)
(Decrease) in trade and other payables		(18,220)	(167,109)
Increase/(decrease) in employee entitlements		20,181	40,598
(Increase)/decrease in other non-current assets		(703,319)	(769,823)
		(233,861)	(156,548)

Credit Standby Arrangements with Bank

Credit facilities	1,611,990	1,550,000
Amounts utilised	(846,222)	(896,406)
Amounts unutilised	765,768	653,594

The major facilities are summarised as follows:

Bank overdraft, trade refinance and asset finance:

These facilities are arranged with the NAB on general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

NOTE 27: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2013:

On 30 November 2010, 30,000,000 share options were granted to directors and executives to accept ordinary shares at an exercise price of $0.03 on or before 30 November 2013.

On 30 November 2010, 40,000,000 share options were granted to directors and executives to accept ordinary shares at an exercise price of $0.04 on or before 30 November 2014.

On 26 October 2012, 22,500,000 share options were forfeited.

On 30 November 2012, 20,000,000 share options expired.

All options granted to directors and executives are ordinary shares in Multi Channel Solutions Limited, which confer a right of one ordinary share for every option held.

A summary of the movement s of all company options issues is as follows.

	Consolidated Group			
	2013		2012	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	112,500,000	0.03	112,500,000	0.03
(Forfeited)	(22,500,000)	0.03	-	-
(Expired)	(20,000,000)	0.02	-	-
Outstanding at year-end	70,000,000	0.04	112,500,000	0.03
Exercisable at year-end	70,000,000	0.04	112,500,000	0.03

The weighted average remaining contractual life of options outstanding at year-end was 0.99 year. The exercise price of outstanding options at the end of the report period range between $0.03 to $0.04.

The weighted average fair value of options granted during the year was nil (2012: nil). The values used to calculate the fair value of options using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	$0.04
Weighted average life of the option:	3.61 years
Risk-free interest rate:	4.9%

NOTE 28: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

a. **Directors and director related entities**

The names of each person holding the position of Director of Multi Channel Solutions Limited during the financial year are:

- Desmond Smale, Roger Smith, John White, Clay Moore

No loans were advanced to any of the Directors during the year.

Loans provided by related parties during the year:

- John White $50,000
- Sharon White $45,152.

NOTE 28: RELATED PARTY TRANSACTIONS

Remuneration received or receivable by the Directors of entities in the Company and aggregate amounts paid to superannuation plans in connection with the retirement of Directors and executive officers of entities in the Company are disclosed in the Remuneration Report in the Directors Report.

b. **Directors shareholdings**

At the year end, the Directors in office held a total of 481,006,566 fully paid ordinary shares and 70,000,000 options in the Company. Details of the directors' share and option holdings are disclosed in Note 5 to the Financial Statements.

c. **Other transactions with directors of the Company and their director-related entities**

(i) Loans and other transactions from Desmond Smale and Scanbeer Pty Ltd, a company controlled by Desmond Smale.

	Consolidated Group	
	2013	**2012**
	$	**$**
Beginning of the year	865,301	1,003,855
Loans received	20,000	787
Loan repayments	(97,956)	(127,294)
Purchase of motor vehicle	-	(12,047)
End of the year	787,345	865,301

(ii) Clay Moore has received profit drawings in advance from Home & Business Consumer Products LLC.

	Consolidated Group	
	2013	**2012**
	$	**$**
Beginning of the year	1,648,742	857,464
Foreign exchange variation	156,396	56,038
Amounts advanced	450,113	735,240
Amounts repaid	-	-
End of the year	2,255,251	1,648,742

No other transactions have been entered into with director related entities during the year.

NOTE 29: FINANCIAL RISK MANAGEMENT

a. **Financial Risk Management Policies**

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, convertible notes, loans from related parties & external parties and hire purchase agreements.

Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest Rate Risk – for further details on interest rate risk refer to Note 29(b).

Foreign Currency Risk – the group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The group manages this risk by monitoring the movements in the applicable foreign exchange rates in which it deals, primarily the AUD:USD exchange rate.

Liquidity Risk – Arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analysis in relation to its operational and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from a variety of sources;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Convertible notes were issued during the year for the term of 12 months and 24 months and on expiry can be converted into ordinary shares or redeemed for their face value.

Other loans are issued for a term of 13 months and 24 months and are repaid on the loan maturity date. The interest rate applicable is 15% per annum and 11% per annum.

Credit Risk – The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

b. **Interest Rate Risk**

The company's exposure to interest rate risk, which is the risk that the financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

Consolidated Group	Weighted Average Interest Rate	Floating Interest Rate $	Non-interest bearing $	Total $
2013				
Financial Assets				
Cash	2.75%	52,489	-	52,489
Receivables	-	-	740,713	740,713
		52,489	740,713	793,202
Financial Liabilities				
Bank Overdraft	10.17%	498,274	-	498,274
Payables	-	-	609,397	609,397
Trade Finance Facility	6.05%	283,980	-	283,980
Hire Purchase	-	-	-	-
Convertible Notes	11.91%	1,890,000	-	1,890,000
Loan from Related Party	-	-	787,345	787,345
Other Loans	12.30%	-	445,152	445,152
		2,672,254	1,841,894	4,514,148
2012				
Financial Assets				
Cash	3.50%	5,533	-	5,533
Receivables	-	-	871,321	871,321
		5,533	871,321	876,854
Financial Liabilities				
Bank Overdraft	9.23%	634,490	-	634,490
Payables	-	-	649,681	649,681
Trade Finance Facility	6.72%	261,916	-	261,916
Hire Purchase	8.32%	15,164	-	15,164
Convertible Notes	11.91%	1,890,000	-	1,890,000
Loan from Related Party	-	-	865,301	865,301
		2,801,570	1,514,982	4,316,552

NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)

c. **Net Fair Values**

The fair value of financial assets and liabilities reflect their carrying values.

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

	Net Financial Assets/(Liabilities) in USD	
	2013	**2012**
Home and Business Consumer Products LLC	558,995	883,216

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

	Consolidated Group			
	Profit	**Profit**	**Equity**	**Equity**
	in result of 0.5% Increase in Interest Rate	**in result of 0.5% Decrease in Interest Rate**	**in result of 10% Increase in Exchange Rate**	**in result of 10% Decrease in Exchange Rate**
	$	**$**	**$**	**$**
Year ended 30 June 2013	(14,897)	14,897	(73,478)	89,807
Year ended 30 June 2012	(15,485)	15,485	(85,991)	235,706

NOTE 30: Events Subsequent to Balance Date

On the 26th August 2013 Bronson Marketing Pty. Ltd launched a new premium Salon quality hair care range and opening orders are being delivered. The range comprises of four shampoos, four Conditioners, two styling and two treatment products. We are encouraged by the expanded distribution and the initial order quantities which have surpassed our budget expectations.

NOTE 31: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the group. The group has decided not to early adopt any of the new and amended pronouncements. The group's assessment of the new and amended pronouncements that are relevant to the group but applicable in future reporting periods is set out below:

– AASB 9*: Financial Instruments* (December 2010) and AASB 2010–7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*.

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6*: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: *Consolidated and Separate Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities*. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: *Interests in Joint Ventures* (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

This standard is not expected to significantly impact the Group's financial statements.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group’s financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group’s financial statements.

AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group’s financial statements.

AASB 2011–4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

This Standard is not expected to significantly impact the Group’s financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

- removal of the “corridor” approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
- disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
  - (i) service cost and net interest expense in profit or loss; and
  - (ii) remeasurements in other comprehensive income.

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

The directors anticipate that the application of the amendments to AASB 119 will have an impact on the amounts reported in respect of the Group's defined benefit plans. For instance, if the Group had adopted the new requirements in respect of defined benefit plans in the current reporting period, profit or loss would have been approximately $[insert amount] lower and other comprehensive income would have been higher by the same amount. However, as the impact of the amendments to AASB 119 on initial application to the Group's 2014 financial statements will depend, in part, on the actuarial assumptions adopted at that time (including future salary levels and the discount rate), the directors are currently not able to reasonably quantify the likely impact.

AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011* (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including:

- AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information;
- AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

The above Standards are not expected to significantly impact the Group's financial statements.

NOTE 32: COMPANY DETAILS

The registered office of the company is:

Multi Channel Solutions Limited

Unit 1, 2 Turbo Road

Kings Park 2148

The principal places of business are:

— Bronson Marketing Pty Ltd
Unit 1, 2 Turbo Road

Kings Park 2148

— Home and Business Consumer Products LLC
21 Brook Street # 15
Seekonk MA 02771

USA

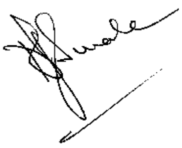
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 10 to 45, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group;
2. the Chairman and Chief Financial Officer have each declared that:
    a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
    b. the financial statements and notes for the financial year comply with the Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view;
3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Desmond Smale

Dated this 30th of September 2013

HALLCHADWICK

Chartered Accountants and Business Advisers

MULTI CHANNEL SOLUTIONS LIMITED
ABN 60 006 569 124
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MULTI CHANNEL SOLUTIONS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Multi Channel Solutions Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

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

Independence

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

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HALLCHADWICK
Chartered Accountants and Business Advisers

Auditor's Opinion

In our opinion:

a) the financial report of Multi Channel Solutions Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Emphasis of Matter

Without modifying our opinion we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $1,859,140 during the year ended 30 June 2013 and as at that date the consolidated entity's total liabilities exceeded its total assets by $155,499. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty which may cast 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 financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 7 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Multi Channel Solutions Limited for the year ended 30 June 2013 complies with s 300A of the Corporations Act 2001.

Hall Chadwick

Hall Chadwick
Level 29, 31 Market Street
Sydney, NSW, 2000

Graham Webb
Partner
30 September 2013

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	Number Ordinary	Number Redeemable
1 – 1,000	50	-
1,001 – 5,000	56	-
5,001 – 10,000	86	-
10,001 – 100,000	255	-
100,001 – and over	278	-
	725	-

b. The number of shareholdings held in less than marketable parcels is 490.

c. The names of the substantial shareholders listed in the holding company's register as at 28 August 2012 are:

Shareholder	Number Ordinary	Number Preference
Desmond Smale	236,144,747	-
Scanbeer Pty Ltd	186,144,747	-

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. **20 Largest Shareholders — Ordinary Shares**

Name		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	MR DESMOND GREGORY SMALE	236,144,747	28.59
2.	SCANBEER PTY LIMITED	186,144,747	22.53
3.	SCANBEER PTY LIMITED <SMALE FAMILY SUPER FUND A/C>	50,000,000	6.05
4.	CARDRONA ENERGY PTY LIMITED	20,833,333	2.52
5.	NOHUNI PTY LTD <SUPER FUND A/C>	16,600,000	2.01
6.	MR SAMUEL RUDZYN + MRS ROBYN RUDZYN <S & R RUDZYN SUPER FUND A/C>	15,000,000	1.82
7.	COLEPIN PTY LTD <BARRETT&SONS TRAD CO S/F AC>	13,400,000	1.62
8.	MR JASON RYAN + MR ALEX RYAN <RYAN FAMILY SMSF A/C>	13,218,107	1.60

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. **20 Largest Shareholders — Ordinary Shares**

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
9.	MR STEPHEN CLARKE JONES	9,500,000	1.15
10.	MR TREVOR NEIL HAY	9,182,184	1.11
11.	MRS YVONNE DESAUNETTES	7,408,500	0.90
12.	MR GARY SNOW	6,450,000	0.78
13.	MOSSCO CAPITAL INC	6,363,637	0.77
14.	MR MAX GLATTER + MRS PAMELA GLATTER	6,101,513	0.74
15.	MR GLEN WILLIAM MCDONALD	6,000,000	0.73
16.	HALITH PTY LTD	5,587,663	0.68
17.	CITICORP NOMINEES PTY LIMITED	5,060,474	0.61
18.	MR MURPHY TSAI	4,545,455	0.55
19.	PONITE PTY LIMITED	4,487,500	0.54
20.	AMBER MANAGEMENT PTY LTD <INTAX NO 2 SUPER FUND A/C>	4,388,587	0.53
		626,416,447	75.83

2. The name of the company secretary is Michael Willoughby.
3. The address of the principal registered office in Australia is Unit 1, 2 Turbo Road, Kings Park, NSW 2148. Telephone (02) 9672 8777.
4. Registers of securities are held at the following addresses

Victoria — Computershare Investor Services Pty Ltd
Yarra Falls
452, Johnston Street
Abbotsford, VIC 3067

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**

Options over Unissued Shares

A total of 70,000,000 options are on issue to Desmond Smale, Roger Smith, John White, Clay Moore.

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2013

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2013.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The names of independent directors of the company are:

Roger Smith and John White

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

— less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;

— no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and

— none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board of directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit Committee

The Board has not established an Audit committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible. Although there is no Audit Committee, formal meetings are held between nominated directors and the external auditor, to discuss the findings of the half year review and the year end audit.

CORPORATE GOVERNANCE STATEMENT

Performance Evaluation

Given the current size of the Multi Channel Solutions Ltd Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of individual Directors and would consider the implementation of one at this particular point as impractical. The Directors do consider, on an ongoing basis, the overall performance of the Board in context of the Company meeting and exceeding its stated objectives and the trading price of its shares on the ASX.

Board Roles and Responsibilities

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Multi Channel Solutions Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The worsening economic environment has emphasised the importance of managing and reassessing its key business risks.

Remuneration Policies

The Board has not established a Remuneration committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible. Remuneration to the Executive Directors is by way of salary only, with the level of salary, having been set by the Board to an amount it considers to be commensurate for a company of Multi Channel Solutions Ltd size and level of activity. There is currently no link between performance and remuneration. Further there are no schemes for retirement benefits in existence.