

MULTI CHANNEL SOLUTIONS LIMITED AND ITS CONTROLLED ENTITIES

(ABN 60 006 569 124)

APPENDIX 4D

HALF YEAR REPORT

PERIOD ENDED 31 DECEMBER 2006

1. Results for Announcement to the Market

Summary Information	31-Dec 2006	31-Dec 2005	Inc/(Dec)	Inc/(Dec)
	\$	\$	\$	%
Revenue from Ordinary Activities	3,063,158	1,410,305	1,652,853	117.20%
Profit/(Loss) after Tax from Ordinary Activities	-2,641,732	-1,289,280	-1,352,452	104.90%
Net Profit/(Loss) after Tax Attributable to Members	-2,584,334	-1,289,280	-1,295,054	100.45%
Basic Earnings - Cents Per Share	-1.10	-0.88	-0.22	25.00%
Diluted Earnings - Cents Per Share	-1.08	-0.86	-0.22	25.58%
Net Tangible Assets - Cents Per Share	1.00	1.50	-0.50	-33.33%
Dividends Paid	Nil	Nil	-	-

MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2006.

Directors

The names of directors who held office during or since the end of the half-year are:

Paul Harris (resigned 23 January 2007)	Clive Barrett
Roger Smith	Gary Snow (appointed 12 October 2006)
Emmanuel Correia (resigned 12 October 2006)	

Review of Operations and Commentary on Results

The consolidated loss for the 6 months to 31 December 2006 for the Economic Entity was \$2,583,334. This compares to a consolidated loss of \$1,289,280 for the corresponding 6 months to 31 December 2005.

The increase in the loss compared to the corresponding period last year is primarily a result of the expenses incurred by the Company in the progression and development of its DRTV business in the USA. The Company has spent significant resources in the establishment of its USA business and the result for the period is adversely impacted by this.

As previously announced to the market, during the period, the Company scaled down its advertising and distribution activities in relation to the distribution of the MyGym Fitness System in the USA. This decision was made in light of increased manufacturing costs of the MyGym product, high product return rates experienced and a comparatively higher commission structure associated with this product (i.e. when compared to other products in the pipeline). The decision to scale back the activities associated with the distribution of the MyGym Fitness System adversely impacted the result for the period as the Company incurred significant expense in the preparation for a large retail roll out of the product for the Christmas shopping season but was not able to carry out the retail launch on the scale required to recover the costs incurred in its preparation.

To address this issue of scale and to ensure that the Company is in position to finance and develop the full DRTV and retail product roll out, the Company announced the signing of a joint development agreement with Harvest Direct LLP of the USA in December 2007. Please refer below for a summary of this agreement.

The loss for the period is also adversely impacted by a number non cash charges to the profit and loss. These non cash charges primarily relate to an unrealised foreign exchange loss of \$242,238, the provision for doubtful and bad debts of \$591,956 and depreciation and amortisation of \$138,000 during the period. The very high level of doubtful and bad debts is primarily due to the high credit card decline rate within the MyGym customer base experienced during the period. As a result the directors feel it is appropriate to fully provide for the amounts that are the subject of these declined credit cards at the end of the period.

During the period there were a number of significant achievements made by the Company in the development of its business:

- The Company signed a joint product distribution deal with Harvest Direct LLP of the USA. This Agreement is to take effect immediately and has an initial term of 2 years with automatic 12 month renewal clauses. Up to 5 products have already been identified for marketing and distribution under this Agreement. The first of these products has been secured and is currently being prepared for DRTV testing and roll out.

Harvest Direct is a leading consumer products company in the USA specializing in direct response merchandise. Harvest utilizes the power of direct response TV to create powerful brand and product awareness at the retail level. Harvest Direct's products can be found at Wal-Mart, Target, Walgreens, Bed Bath & Beyond, and many other major retailers across the USA. Some of Harvest Direct's #1 direct response hits in the United States include, The One Touch Can Opener, the Smart Spin storage system, Pasta Pro, and Perfect Pancake.

In summary, the Agreement outlines that both parties will work jointly to market and distribute selected products in the US\$250 billion USA electronic retailing industry. This agreement is exclusive between Multi Channel and Harvest Direct for the products selected and each party will be entitled to 50% of the Net Profit generated from the marketing and distribution of the selected products.

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DIRECTORS' REPORT

The directors are of the opinion that this Agreement with Harvest Direct and any other similar agreements the Company may enter into, will provide the financial and additional management resources necessary to successfully penetrate the market on the scale required to generate profitability.

- The Company was pleased to advise of the appointment of Denise Kovac as President of its USA operations.

Denise has over 20 years relevant experience in the US Direct Response Television (DRTV) industry, including 12 years experience at Fitness Quest USA and 8 years as President of Thane USA. Denise has been responsible for creating and managing some of the biggest DRTV hits of all time, particularly in the fitness category. Denise holds a Bachelor of Science in Business Administration and Accounting and an MBA.

- On 20 February 2007, the Company announced that it has signed a Multi Product Distribution Agreement with North American Communication Consultants ("NACC"), a premier international distribution company based in Los Angeles, USA. Under this agreement NACC will purchase from MUT selected products that have been developed and manufactured for MUT. NACC will distribute these products into countries throughout Europe, South and Central America, Asia, South Africa and the Middle East. NACC has been operating for almost 25 years and works with over 60 international distributors and as such has access to key distribution channels around the world.

In relation to the Company's investment in Ab Solutions LLC, the Company continues to investigate international distribution opportunities for the Abtech product and is also in the process of deciding when to re-test the product in the USA market. The directors are of the opinion that the next six months will be critical for the commercialisation of Abtech. The failure to obtain positive results from its international distribution efforts or a positive test from a potential re-test in the USA market could mean a curtailing of the time and resources into this particular product by the Company.

During the period and into this year, the Company has developed a strong pipeline of product distribution opportunities which it aims to launch into various markets during 2007.

During the period, the Company raised approximately \$1.5m net of fund raising costs to fund its initiatives in the USA.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the half year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors.

Director

Gary Snow

Dated this

28th

Day February 2007

**MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
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HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MULTI CHANNEL SOLUTIONS LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
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HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Economic Entity	
	31.12.2006	31.12.2005
Revenue	3,063,158	1,410,305
Expenses		
Advertising and media costs	1,371,301	883,655
Cost of products sold	1,136,684	484,135
Fulfilment costs	666,780	168,977
Product royalties	281,871	13,500
Doubtful and bad debts expense	591,956	48,235
Depreciation and amortisation	138,003	1,896
Employee benefits expense	399,577	380,594
Legal, consulting, compliance and professional fees	374,494	279,614
Rental and operating lease expenses	101,794	73,873
Travel expenses	124,613	98,054
Unrealised foreign exchange loss	242,238	-
Share of net loss of associated company	-	40,924
Other expenses from ordinary activities	275,581	226,128
Total expenses	5,704,892	2,699,585
Loss before income tax expense	(2,641,732)	(1,289,280)
Income tax expense	-	-
Loss for the period	(2,641,732)	(1,289,280)
Loss attributable to minority equity interest	57,398	-
Loss after income tax expense, attributable to members of the parent entity	(2,584,334)	(1,289,280)
Overall Operations:		
Basic earnings per share (cents per share)	(1.10)	(0.88)
Diluted earnings per share (cents per share)	(1.08)	(0.86)

The accompanying notes form part of these financial statements.

MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
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HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	31 December 2006	30 June 2006
	\$	\$
Current assets		
Cash and cash equivalents	1,126,263	618,469
Trade and other receivables	669,150	2,089,422
Inventories	209,016	152,472
Other current assets	379,988	279,643
Total current assets	2,384,417	3,140,006
Non-current assets		
Other non current assets	996,323	1,059,858
Intangible assets	287,720	330,862
Property, plant and equipment	28,979	117,889
Total non-current assets	1,313,022	1,508,609
Total assets	3,697,439	4,648,615
Current liabilities		
Trade and other payables	678,863	572,146
Short term provisions	2,994	21,215
Total current liabilities	681,857	593,361
Non Current Liabilities		
Long term borrowings	58,447	-
Long term provisions	-	3,612
Total non current liabilities	58,447	3,612
Total liabilities	740,304	596,973
Net assets	2,957,135	4,051,642
Equity		
Issued Capital	21,651,090	20,131,840
Reserves	62,544	34,569
Accumulated losses	(18,954,630)	(16,370,296)
Parent Entity Interest	2,759,004	4,051,642
Minority Equity Interests	198,131	-
Total Equity	2,957,135	4,051,642

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	\$	\$	\$	\$	\$	\$
	Share Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Minority Equity Interests	Total
	Ordinary					
Balance at 1.7.2005	15,592,749	(14,352,793)	-	-	-	1,239,956
Shares issued during the period	2,885,992	-	-	-	-	2,885,992
Loss attributable to members of parent entity	-	(1,289,280)	-	-	-	(1,289,280)
Option reserve	-	-	7,758	-	-	7,758
Balance at 31.12.2005	18,478,741	(15,642,073)	7,758	-	-	2,844,426
Balance at 1.7.2006	20,131,840	(16,370,296)	37,707	(3,138)	255,529	4,051,642
Shares issued during the period	1,519,250	-	-	-	-	1,519,250
Loss attributable to members of parent entity	-	(2,584,334)	-	-	-	(2,584,334)
Revaluation increment	-	-	20,798	-	-	20,798
Adjustment from translation of foreign controlled entities	-	-	-	7,177	-	7,177
Loss attributable to minority shareholders					(57,398)	(57,398)
Balance at 31.12.2006	21,651,090	(18,954,630)	58,505	4,039	198,131	2,957,135

The accompanying notes form part of these financial statements.

MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
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HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Economic Entity	
	31.12.2006	31.12.2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,795,578	651,477
Payments to suppliers and employees	(4,833,125)	(2,215,816)
Interest paid	(8,985)	-
Interest received	2,729	16,711
Net cash provided by (used in) operating activities	(1,043,803)	(1,547,628)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investment in associated entity	-	(886,157)
Payments for property plant and equipment	(26,100)	(12,937)
Net cash provided by (used in) investing activities	(26,100)	(899,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,519,250	2,885,992
Proceeds from borrowings	58,447	-
Net cash provided by (used in) financing activities	1,577,697	2,885,992
Net increase in cash held	507,794	439,270
Cash at beginning of period	618,469	777,270
Cash at end of period	1,126,263	1,216,540

The accompanying notes form part of these financial statements

MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
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HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Multi Channel Solutions Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period unless otherwise stated.

ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising Multi Channel Solutions Ltd (the parent entity) and all entities which Multi Channel Solutions Ltd controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Any unrealised losses are eliminated on consolidation.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Revenue Recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognized:

Product Sales

Revenue from the sale of goods is recognised upon the dispatch of goods to customers.

Interest Income

Interest income is recognised as it accrues.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Foreign Currency

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 income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference 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 income statement.

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 income statement in the period in which the operation is disposed.

Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Multi Channel Solutions Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Receivables

Trade debtors to be settled within 30 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Debts which are known to be uncollectible are written off.

Investments

Investments are valued at cost, except where a provision has been raised against the cost of investments to reduce their net carrying value by amounts considered to represent the diminution in their value.

The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the respective investment and its subsequent disposal.

The expected net cash flows from investments have been discounted to their present values in determining the recoverable amounts.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Non-Current Assets

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Infomercial Equipment and Moulds

Infomercial Equipment and Moulds are measured on the cost basis less depreciation and impairment losses.

The carrying amount of infomercial and moulds 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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of Plant and Equipment

Items of plant and equipment are depreciated over their estimated useful life commencing from the time the asset is held ready for use. The straight-line and reducing balance methods of depreciation are used and the depreciation rates applied for each class of depreciable assets are:

Office furniture and equipment	7.5%	to	40%
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Depreciation of Infomercial Equipment and Moulds

Infomercial equipment and moulds are depreciated over their estimated useful life commencing from the time the underlying product they relate to commences commercial distribution, which is typically 6 to 12 months after the various items of infomercial equipment and moulds has been acquired.

Other Non Current Assets

Infomercial production and product acquisition costs

Infomercial production and product acquisition costs are measured on the cost basis less depreciation and impairment losses.

The carrying amount of infomercial production and product acquisition costs is reviewed on an ongoing basis 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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Infomercial production and product acquisition costs are accumulated with respect to each identifiable infomercial and underlying product whilst commercial evaluation is undertaken. The process of infomercial production, product acquisition and subsequent commercial evaluation will vary from product to product. Typically this time frame ranges between 6 and 12 months.

Once the product is deemed to be commercially viable, it is depreciated over its estimated useful life commencing from the time the underlying product commences commercial sale.

Accounts Payable

- (i) Trade creditors and accrued expenses

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The amounts are unsecured and are paid within agreed trading timeframes.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(ii) Other creditors

Other creditors represent liabilities for amounts received at balance date for which the entity has not delivered goods and services.

(iii) Borrowings

Loans and debentures are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recorded as part of other creditors.

Cash flows

For the purpose of the statement of cash flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

Comparative figures

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

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 statement of financial position are shown inclusive of GST.

Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts to be expected to be paid when the liability is settled, plus related on costs. Other 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.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

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 income statement.

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.

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.

Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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 on a straight line basis over the vesting period, based on the consolidated entities estimate of shares that will eventually vest.

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.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies.

Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents, trademarks and web design

Patents, trademarks and product specific web design costs are recognised at cost of acquisition. Patents, trademarks and product specific web design costs have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents, trademarks and product specific web design costs are amortised over their useful life ranging from one to three years from the date of commercialisation. As at 31 December 2006 the specific product which these costs relate to has not reached the stage of commercialization. Accordingly, no amortization has been recognized as at 31 December 2006.

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HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

NOTE 2: LOSS FROM ORDINARY ACTIVITIES

All the significant revenue and expenses items for the period are disclosed on the face of the Income Statement

NOTE 3: DIVIDENDS

No dividends were paid or provided for, for the current period and the corresponding prior period

NOTE 4– SEGMENT INFORMATION

Primary Segment

During the period the Company operated in one segment being the sales, marketing and distribution of selected consumer products .

Primary Reporting – Business Segment

	Investments \$	Consumer Products \$	Eliminations \$	Economic Entity \$
2006				
Total sales revenue	-	3,063,158	-	3,063,158
Unallocated revenue	-	-	-	-
Revenue from ordinary activities	-	3,063,158	-	3,063,158
Segment Result	-	(2,427,090)	-	(2,427,090)
Unallocated expenses net of unallocated revenue	-	(157,244)	-	(157,244)
Loss from ordinary activities before income tax expense	-	(2,584,334)	-	(2,584,334)
2005				
Total sales revenue	-	1,410,305	-	1,410,305
Unallocated revenue	-	-	-	-
Revenue from ordinary activities	-	1,410,305	-	1,410,305
Segment Result	-	(950,161)	-	(950,161)
Unallocated expenses net of unallocated revenue	-	(339,119)	-	(339,119)
Loss from ordinary activities before income tax expense	-	(1,289,280)	-	(1,289,280)

MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
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NOTE 5: CONTINGENT LIABILITIES

During the period the Company entered into an agreement with an external debtor factoring agency whereby debtors totaling approximately US\$1.4 million were sold or factored to them. As at 31 December 2006, in accordance with the agreed debtor collection schedule, an approximate amount of US\$250,000 of these debtors remains to be collected. Under the debtor factoring agreement, in the event that some of the debtors ultimately prove not to be recoverable or collectable by the debtor factoring company they are bought back by the Company whereby the Company would seek to collect the outstanding balance.

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

On 23 January 2007, Mr Paul Harris tendered his resignation as a director of the Company.

On 20 February 2007, the Company announced that it has signed a Multi Product Distribution Agreement with North American Communication Consultants ("NACC"), a premier international distribution company based in Los Angeles, USA. Under this agreement NACC will purchase from MUT selected products that have been developed and manufactured for MUT. NACC will distribute these products into countries throughout Europe, South and Central America, Asia, South Africa and the Middle East. NACC has been operating for almost 25 years and works with over 60 international distributors and as such has access to key distribution channels around the world.

Other than the above matters there are no other material subsequent events.

NOTE 7: ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

During the period there were no acquisitions or disposals of subsidiaries, associates or joint ventures.

MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 16:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director

.....
Gary Snow

Dated this 28th day of

February 2007

MULTI CHANNEL SOLUTIONS LIMITED (ABN 60 006 569 124)
AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF MULTI CHANNEL SOLUTIONS LIMITED

Scope

The financial report and directors' responsibility

We have reviewed the financial report of Multi Channel Solutions Limited for the half-year ended 31 December 2006. The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration.

The company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Review approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Multi Channel Solutions Limited is not in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

David Kenney

Partner

Date: 28th February 2007