MULTI CHANNEL SOLUTIONS LIMITED
AND CONTROLLED ENTITIES
(ABN 60 006 569 124)

APPENDIX 4E

PRELIMINARY FINAL REPORT
YEAR ENDED 30 JUNE 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	Year Ended 30 June 2012 $	Year Ended 30 June 2011 $	% Change
Revenue from ordinary activities	4,611,979	5,114,071	(9.82)
(Loss) after tax from ordinary activities attributable to members	(307,093)	(935,781)	67.18
(Loss) attributable to members	(307,093)	(935,781)	67.18

COMMENTARY ON THE RESULTS FOR THE PERIOD

The commentary on the results for the period is contained in the "Review of Operations" included within the Directors' Report.

NET TANGIBLE ASSETS PER SHARE

	Year Ended 30 June 2012 Cents per Share	Year Ended 30 June 2011 Cents per Share
Net tangible assets per share	(0.06732)	(0.05754)

30 August 2012

1. Overview of Results

Trading Operations

Revenues from ordinary activities for the year ended 30th June 2012 was $4,611,979 compared to $5,114,071 for the year ended 30th June 2011. The entire revenue shortfall was caused by the termination of our Desert's Sands Cat Litter contracts in the USA. Bronson Marketing Pty Limited sales for the year ended 30th June 2012 was 12.4% above sales for the year ended 30th June 2011. The after tax loss from ordinary activities for the year ended 30th June 2012 was $307,093 compared to an after tax loss of $935,781 for the year ended 30th June 2011. This 30th June 2012 result was impacted by the creation of a provision against the profit drawings in advance account in Home & Business Consumer Products LLC amounting to $620,648. The 30th June 2011 result was impacted by the taking up of a one-off option issue expense amounting to $912,980. We are of the opinion that at this point in time the full balance of the profit drawings in advance account as at 30th June 2012 is fully recoverable, but as 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.

Convertible Notes issued during the year

A total of $400,000 in cash was raised by the issue of Convertible notes for further funding of the Home & Business Consumer Products business in the USA. An amount of $50,000 was repaid on Convertible Notes during the year.

Australian operations

The Australian subsidiary Bronson Marketing Pty Limited continues to try and diversify its range of products and this is expected to continue into 2013. We are also endeavouring to further diversify our customer base with a proposed move into alternate retail markets.

American operations

During the year we terminated the agreements with the supplier and the contract filler of the Desert's Sand Cat Litter product. Due to the high cost of goods we were compelled to retail at a premium price point. Sales declined as a result of customer resistance to price. As the supplier was not prepared to reduce the cost of goods we had no option but to seek termination of the contracts. We are pleased to advice that these 5 year contracts were terminated without any penalties.

We have subsequently developed our own Zeolite based Cat Litter product which is packaged at the mine site. In association with KMI Zeolite Inc. we have lodged a provisional application with the US Patent and Trade Marks office to protect our formulation used in our new Feline Favorite Cat Litter product. Pricing is no longer an issue and the product has been significantly enhanced.

We supplied our first customer Fred's Inc. in the USA in April 2012 and subsequently entered the Canadian market supplying the Atlantic Division of Sobeys Inc. We have now commenced deliveries to Amazon.com and look forward to supplying other USA Supermarkets, Pet Specialty chains and other .Com customers shortly.

Subsequent events

There are no events of a significant nature that have occurred since the end of the financial year that will materially affect the accounts of the Group.

The Company's Accounts are currently in the process of being audited by Hall Chadwick, Chartered Accountants

2. Appendix 4E Financial Statements for the Year ended 30 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		30.06.2012	**30.06.2011**
		$	**$**
Revenue	2	4,630,824	5,125,491
Expenses			
Cost of product sold		1,809,726	2,488,969
Advertising and media expenses		5,909	16,098
Travel expenses		45,187	40,297
Financial expenses		432,015	518,621
Depreciation and amortisation		23,488	34,578
Employee benefit expenses		1,186,093	1,002,733
Legal compliance and professional fees		154,525	134,774
Rental and operating lease expenses		163,288	195,478
Provision for slow moving stock		10,699	217,479
Provision for profit drawings in advance		620,648	-
Option issue expense		-	912,980
Warehouse and distribution costs		393,896	374,143
Other expenses		92,443	125,122
Total Expenses	3	4,937,917	6,061,272
(Loss) before income tax		(307,093)	(935,781)
Income tax benefit/(expense)		-	-
(Loss) for the year		**(307,093)**	**(935,781)**
Other comprehensive income			
Adjustments from translation of foreign controlled entities		78,465	(225,599)
Other comprehensive income for the year, net of tax		78,465	(225,599)
Total comprehensive income for the year		(228,628)	(1,161,380)
Loss attributable to members of the parent entity		(307,093)	(935,781)
Non-controlling interests		-	-
		(307,093)	(935,781)
Total comprehensive income attributable to members of the parent entity		(228,628)	(1,161,380)
Non-controlling interests		-	-
		(228,628)	(1,161,380)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Group	
	Note	**30.06.2012**	**30.06.2011**
		$	**$**
Earnings per share			
From continuing operations			
Basic earnings per share (cents)	17	(0.01086)	(0.05764)
Diluted earnings per share (cents)		(0.00218)	(0.01089)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

		Consolidated Group	
	Note	30.06.2012	30.06.2011
		$	$
CURRENT ASSETS			
Cash and cash equivalents	4	5,533	79,368
Trade and other receivables	5	871,321	1,052,179
Inventories	6	565,220	864,514
Other current assets	7	381,679	384,824
TOTAL CURRENT ASSETS		1,823,753	2,380,885
NON-CURRENT ASSETS			
Plant and equipment	9	80,419	110,532
Other non-current assets	7	678,339	529,164
Intangible assets	8	3,466,060	3,417,956
TOTAL NON-CURRENT ASSSETS		4,224,818	4,057,652
TOTAL ASSETS		6,048,571	6,438,537
CURRENT LIABILITIES			
Trade and other payables	11	649,681	858,589
Short-term provisions	12	134,730	94,132
Current tax liabilities		34,986	115,540
Financial liabilities	10	911,570	1,070,327
TOTAL CURRENT LIABILITIES		1,730,967	2,138,588
NON-CURRENT LIABILITIES			
Financial liabilities	10	2,755,301	2,509,018
TOTAL NON-CURRENT LIABILITIES		2,755,301	2,509,018
TOTAL LIABILITIES		4,486,268	4,647,606
NET ASSETS		1,562,303	1,790,931
EQUITY			
Issued capital	13	8,181,687	8,181,687
Reserves		767,197	688,734
Retained earnings		(7,386,652)	(7,079,561)
Parent interest		1,562,232	1,790,860
Non controlling interests		71	71
TOTAL EQUITY		1,562,303	1,790,931

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Share Capital Ordinary	Accumulated (Losses)/ Profit	Option Reserve	Foreign Currency Translation Reserve	Non Controlling Interests	Total
	$	$	$	$	$	$
Balance at 1.7.2010	8,013,687	(6,143,780)	87,349	(85,996)	71	1,871,331
(Loss) attributable to members of parent entity	-	(935,781)	-	-	-	(935,781)
Shares issued during the year	168,000	-	-	-	-	168,000
Revaluation increment		-	912,980	-	-	912,980
Total other comprehensive income for the year	-	-	-	(225,599)	-	(225,599)
Balance at 30.06.2011	8,181,687	(7,079,561)	1,000,329	(311,595)	71	1,790,931
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

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Group	
	Note	30.06.2012	30.06.2011
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,792,838	4,776,678
Payments to suppliers		(4,542,447)	(5,320,409)
Interest received		775	2,545
Interest paid		(335,100)	(311,837)
Income tax paid		(90,684)	(129,695)
Other income		18,070	22,662
Net cash inflow/(outflow) from operating activities	14b	(156,548)	(960,056)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(5,422)	(10,215)
Payment for intangible assets		(48,104)	-
Proceeds from disposal of plant and equipment		-	500
Net cash (outflow)/inflow from investing activities		(53,526)	(9,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	168,000
Repayment of hire purchase liabilities		(21,118)	(19,165)
Payments to related parties		(126,507)	(91,136)
Proceeds from convertible notes		400,000	550,000
Repayment of convertible notes		(50,000)	-
Net cash inflow/(outflow) from financing activities		202,375	607,699
Net (decrease) in cash held		(7,699)	(362,072)
Cash at beginning of period		(621,255)	(258,684)
Effect of exchange rates on cash holdings in foreign currencies		(3)	(499)
Cash at end of period	14a	(628,957)	(621,255)

The accompanying notes form part of this financial report.

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').

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*.

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.

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.

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 2012 was $307,093.

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 issuing convertible notes to fund the company's ongoing working capital requirements.
- The Group has the ability to raise further funding for its operations through the further issue of convertible notes and/or equity.
- Based on the Group's budget for the year ended June 2013, the directors expect the Group to be profitable in the 2013 financial year.
- The cat litter market in the USA is expected to greatly benefit the results for the 2013 financial year. The termination of the Desert's Sand contract and the development of our own Zeolite based cat litter at a very competitive retail price point is expected to produce a significant improvement to sales and profit for the 30th June 2013 financial year. To date we have commenced supplies to Fred's Inc., Sobeys Inc. and Amazon.com.

a. **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 15 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.

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).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

b. **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.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

c. **Inventories**

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

d. **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.

e. **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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

f. **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

g. **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.

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 statement of comprehensive income, 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 equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 year-end exchange rates prevailing at that reporting date;

— 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 are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

h. **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.

i. **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.

j. **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.

k. **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).

l. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

m. **Borrowing Costs**

All borrowing costs are recognised in income in the period in which they are incurred.

n. **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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

o. **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 and 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.

p. **Comparative Figures**

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

q. **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.

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.

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 of $620,648. We are of the opinion that at this point in time the balance of the profit drawings in advance account at 30th June 2012 is fully recoverable, but as 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.

	Consolidated	
	2012 $	2011 $

NOTE 2 – REVENUE

Revenue from operating activities		
Product sales	4,611,979	5,114,071
Interest received or due and receivable from other persons	775	2,545
Other revenue	18,070	8,875
	4,630,824	5,125,491

NOTE 3 – OPERATING (LOSS)

(Loss) before income tax expense includes the following expenses:		
Cost of product sold	1,809,726	2,488,969
Financial expenses	432,015	518,621
Depreciation and amortization	23,488	34,578
Employee benefit expenses	1,186,093	1,002,733
Rental and operating lease expenses	163,288	195,478
Provision for slow moving stock	10,699	217,479
Provision for profit drawings, in advance	620,648	-
Option issue expense	-	912,980
Legal compliance and professional fees	154,525	134,774
Warehouse and distribution costs	393,896	374,143

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash at bank and in hand	5,533	79,368

NOTE 5 – TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	945,161	1,136,106
Provision for settlement discount	(73,840)	(83,927)
	871,321	1,052,179

NOTE 6 – INVENTORIES

Finished goods, at cost	779,857	1,055,616
Less Provision for slow moving stock	(214,637)	(191,102)
	565,220	864,514

NOTE 7 – OTHER ASSETS

CURRENT		
Prepayments & deposits	31,924	56,524
Profit drawings in advance	349,755	328,300
	381,679	384,824
NON CURRENT		
Profit drawings in advance	1,298,987	529,164
Less provision for profit drawings in advance	(620,648)	-
	678,339	529,164

NOTE 8 – INTANGIBLES

Goodwill at cost	14,791,630	14,791,630
Less accumulated impairment losses	(11,373,674)	(11,373,674)
	3,417,956	3,417,956
Patent & web design, at cost	48,104	-
Net carrying value	3,466,060	3,417,956

	Consolidated	
	2012 $	2011 $

NOTE 9 – PLANT AND EQUIPMENT

	2012 $	2011 $
Office furniture, equipment and motor vehicles	327,756	441,736
Less Accumulated depreciation	(247,337)	(331,204)
	80,419	110,532

NOTE 10 – FINANCIAL LIABILITIES

	2012 $	2011 $
CURRENT		
Bank overdraft	634,490	700,623
Convertible notes and other loans	-	50,000
Hire purchase	15,164	21,118
Trade finance	261,916	298,586
	911,570	1,070,327
NON CURRENT		
Hire purchase	-	15,164
Loan from related party	865,301	1,003,854
Convertible notes	1,890,000	1,490,000
	2,755,301	2,509,018

NOTE 11 – TRADE AND OTHER PAYABLES

	2012 $	2011 $
CURRENT		
Trade Payables	268,585	350,787
Sundry payables and accrued expenses	381,096	507,802
	649,681	858,589

NOTE 12 – PROVISIONS

	2012 $	2011 $
CURRENT		
Employee entitlements	134,730	94,132

	Consolidated 2012 $	Consolidated 2011 $
NOTE 13 – CONTRIBUTED EQUITY		
Share capital		
28,277,945 (2011: 28,277,945) Ordinary shares, fully paid	8,181,687	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.

a) Reserves

i. Foreign Currency Translation Reserve

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

ii. Option Reserve

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

b) Options

As at 30 June 2012 the following options to acquire Shares were on issue with the following exercise prices and expiry time frames.

Number of Options	Options Issued to	Exercise Price & Expiry
25,000,000	Directors and Executives	$0.02 on or before 30 November 2012
37,500,000	Directors and Executives	$0.03 on or before 30 November 2013
50,000,000	Directors and Executives	$0.04 on or before 30 November 2014

NOTE 14 – CASH FLOW INFORMATION

		Consolidated	
		2012	**2011**
		$	**$**
(a)	**Reconciliation of Cash**		
	Cash at the end of the financial year as showing in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
	Cash and cash equivalents	5,533	79,368
	Bank overdraft	(634,490)	(700,623)
		(628,957)	(621,255)
(b)	**Reconciliation of (loss) from ordinary activities after income tax expense to net cash provided by operating activities**		
	(Loss) from ordinary activities after income tax	(307,093)	(935,781)
	(Less)/add non-cash flows in (loss) from ordinary activities:		
	Depreciation	23,488	34,578
	Loss/(Profit) on disposal of plant and equipment	-	16,033
	Share Option Expense	-	912,980
	Provision for profit drawings in advance	620,648	-
	Changes in assets and liabilities:		
	Decrease /(Increase) in Trade & Other Receivable	180,858	(562,493)
	Decrease/(Increase) in Inventory	299,295	(51,521)
	(Increase)/Decrease in Prepayments & Other Current Assets	3,145	354,215
	(Increase)/Decrease in Other Non-current Assets	(769,823)	(529,163)
	(Decrease)/Increase in Income Tax Payable	(80,555)	(109,574)
	(Decrease)/Increase in Trade & Other Payables	(167,109)	(125,448)
	Increase/(Decrease) in Employee entitlements	40,598	36,118
		(156,548)	(960,056)

NOTE 15 – INTERESTS IN CONTROLLED ENTITIES

a) Controlled Entities

Name	Country of Incorporation	Percentage of ordinary shares equity interest held by the controlled entities 2012	2011
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)	USA	100%	100%
Ab Solutions LLC (subsidiary of Icon Marketing International Pty Ltd)	USA	80.16%	80.16%
Home & Business Consumer Products LLC USA	USA	51%	51%

b) Controlled Entities Acquired

No controlled entities have been acquired or disposed of in the financial year.

NOTE 16 – OPERATING SEGMENTS

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.

NOTE 16 – OPERATING SEGMENT

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.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been re-stated to conform to the requirements of the Standard.

	USA	Australia	Corporate	Total
	$	$	$	$
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)**
Year Ended 30.06.2011				
Revenue				
External Sales	1,159,707	3,954,363	-	5,114,071
Interest Income	-	4	2,541	2,545
Other Revenue	-	8,875	-	8,875
Inter-Segment Sales	-	330,470	-	330,470
Total Segment Revenue	**1,159,707**	**4,293,713**	**2,541**	**5,455,961**
Inter-Segment Elimination	-	(330,470)	-	(330,470)
Total Group Revenue	**1,159,707**	**3,963,243**	**2,541**	**5,125,491**
Segment Net (Loss)/Profit (before tax)	**(87,956)**	**589,740**	**(1,437,565)**	**(935,781)**
(ii) Segment Assets				
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**

NOTE 16 – OPERATING SEGMENT

	USA $	Australia $	Corporate $	Total $
As at 30.06.2011				
Segment Assets	1,588,121	7,877,735	3,823,514	13,289,370
Segment asset increases for the period				
Capital Expenditure	-	10,215	0	10,215
Inter-segment eliminations	(413,956)	(6,068,058)	(379,034)	(6,861,048)
Total Group Assets	**1,174,165**	**1,819,892**	**3,444,480**	**6,438,537**

(iii) Segment Liabilities

	USA	Australia	Corporate	Total
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**
Segment Liabilities				
As at 30.06.2011				
Segment Liabilities	6,749,748	9,785,843	1,734,336	18,269,927
Inter-segment eliminations	(6,190,311)	(7,406,250)	(25,760)	(13,622,321)
Total Liabilities	**559,437**	**2,379,593**	**1,708,576**	**4,647,606**

(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 63.4% of external revenue (2011: 40.4%). The next most significant client accounts for 16.5% (2011: 31.7%).

In the Australia segment the Group supplies one external customer which accounts for 45.9 % of external revenue (2011: 47.3%). The next most significant client accounts for 27.2% (2011: 26.9%).

NOTE 17 – EARNINGS PER SHARE

	2012 $	2011 $
(a) Net (Loss) Net (loss) used in the calculation of basic and dilutive EPS	(307,093)	(935,781)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	28,277,945	16,236,240

NOTE 18 – EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected the consolidated entity.