mcm

appendix 4e
preliminary final report

Name of entity: mcm entertainment group limited

ABN: 31 006 173 271

Financial year ended: 30 June 2009 (previous corresponding period 30 June 2008)

results for announcement to the market

Group results

	$'000	up / down	movement
Revenues from ordinary activities	18,783	Up	5%
Gross profit	11,655	Up	14%
Net profit / (loss) for the period attributable to members	21	Up	107%

Group ratios and returns

	Current period	Previous period
Gross profit margin	62%	57%
Return on shareholders funds	0%	(8%)

Financial statements – see attached financial report

- Income statement
- Balance sheet
- Statement of cash flows
- Statement of changes in equity

Net tangible asset (NTA) backing

	30 June 2009 cents	30 June 2008 cents
Net tangible asset backing per share	3.37	3.50

Dividends

There were no dividends paid or declared during the 2009 financial year.

DIVIDEND INFORMATION	Amount per share	Franked amount per share	Tax rate for franking
Interim dividend per share	0.00	0.00	n/a
Final dividend per share	0.00	0.00	n/a
Total dividends per share for the year	0.00	0.00	n/a

FINAL DIVIDEND DATES	
Ex dividend date	n/a
Record date	n/a
Payment date	n/a

Movements in accumulated losses

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Accumulated losses				
Accumulated losses at the beginning of the period	(421,766)	(105,211)	(342,384)	(125,319)
Net earnings/(loss) attributable to the members of the group	20,675	(316,555)	(501,793)	(217,065)
Accumulated losses at end of the period	**(401,091)**	**(421,766)**	**(844,177)**	**(342,384)**

Summary of results

Operating results for the year

The Group's net profit after tax for the year to 30 June 2009 was $20,675 (30 June 2008: net loss after tax $316,555).

EBITDA for the year was $1,053,337 (2008: $442,839) being an increase of $610,498. Growth in Gross Profit achieved by the Group was the predominate driver in achieving the improved EBITDA.

This is a pleasing and satisfactory result when considering the prevailing economic environment.

Group overview

The group achieved revenue growth of 4.68% for the financial year ended 30 June 2009. This growth represents $840,258 in Group Revenue of which 75.16% of that amount was contributed by the new company, igloo digital pty ltd. The media business (mcm media pty ltd) provided positive year on year revenue growth.

Group Gross Profit grew by 14.20% to $11,655,162. The growth was underpinned by Cost of Sales savings and Cost of Sales efficiencies achieved by mcm media as well as the incremental Sales and resultant Gross Profit provided by igloo digital.

Group Salary and Wages expense increased by 11.46% or $839,774 year on year. This was primarily due to the introduction to the Group of igloo digital in addition to mcm media enhancing its sales resource. Property expenses increased by $127,252 to $755,304 when compared to the prior financial year primarily because the new larger Melbourne tenancy was leased for the full year.

The balance of Operating Expenses remained at a similar level to expenditure incurred in the prior financial year. However, it must be noted that Sales and Marketing expenditure decreased by $195,434, or 50.2% year on year. This saving was offset by small expenditure increases in other expense categories.

Segment information

The consolidated entity operates in the media and entertainment industry within Australia.

Subsequent events

There have not been any other matter or circumstance, other than that referred to in the preliminary Financial Report or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significant affect, the operations of the consolidated entity, the result of those operations or the state of affairs of the consolidated entity in future financial years.

Information on audit

This report is based on accounts which have been audited – see attached audit report within the financial report.

Compliance statement

1. The report has been prepared in accordance with AASB Accounting Standards and Interpretations and also complies with International Reporting Standards (IFRS)
2. This report, and the accounts upon which the report is based, use the same accounting polices.
3. This report does give a true and fair view of the matters disclosed.
4. This report is in accordance with the Corporations Act 2001
5. The entity has a formally constituted Audit and Risk Committee.

Anthony McGinn
Chief Executive Officer
mcm entertainment group limited

Date: 21 August 2009

mcm entertainment group limited

financial report to 30 June 2009

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corporate directory

directors

Mr. Colin J. Smith	Chairman
Mr. Anthony McGinn	Executive Director and Chief Executive Officer
Mr. Gregory Smith	Non-Executive Director (appointed 10 March 2009)
Mr. Vincent Donato	Non-Executive Director
Mr. Michael Burgess	Executive Director (resigned as director, 20 August 2008) and Chief Financial Officer
Mr. Michael Gudinski AO	Non-Executive Director (resigned 06 March 2009)
Mr. Philip Jacobsen	Alternate Non-Executive Director for Michael Gudinski (resigned 06 March 2009)

company secretary

Mr. Andrew Metcalfe

registered office

Level 4
21-31 Goodwood Street
RICHMOND VIC 3121

website

www.mcmentertainment.com

auditor

Ernst & Young
8 Exhibition Street
MELBOURNE VIC 3000

share registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067

bankers

HSBC Bank Australia Limited
333 Collins Street
MELBOURNE VIC 3000

legal advisors

Freehills
101 Collins Street
MELBOURNE VIC 3000

stock exchange

Australian Securities Exchange
ASX Code: MEG

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directors' report

The Directors of mcm entertainment group limited submit their financial report for the year ended 30 June 2009.

directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows:

Names, qualifications, experience and special responsibilities

Mr. Colin J. Smith *(Non-Executive Chairman) appointed 23 May 2007*

Colin Smith is an experienced business consultant with 20 years in advising and corporate experience in the media, entertainment and sports sectors. Colin is Deputy Chairman of the Advisory Board for Australia and New Zealand of the global consulting firm LEK Consulting. He holds an MBA, ISMP from Harvard Business School. Colin also currently serves and has served on the following Boards:

- Dahlsens Building Supplies Ltd – Director;
- Global Television Ltd – former Chairman (resigned 19 June 2009); and
- Southern Cross Broadcasting Australia Ltd – former Director.

Mr. Anthony McGinn *(Executive Director and Chief Executive Officer) appointed 10 August 1983*
Anthony McGinn founded mcm entertainment in 1983 and has been its Chief Executive Officer since that time. He has approximately 20 years international experience and industry knowledge and contacts within the entertainment, production, marketing and media industries.

Mr. Gregory Smith *(Non-Executive Director) appointed 10 March 2009*
The course of Greg's career spans every facet of radio business management, culminating in his appointment to the position of Group Program Director of the Austereo Group. Under his direction, the Austereo Group achieved the unique position of having every single FM station in the Austereo Group at the number one position for the March 1992 radio survey. In 1995, Greg established a successful radio & research consulting business, servicing radio stations around the world and designing research projects for two of Australia's free to air commercial television networks. In 2007, he was inducted into the Commercial Radio Hall of Fame.

Mr. Vincent Donato *(Non-Executive Director) appointed 11 May 2006*
Vincent Donato began his career in music and entertainment at Mushroom Records as an Accountant. He subsequently joined Network Ten as Financial Controller – Production, as well as then going on to hold roles at Crawford Productions as Financial Controller, Shock Records as Group Financial Controller, a position he held for 5 years before becoming Group Finance Director. He then formed the record music label, Liberator Music, a member of the Mushroom Group of companies. Vincent also serves on the Audit & Risk Committee as Chairperson and holds a Bachelor of Economics (Accounting) from LaTrobe University and is a Fellow of the CPA Australia and is a graduate of the Australian Institute of Directors. Vincent is a Director of:

- Targon Pty Ltd;
- Liberator Pty Ltd;
- Ivy League Pty Ltd; and
- Mushroom Interactive Pty Ltd.

The following Directors held office during the financial year but no longer hold office at the date of this report:

directors' report (continued)

Mr. Michael Burgess *(Executive Director (resigned 20 August 2008) and Chief Financial Officer)*
Michael joined mcm entertainment in 1999 as both Financial Controller and General Manager to assist in the growth of the Company. He holds a Bachelor of Business (Accounting) from Deakin University (formerly Victoria College) and is a member of the Institute of Chartered Accountants. Michael is responsible for the financial and day to day operations of the Company and is also responsible for the financial reporting and budgeting for the Company. Michael also serves on the Audit & Risk Committee.

Mr. Michael Gudinski AO *(Non-Executive Director) resigned 06 March 2009*
Michael Gudinski was the founder of Mushroom Records and the principal of the Mushroom Group of Companies. He also founded the Liberation Records label in 1985. In 1993 News Limited became a major shareholder of Mushroom Records, who subsequently acquired the company. Michael owns Mushroom Music and is also Managing Director of the Frontier Touring Company. He recently founded Mushroom Pictures which has produced a number of Australian feature films.

Mr. Philip Jacobsen *(alternate Non-Executive Director for Michael Gudinski) resigned 06 March 2009*

Philip Jacobsen was a partner in his own accounting practice until 1970 when he commenced in the music and entertainment business. Philip managed various music artists in the 70's and in 1975 became a foundation Director of Premier Artists. He subsequently jointly formed The Frontier Touring Company in 1979. As a Director of Mushroom Records, Philip was instrumental in the sale of the Company to Murdoch's News Limited. He has over 35 years in the music and entertainment industries. He is currently a Director of Liberation Music, Premier Artists, The Harbour Agency and Ivy League.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of mcm entertainment group limited were:

	Number of ordinary shares	**Number of options over ordinary shares**
Colin J. Smith[1]	169,000	150,000
Anthony McGinn[1 2]	23,420,510	300,000
Gregory Smith	nil	nil
Vincent Donato	nil	nil
Michael Burgess	nil	200,000
Michael Gudinski[1 3]	15,562,600	100,000
Philip Jacobsen	nil	nil

[1] including shares held by controlled entities and in trust

[2] 23,212,046 shares held in escrow until 19 December 2009

[3] 15,402,121 shares held in escrow until 19 December 2009

company secretary

Mr. Andrew Metcalfe (B.Bus, CPA, FCIS)
Andrew Metcalfe was appointed Company Secretary of mcm entertainment group limited on 20 December 2007. Andrew has over 20 years experience in finance and accounting and over 14 years as Company Secretary of a number of ASX listed companies. Andrew does not participate in the operational decision making of the company and assists the company in company secretarial processes and procedures, including corporate governance matters. Andrew is employed by Accosec Consultants.

dividends

Final dividends recommended on ordinary shares	$	Nil
Dividends paid in the 2009 year: - on ordinary shares	$	Nil

principal activities

The principal activity during the year of the entities within the consolidated entity was the provision of product and programming for national syndication and national publication of advertiser funded content to the radio, internet, mobile telephone and television mediums of Australia.

operating and financial review

Operating results for the year

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The balance of Operating Expenses remained at a similar level to expenditure incurred in the prior financial year. However, it must be noted that Sales and Marketing expenditure decreased

directors' report (continued)

by $195,434, or 50.19% year on year. This saving was offset by small expenditure increases in other expense categories.

Shareholder returns

The Group is not in a position to pay dividends to shareholders for the financial year ended 30 June 2009.

Review of financial condition

Liquidity and capital resources

The consolidated cash flow statement illustrates that there was a decrease in cash and cash equivalents of $768,754 for the financial year ended 30 June 2009 (2008: net inflow $1,423,165).

This net decrease was caused by negative cash flows from financing and investing activities. The outflow in financing activities was mainly due to the Group paying out its long term commercial bill facility of ($543,750). The remainder of net payments relating to financing activities was ($138,107). Net investing outflows were a result of funding the acquisition of the igloo business ($75,000), capitalising the costs of developing the Camify software ($232,851) and other fixed asset purchases ($77,898).

Operating cash flows contributed inflows of $298,852 for the year.

The net cash position for the Group at 30 June 2009 was a negative position of ($749,692) and $2,172,780 was available in debt finance at 30 June 2009.

Risk management

The Company has an Audit & Risk Committee and has identified key risks within the business.

significant changes in the state of affairs

During the year, MEG acquired a Web Development and Design business known as igloo. The business became a wholly owned subsidiary of MEG, igloo digital pty ltd. This company provides Internet based strategic advice, web design and development services to businesses on a fee for service basis.

The acquisition of the igloo business coincided with a restructure of the Group. The traditional media business was renamed mcm media pty ltd. That business no longer required the full-time resource to maintain and develop its own web properties. The resource that historically provided this function, mainly Staff Resources, was employed within the igloo digital business to enhance its capabilities.

A new company was formed, mcm technical services pty ltd (mts). mts will complete the development of the 'Camify' real time analytics software. It has also enhanced the MEG owned and purpose built Internet media player platform (Movideo platform). The company is now well positioned to licence both the Movideo Platform and Camify software on a bundled basis or on a mutually exclusive basis. The target market is large entities needing an online video presence or to improve their online video presence.

All companies are wholly owned subsidiaries of mcm entertainment group ltd.

There were no other significant changes in the state of affairs at 30 June 2009.

directors' report (continued)

subsequent events

There are no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of the affairs of the company in future financial periods.

likely developments and future results

Other than what has already been disclosed in the Directors' Report and financial report, no further information has been provided on the likely developments in the operations of the group and the expected results of those operations in future financial years as the inclusion of such information is likely to result in unreasonable prejudice to the group.

share options

Unissued shares

As at the date of this report, there were 1,850,000 unissued ordinary shares under options (1,850,000 at the reporting date). Refer to note 26 for further details.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, no employees and/or Executives have exercised options to acquire fully paid ordinary shares in mcm entertainment group limited.

Indemnification and insurance of directors and officers

During the financial year, the company indemnified the Directors on a full indemnity basis and to the full extent permitted by law, against all losses and liabilities incurred by the Directors as Officers of the Company of its related body corporates.

During or since the financial year, the company and Directors paid premiums in respect of a contract insuring all the Directors of mcm entertainment group limited.

directors' report (continued)

directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each Director were as follows:

Number of meetings held	Board meetings attended 9	Board meetings eligible	Audit & risk committee meetings attended 5	Audit & risk committee meetings eligible	Rem. committee meetings attended 3	Rem. committee meetings eligible
Colin J. Smith	9	9	-	-	3	3
Anthony McGinn	9	9	-	-	3	3
Gregory Smith	2	2	-	-	-	-
Vincent Donato	9	9	5	5	3	3
Michael Burgess [1]	2	2	5	5	-	-
Michael Gudinski	-	6	-	-	-	-
Philip Jacobsen [2]	6	6	-	-	-	-

1. Michael Burgess resigned from the board of Directors in August 2008 and remained the Chief Financial Officer. Michael's attendance at meetings includes meetings attended as Chief Financial Officer.
2. Philip Jacobsen attended Board Meetings as an appointed alternate to Michael Gudinski.

Committee membership

As at the date of this report, the company had an Audit & Risk Committee and a Remuneration Committee. Members acting on the committees of the Board during the year were:

Audit & risk committee

Vincent Donato (chair), Andrew Metcalfe and Michael Burgess.

Remuneration committee

Colin Smith (chair), Anthony McGinn and Vincent Donato

directors' report (continued)

auditor independence and non-audit services

The Directors received the following declaration from the auditor of mcm entertainment group limited.

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of MCM Entertainment Group Limited

In relation to our audit of the financial report of MCM Entertainment Group Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

K Brown

Kester C Brown
Partner

21 August 2009

directors' report (continued)

non-audit services

In the 2009 financial year the entity's auditor, Ernst & Young did not provide non-audit services. As a result the Directors are satisfied that auditor independence was not compromised.

remuneration report (audited)

This remuneration report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the parent company, and includes the five Executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'Executive' encompasses Chief Executives of the subsidiary companies, senior Executives and secretaries of the Parent and the Group.

Details of key management personnel (including the five highest paid executives of the Company and the Group)

Directors

Colin J. Smith	Chairman (Non-Executive)
Anthony McGinn	Chief Executive Officer
Gregory Smith	Non-Executive Director (appointed 10 March 2009)
Vincent Donato	Non-Executive Director
Michael Burgess	Chief Financial Officer (resigned as a Director 20 August 2008, remains Chief Financial Officer)
Michael Gudinski	Non-Executive Director (resigned 06 March 2009)
Philip Jacobsen	Alternate Director (resigned 06 March 2009)

Executives

Simon Joyce	Chief Executive Officer, mcm media pty ltd
Greg Tremain	Sales Director, mcm media pty ltd
Cameron Moore	Chief Technology Officer, mcm entertainment group ltd
Andrew Englisch	Chief Executive Officer, igloo digital pty ltd

Remuneration committee

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Directors and Executives. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Director and Executive team.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company:

- Works to attract the appropriate staff by providing a competitive remuneration structure and a productive working environment.
- Review and recommend remuneration, HR policies, performance management and procedures for mcm, including:
  - Directors of the Group of companies;
  - the Chief Executive Officer and Chief Financial Officer; and
  - Executive and senior management.
- Assurance that all compliance, governance, accounting, legal approvals and disclosure requirements associated with mcm's employment practices are satisfied.

Remuneration structure

In accordance with corporate governance, the Company substantially complies with the guidelines for Executive remuneration packages and Non-Executive Director remuneration. However, Colin Smith and Michael Gudinski, Non-Executive Directors received options under the mcm entertainment group option plan in the 2008 financial year. These options are due to vest 31 December 2009.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure will be reviewed annually. The Board may consider advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee inclusive of superannuation of $35,000 for being a Director of the Group.

The Non-Executive Chairman receives a fee inclusive of superannuation of $98,100.

The Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of Non-Executive Directors for the year ending 30 June 2009 and 30 June 2008 is detailed in table 1 and 2 respectively of this report.

directors' report (continued)

Executive remuneration

Objective

The Group aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward Executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

The Board has entered into a detailed contract of employment with the Chief Executive Officer (for 2 years expiring 31 October 2009), the CEO mcm media pty ltd (3 years expiring 01 November 2011) and a standard contract with other Executives. The term of the other Executive contracts is two (2) years, expiring 31 October 2009.

Remuneration consists of the following key elements:

- fixed remuneration (base salary, superannuation and non-monetary benefits);
- variable remuneration; and
- short-term incentive.

The proportion of fixed remuneration and variable remuneration (potential short-term incentives) for each Executive is set out in table 1.

Fixed remuneration

Objective

Fixed remuneration is reviewed at the end of each contract term by the Board. The process consists of a review of company, business unit and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Structure

Executives receive their fixed (primary) remuneration as cash based salary. Other than salary sacrifice of superannuation, there is no other salary packaging available for Executives.

Variable remuneration – short-term incentive

Objective

The objective of the short-term incentive programme is to link the achievement of the Group's operational targets with the remuneration received by the Executives charged with meeting those targets. The total potential short-term incentive available is set at a level so as to provide sufficient incentive to the Executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

directors' report (continued)

Structure

Actual short-term incentive payments granted to each Executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to net profit after tax, customer service, risk management, product management, and leadership/team contribution. These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long term value.

The Group has predetermined benchmarks that must be met in order to trigger payments under the short-term incentive scheme. On an annual basis, after consideration of performance against KPIs, the Board, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid to each Executive. This process will occur within 3 months after the reporting date.

The aggregate of annual short-term incentives payments available for Executives across the Group is subject to the approval of the Board. Payments made are delivered as a cash bonus or allocation of company share options in the following reporting period.

Employment contracts

Chief executive officer

The CEO, Mr. Anthony McGinn, is employed under an Executive Service Agreement. The current employment contract commenced on 31 October 2007. Under the terms of the present contract:

Mr. McGinn receives fixed remuneration of $412,403 per annum.

The Company may terminate this Executive Service Agreement by providing not less than 4 weeks written notice if terminated due to ongoing illness or by providing not less than 3 months written notice due to failure of performance.

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the CEO is only entitled to any payments in lieu of notice or accrued leave based on the CEO's total remuneration, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Other executives

Michael Burgess, Simon Joyce, Cameron Moore and Andrew Englisch all have an Executive Service Agreement. The company may terminate the Executive's employment agreement by providing not less than 4 weeks written notice if terminated due to ongoing illness or by providing not less than 3 months written notice due to failure of performance written notice or providing payment in lieu of the notice period (based on the fixed component of the Executive's remuneration). The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive is only entitled to any payments in lieu of notice or accrued leave based on total remuneration, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

directors' report (continued)

Group performance

The group's performance is reflected in the movement of the Group's earnings per share (EPS) over time. The table below shows the group's basic EPS history since it was listed on the ASX (including the current period).

	31 Dec 2007 cents	30 June 2008 cents	31 Dec 2009 cents	30 June 2009 cents
Basic EPS	0.43	(0.54)	(0.16)	0.03

Remuneration for key management personnel – Table 1

Remuneration for the year ended 30 June 2009	Short-term				Post employment		Long-term		Share-based payment	Total	% Performance related
	Salary & fees	Cash bonus	Non-monetary Benefits	Other	Super-annuation	Retirement benefits	Incentive plans	Long service leave	Options		
	$	$	$	$	$	$	$	$	$	$	
Non-executive directors											
C. J. Smith (Chairman)	90,000	-	-	-	8,100	-	-	-	4,734	102,834	-
V. Donato	32,110	-	-	-	2,890	-	-	-	-	35,000	-
G. Smith*	9,840	-	-	-	886	-	-	-	-	10,726	-
M.Gudinski**	-	-	-	-	-	-	-	-	3,156	3,156	-
P. Jacobsen ***	22,024	-	-	-	1,982	-	-	-	-	24,006	-
Sub-total non-executive directors	153,974	-	-	-	13,858	-	-	-	7,890	175,722	-
Executive directors											
A. McGinn	398,658	55,800	17,579	-	13,745	-	-	7,699	9,469	502,950	11%
M. Burgess#	224,215	33,200	-	-	13,745	-	-	3,978	6,313	281,451	12%
Other key management personnel										-	
S. Joyce	275,000	269,555	-	-	13,745	-	-	15,265	6,313	579,878	46%
G. Tremain	135,000	176,773	-	-	13,745	-	-	4,548	1,578	331,644	53%
C. Moore ^	166,666	-	-	-	9,163	-	-	435	1,578	177,842	-
A. Englisch ^ ^	128,441	-	-	-	10,309	-	-	738	-	139,488	-
N. Young ^ ^ ^	25,133	55,544	-	-	5,135	-	-	2,213	789	88,814	63%
A. Leys ^ ^ ^	51,313	-	-	-	4,460	-	-	1,489	1,578	58,840	-
D. Gutterson ^ ^ ^	38,317	-	-	-	3,449	-	-	3,604	1,578	46,948	-
V. Cohen ^ ^ ^	40,601	3,863	-	6,067	4,548	-	-	-	1,578	56,657	7%
Sub-total executive key management personnel	1,483,344	594,735	17,579	6,067	92,044	-	-	39,969	30,774	2,264,512	26%
Totals	**1,637,318**	**594,735**	**17,579**	**6,067**	**105,902**	**-**	**-**	**39,969**	**38,664**	**2,440,234**	**24%**

* appointed 10 March 2009
** resigned 6 March 2009
*** resigned 6 March 2009
# resigned 20 August 2008 as a director and remained as CFO
^ commenced employment 1 November 2008
^ ^ commenced employment 1 September 2008
^ ^ ^ on 1 November 2009, the group under went a corporate restructure. As a result these employees are no longer considered to be key management personnel for the purpose of this report. All figures disclosed relate to the period 1 July 2008 - 31 October 2008 only. Vanessa Cohen resigned on 20 March 2009.

directors' report (continued)

Remuneration for key management personnel – Table 2

Remuneration for the year ended 30 June 2008	**Short-term**				**Post employment**		**Long-term**		**Share-based payment**	**Total**	**% Performance related**
	Salary & fees $	Cash bonus $	Non-monetary Benefits $	Other $	Super-annuation $	Retirement benefits $	Incentive plans $	Long service leave $	Options $	$	
Non-executive directors											
C. J. Smith (Chairman)	103,416	-	-	-	9,307	-	-	-	2,428	115,151	-
V. Donato	32,110	-	-	-	2,890	-	-	-	-	35,000	-
G. Smith*	-	-	-	-	-	-	-	-	-	-	-
M.Gudinski**	-	-	-	-	-	-	-	-	1,619	1,619	-
P. Jacobsen **	32,110	-	-	-	2,890	-	-	-	-	35,000	-
C. Stynes ***	5,000	-	-	-	-	-	-	-	-	5,000	
Sub-total non-executive directors	172,636	-	-	-	15,087	-	-	-	4,047	191,770	-
Executive directors											
A. McGinn	381,490	-	31,976	-	13,129	-	-	4,703	4,857	436,155	-
M. Burgess#	212,309	-	-	-	13,129	-	-	2,443	3,238	231,119	-
Other key management personnel					-						
S. Joyce	175,000	170,491	-	-	13,129	-	-	1,674	3,238	363,532	47%
G. Tremain	120,000	212,153	-	-	13,129	-	-	765	902	346,949	61%
C. Moore	-	-	-	-	-	-	-	-	-	-	
A. Englisch	-	-	-	-	-	-	-	-	-	-	-
N. Young	85,000	108,617	-	-	13,129	-	-	196	526	207,468	52%
A. Leys	147,310	-	-	-	13,129	-	-	1,489	902	162,830	-
D. Gutterson	110,000	-	-	-	9,900	-	-	510	902	121,312	-
V. Cohen	121,802	-	-	18,200	12,600	-	-	364	902	153,868	-
Sub-total executive key management personnel	1,352,911	491,261	31,976	18,200	101,274	-	-	12,144	15,467	2,023,233	24%
Totals	**1,525,547**	**491,261**	**31,976**	**18,200**	**116,361**	**-**	**-**	**12,144**	**19,514**	**2,215,003**	**22%**

* appointed 10 March 2009
** resigned 6 March 2009
*** resigned 2 October 2007
# resigned 20 August 2008

Compensation options: granted and vested during the year ended 30 June 2009 (consolidated)

	GRANTED	TERMS AND CONDITIONS FOR EACH GRANT						VESTED	
	Number	Grant date	Fair value per option at grant date $	Exercise price per option $	Expiry date	First exercise date	Last exercise date	Number	%
Directors									
C. J. Smith (Chairman)	150,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	-	-
V. Donato	-	-	-	-	-	-	-	-	-
G. Smith	-	-	-	-	-	-	-	-	-
M.Gudinski	100,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	-	-
P. Jacobsen	-	-	-	-	-	-	-	-	-
Executive directors									
A. McGinn	300,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	-	-
M. Burgess	200,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	-	-
Other key management personnel									
S. Joyce	200,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	-	-
G. Tremain	50,000	10-Dec-07	0.05	0.20	22-Nov-12	30-Jun-09	22-Nov-12	50,000	100%
C. Moore	50,000	10-Dec-07	0.05	0.20	22-Nov-12	30-Jun-09	22-Nov-12	50,000	100%
A. Englisch	-	-	-	-	-	-	-	-	-
N. Young	25,000	10-Dec-07	0.04	0.20	22-Nov-12	31-Dec-08	22-Nov-12	25,000	100%
A. Leys	50,000	10-Dec-07	0.05	0.20	22-Nov-12	30-Jun-09	22-Nov-12	50,000	100%
D. Gutterson	50,000	10-Dec-07	0.05	0.20	22-Nov-12	30-Jun-09	23-Nov-12	50,000	100%
V. Cohen	50,000	10-Dec-07	0.05	0.20	22-Nov-12	30-Jun-09	24-Nov-12	50,000	100%
Total	**1,225,000**							**275,000**	**22%**

directors' report (continued)

Options granted as part of remuneration

There were no options granted during the 2009 financial year. All options granted relate to the prior accounting period.

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

Anthony McGinn
Director

Melbourne, 21 August 2009

corporate governance statement

The Board of Directors of mcm entertainment group limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of mcm entertainment group limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board of Directors (Board) of mcm entertainment group limited (Company) and those delegated to manage and disclose those functions	The Board is responsible for the overall corporate governance of the Company. The Board's responsibilities and the responsibilities delegated to senior executives are disclosed in the prospectus issued by the Company dated 31 October 2007 (Prospectus) and is summarised in this Corporate Governance Statement The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives	Senior executives prepare strategic objectives that are signed off by the Board. These objectives must then be met by senior executives as part of their performance targets. The CEO then reviews the performance of the senior executives against those objectives. The Board will then review the CEO's compliance against his and the company's objectives. This review occurs once a year.	Complies.
1.3	Provide the information indicated in *Guide to reporting on Principle 1*	The Board charter has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies
		A performance evaluation process has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies
		The Board conducted a performance evaluation of senior executives in the financial year in accordance with the process above.	Complies
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent Directors	As at the date of this statement, the majority of the Board's Directors are independent. These persons are as follows: • Colin Smith • Vincent Donato • Gregory Smith	Complies

corporate governance statement (continued)

Principles and Recommendations		Compliance	Comply
2.2	The Chair should be an independent Director	Colin Smith is an independent, Non-executive Director of the Board.	Complies.
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual	Colin Smith is the Chairman and Anthony McGinn the Chief Executive Officer.	Complies.
2.4	The Board should establish a nomination committee	Given the size of the Board, it was determined that the Board will execute the functions of a nomination committee and that a separate nomination committee is unnecessary.	Does not comply for reasons given under 2.6.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	The Company conducts the processes outlined in its policy - 'Performance evaluation process in relation to the Board and its committees' - which is available on the Company's website.	Complies.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2*	The skills and experience of each Director is found in the Directors' Report attached to this Corporate Governance Statement. Colin Smith, Vincent Donato and Gregory Smith are considered independent Directors of the Company. A Director is considered independent when he substantially satisfies the test for independence as set out in the ASX Revised Corporate Governance Principles and Recommendations. Colin Smith, Non-executive Chairman, was appointed to the Board on 3 May 2007. Anthony McGinn, Managing Director and Chief Executive Officer, was appointed to the Board on 10 August 1983. Vincent Donato, Non-executive Director, was appointed to the Board on 11 May 2006. Gregory Smith, Non-executive Director, was appointed to the Board on 10 March 2009. Members of the Board are able to take independent professional advice at the expense of the Company. The Board carries out the functions of a nomination committee. The Board conducted a performance evaluation of the Board, its committees and senior executives in the financial year in accordance with the performance evaluation process that has been disclosed on the Company's website. On appointment of a Director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board. In accordance with the information suggested in *Guide to Reporting on Principle 2, t*he Company has disclosed full details of its Directors in the Director's Report attached to this Corporate Governance Statement. Other disclosure material as suggested in *Guide to Reporting on Principle 2* has been made	The Board has not established a nomination committee. Given the size of the Board, the Board has determined that it will execute the functions of a nomination committee and that a separate nomination committee is unnecessary.

corporate governance statement (continued)

Principles and Recommendations		Compliance	Comply
		available on the Company's website.	
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct with the aim of maintaining confidence in the Company's integrity	Complies.
3.2	Establish a policy concerning trading in company securities by Directors, senior executives and employees and disclose the policy or a summary of that policy	The Company has adopted a securities trading policy that applies to trading in securities in the Company by any Director or employee of the Company.	Complies.
3.3	Provide the information indicated in *Guide to reporting on Principle 3*	The Company's code of conduct and securities trading policy are available on the Company's website. The securities trading policy is summarised in this Corporate Governance Statement.	Complies.
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee	The Board has established an audit and risk committee and adopted an audit and risk charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies.
4.2	The audit committee should be structured so that it consists of only Non-executive Directors, a majority of independent Directors, is chaired by an independent chair who is not a Chair of the Board and have at least 3 members	Members of the audit and risk committee are Vincent Donato (Chair), Michael Burgess and Andrew Metcalfe. Vincent Donato is an independent, Non-executive Director and is not Chair of the Board. Michael Burgess is the Company's Chief Financial Officer and Andrew Metcalfe is the Company Secretary to the Board. The audit and risk committee does not comply with Recommendation 4.2 in that the committee: • does not consist of only Non-executive Directors; and • does not consist of a majority of independent Directors.	Does not comply, however all members of the audit and risk committee are financially literate and the Board considers that Mr. Donato, Mr. Burgess and Mr. Metcalfe are the most appropriate members to constitute the audit and risk committee given their technical, financial and accounting qualifications and expertise and detailed knowledge of the industry in which the Company operates within.
4.3	The audit committee should have a formal charter	The Board has adopted an audit and risk charter.	Complies.

corporate governance statement (continued)

Principles and Recommendations		Compliance	Comply
4.4	Provide the information indicated in *Guide to reporting on Principle 4*	In accordance with the information suggested in *Guide to Reporting on Principle 4,* this has been disclosed in the company's 2007 Prospectus, in the Directors' Report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the audit and risk committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The audit and risk committee has held 5 meetings and meets approximately every 3-4 months. The Company's audit and risk charter is available on the Company's website.	Complies.
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	The Company has adopted a continuous disclosure policy, to ensure it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5*	The Company's continuous disclosure policy is available on the Company's website.	Complies.
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy	The Company has adopted a shareholder communications policy. The Company uses its website (www.mcmentertainment.com), annual report, market announcements and media disclosures to communicate with its shareholders, as well as encourage participation at general meetings.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6*	The Company's shareholder communications policy is available on the Company's website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies	The Company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however ultimate responsibility for risk oversight and risk management rests with the Board. The audit and risk committee charter is available on the Company's website and the Company's risk statement is summarised in this Corporate Governance	Complies

corporate governance statement (continued)

Principles and Recommendations		Compliance	Comply
		Statement.	
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks on a fortnightly basis at senior executive leadership meetings. The Company also conducts an annual strategic review that identifies and isolates key risks, both new and existing, in the Company, resulting in strategies to manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies
7.4	Provide the information indicated in *Guide to reporting on Principle 7*	The Board has adopted an audit and risk charter which includes a statement of the Company's risk policies. This audit and risk charter and risk statement is available on the Company's website and is summarised in this Corporate Governance Statement. The Company has identified key risks within the business and has received a statement of assurance from the Chief Executive Officer and Chief Executive Officer.	Complies
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee	The Board has established a remuneration committee and operates in accordance with the remuneration committee charter for focusing the Company on appropriate remuneration policies. Members of the remuneration committee are Colin Smith (Chair), Vincent Donato and Anthony McGinn. Colin Smith and Vincent Donato are both independent, Non-executive Directors. Anthony McGinn is the Company's Chief Executive Officer.	Complies.
8.2	Clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and	The Company follows the guidelines for executive remuneration packages and Non-executive Director remuneration, with the exception of Colin Smith who received options in 2007 under the mcm entertainment	Does not comply. Fees paid to Non-executive Directors are

corporate governance statement (continued)

Principles and Recommendations		Compliance	Comply
	senior executives.	group option plan. Executive director remuneration packages are included in the Remuneration Report within the Directors' Report attached to this Corporate Governance Statement. The Company does not have any schemes for retirement benefits other than superannuation for Non-executive Directors.	considered below normal market levels, therefore options were issued to the Non-executive Director as an additional form of remuneration at listing date with a two year escrow period.
8.3	Provide the information indicated in *the Guide to reporting on Principle 8*	The Board has adopted a remuneration committee charter. This charter is available on the Company's website and is summarised in this Corporate Governance Statement. In accordance with the information suggested in *Guide to Reporting on Principle 8,* this has been disclosed in the company's 2007 Prospectus, in the Remuneration Report within the Directors' Report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement.	Complies

mcm entertainment group limited's corporate governance practices were in place from 31 October 2007 through to the year ended 30 June 2009 and to the date of signing the Directors' Report attached to this Corporate Governance Statement.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by mcm entertainment group limited, refer to our website:

http://www.mcmentertainment.com/investor-relations_corporate-governance.php

Board functions

The role of the Board of mcm entertainment group limited is as follows:

- Representing and serving the interests of shareholders by overseeing and appraising the strategies, policies and performance of the Company. This includes over viewing the financial and human resources the Company has in place to meet its objectives and the review of management performance.
- Protecting and optimising Company performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed.
- Responsible for the overall Corporate Governance of *mcm entertainment group limited* and its controlled entities, including monitoring the strategic direction of the Company and those entities, formulating goals for management and monitoring the achievement of those goals.
- Setting, reviewing and ensuring compliance with the Company's values (including the establishment and observance of high ethical standards).

corporate governance statement (continued)

- Ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

Responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the Chief Executive Officer (CEO);
- reviewing procedures in place for appointment of senior management and monitoring of its performance, and for succession planning. This includes ratifying the appointment and the removal of the Chief Financial Officer and the Company Secretary;
- input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing and guiding systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures in place to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes in place aimed at ensuring the integrity of financial and other reporting;
- monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards; and
- performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person subject to ultimate responsibility of the Directors under the Corporations Act.

Matters which are specifically reserved for the Board or its committees include the following:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment of Directors to fill a vacancy or as additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Structure of the Board

The Company's constitution governs the regulation of meetings and proceedings of the Board.

corporate governance statement (continued)

The Board determines its size and composition, subject to the terms of the constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the company constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operation and, therefore, an increasing contribution to the Board as a whole. It is intended that the Board should comprise a majority of independent Non-executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. It is also intended that the Chair should be an independent Non-executive Director. The Board regularly reviews the independence of each Director in light of the interests disclosed to the Board.

The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with - or could reasonably be perceived to interfere with - the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principal 2 of the ASX Corporate Governance Revised Principals and Recommendations. The Board will review the independence of each Director in light of interests disclosed to the Board from time to time.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of mcm entertainment group limited are considered to be independent:

Name	Position
Colin J. Smith	Chairman
Vincent Donato	Non-executive Director
Gregory Smith	Non-executive Director

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this statement is as follows:

Name	Position	Term in Office
Colin J. Smith	Chair, Non-executive Director	Appointed 3 May 2007
Anthony McGinn	Chief executive Officer	Appointed 10 August 1983
Vincent Donato	Non-executive Director	Appointed 11 May 2006
Gregory Smith	Non-executive Director	Appointed 10 March 2009

Further details on each Director can be found in the Directors’ Report attached to this Corporate Governance Statement.

corporate governance statement (continued)

Securities trading policy

Under the Company's Guidelines for Dealing in Securities Policy, a Director or Company employee must not trade in any securities of the Company at any time when they are in possession of unpublished price sensitive or 'inside' information in relation to those securities.

Relevant Persons are permitted to buy or sell the Company's securities throughout the year except during the period up to 30 days preceding the following:

- the announcement of half-yearly financial results;
- the announcement of annual financial results; or
- the holding of a shareholders meeting;

and ending two days after the end of the day of the announcement of the company's financial results or the holding of the shareholders meeting to allow the market to absorb the contents of the announcement (Non Trading Period).

Outside of the Non Trading Period (before commencing to trade) a Director must first obtain the approval of the Chairman to do so; the Chairman must first obtain approval from the Board; and all other employees must inform and receive approval from the Company Secretary.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company within five days of the transaction taking place.

Audit and risk committee

The Board has established an Audit and Risk Committee which operates under a Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year were:

- Vincent Donato (Non-executive Director) holds a Bachelor of Economics (Accounting) from LaTrobe University and is a Fellow of CPA Australia.
- Michael Burgess (Chief Financial Officer) holds a Bachelor of Business (Accounting) from Deakin University and is a Chartered Accountant.
- Andrew Metcalfe (Company Secretary) holds a Bachelor of Business (Accounting and IT) from Swinburne University and is a Certified Practicing Accountant and a Fellow of the Chartered Institute of Secretaries.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Risk

The responsibility of overseeing risk falls within the charter of the Audit and Risk Committee. The Company identifies areas of risk within the Company and continuously undertakes a risk

corporate governance statement (continued)

assessment of the Company's operations, procedures and processes. The risk assessment is aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the Company, which is being done through natural or instinctive process by employees of the Company;
- a culture of risk control that can easily identify risks as they arise an amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance polices, or ensuring compliance reporting is up to date.

CEO and COO certification

The Chief Executive Officer and Chief Operating Officer have provided a written statement to the Board that in their view:

1. the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
2. the Company's risk management and internal compliance and control system is operating effectively in all material respects.

Performance

The performance of the Board and senior executives is reviewed regularly using both measurable and qualitative indicators. At the commencement of each Board meeting, the Non-executive Directors convene a closed meeting of the Board to discuss issues arising from the performance of the Company and the senior executives.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive Directors' and Officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance incentives that allow executives to share in the success of mcm entertainment group limited.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by Directors and senior executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits to executive or Non-executive Directors.

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and executive team.

corporate governance statement (continued)

The Remuneration Committee dealt with all remuneration issues during the financial year ended 30 June 2009. In carrying out its duties, the Remuneration Committee operated in accordance with the Remuneration Committee Charter.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

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financial statements

balance sheet
as at 30 June 2009

		CONSOLIDATED		PARENT	
		30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	notes	**$**	$	**$**	$
Current assets					
Cash and cash equivalents	10	77,528	518,414	26,846	449,719
Trade and other receivables	11	4,363,681	2,426,081	3,308,785	2,958,249
Prepayments	12	55,405	182,462	-	-
Total current assets		**4,496,614**	**3,126,957**	**3,335,631**	**3,407,968**
Non-current assets					
Investments	13	-	-	962,107	202
Deferred tax assets	7	637,067	738,038	240,660	481,677
Property, plant and equipment	14	1,494,648	1,883,080	-	-
Intangible assets and goodwill	15	2,211,916	1,410,999	-	-
Total non-current assets		**4,343,631**	**4,032,117**	**1,202,767**	**481,879**
TOTAL ASSETS		**8,840,245**	**7,159,074**	**4,538,398**	**3,889,847**
Current liabilities					
Trade and other payables	17	2,193,396	1,791,873	225,949	20,901
Unearned revenue		691,639	66,878	-	-
Interest bearing liabilities	19	888,482	1,035,837	-	-
Provisions	18	283,389	116,327	125,000	-
Total current liabilities		**4,056,906**	**3,010,915**	**350,949**	**20,901**
Non-current liabilities					
Interest bearing liabilities	19	-	230,012	-	-
Provisions	18	152,804	128,583	-	-
Total non-current liabilities		**152,804**	**358,595**	**-**	**-**
TOTAL LIABILITIES		**4,209,710**	**3,369,510**	**350,949**	**20,901**
NET ASSETS		**4,630,535**	**3,789,564**	**4,187,449**	**3,868,946**
EQUITY					
Issued capital	21	4,940,113	4,178,208	4,940,113	4,178,208
Share based payments reserve	22	91,513	33,122	91,513	33,122
Accumulated losses	22	(401,091)	(421,766)	(844,177)	(342,384)
TOTAL EQUITY		**4,630,535**	**3,789,564**	**4,187,449**	**3,868,946**

financial statements (continued)

income statement

for the year ended 30 June 2009

		CONSOLIDATED		PARENT	
		30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	notes	**$**	$	$	$
Sales revenue	6	18,783,452	17,943,194	-	-
Cost of sales		(7,128,290)	(7,736,437)	-	-
Gross Profit		**11,655,162**	**10,206,757**	**-**	**-**
Other revenue	6	-	10,349	-	-
Employee benefits expense	6	(8,164,643)	(7,324,869)	(247,414)	(250,072)
Property expenses		(755,304)	(628,052)	-	-
Administration expenses		(1,465,653)	(1,430,694)	(181,960)	(90,700)
Sales & marketing expenses		(193,925)	(389,359)	-	-
Foreign currency gains/(losses)		(22,300)	(1,293)	-	-
Operating Expenses		**(10,601,825)**	**(9,763,918)**	**(429,374)**	**(340,772)**
Earnings/(loss) before interest, depreciaton & amortisation		**1,053,337**	**442,839**	**(429,374)**	**(340,772)**
Depreciation & amortisation	6	(793,612)	(852,124)	-	-
Earnings before interest & taxation		**259,725**	**(409,285)**	**(429,374)**	**(340,772)**
Interest (expense)/received	6	(138,079)	(132,412)	3,050	44,873
Earnings/(loss) before income tax		**121,646**	**(541,697)**	**(426,324)**	**(295,899)**
Income tax (expense) / benefit	7	(100,971)	225,142	(75,469)	78,834
Earnings/(loss) attribute to members of the parent		**20,675**	**(316,555)**	**(501,793)**	**(217,065)**
Earnings per share for profit/(loss) attributable to the ordinary equity of the company:					
Basic earnings per share (cents)	9	0.03	(0.54)	-	-
Diluted earnings per share (cents)	9	n/a	n/a	-	-
Dividends per share		-	-	-	-

financial statements (continued)

cash flow statement

for the year ended 30 June 2009

	notes	CONSOLIDATED 30 June 2009 $	CONSOLIDATED 30 June 2008 $	PARENT 30 June 2009 $	PARENT 30 June 2008 $
Cash flows from operating activities					
Receipts from customers and related parties		16,820,109	18,450,105	-	-
Payments to suppliers and employees		(16,383,178)	(17,571,207)	(30,002)	(429,005)
Interest received		6,663	48,896	3,585	42,888
Interest paid		(144,742)	(172,767)	(535)	(1,447)
Income tax received/(paid)		-	360,281	-	360,281
Net cash flows from operating activities	**10**	**298,852**	**1,115,308**	**(26,952)**	**(27,283)**
Cash flows from investing activities					
Purchase of business	**23**	(75,000)	-	(75,000)	-
Purchase of property, plant and equipment		(77,898)	(1,550,085)	-	-
Refund of property, plant and equipment expenditure		-	145,000	-	-
Purchase of intangibles		(232,851)	(462,830)	-	-
Loans granted to subsidiary		-	-	(344,299)	(2,327,210)
Net cash flows (used in)/from investing activities		**(385,749)**	**(1,867,915)**	**(419,299)**	**(2,327,210)**
Cash flows from financing activities					
Payments of finance lease liabilities		(161,485)	(233,696)	-	-
Proceeds from share issues		-	3,950,000	-	3,950,000
Payment of share issue costs		-	(1,146,782)	-	(1,146,782)
Repayment of borrowings		(543,750)	(393,750)	-	-
Proceeds from director loan		23,378	-	23,378	-
Net cash flows (used in)/from financing activities		**(681,857)**	**2,175,772**	**23,378**	**2,803,218**
Net cash increase/ (decrease) in cash and cash equivalents		**(768,754)**	**1,423,165**	**(422,873)**	**448,725**
Cash and cash equivalents at beginning of period		**19,062**	**(1,404,103)**	**449,719**	**994**
Cash and cash equivalents/(overdraft) at end of period	**10**	**(749,692)**	**19,062**	**26,846**	**449,719**

financial statements (continued)

statement of changes of equity
for the year ended 30 June 2009

CONSOLIDATED	Issued capital $	Retained earning / (accumulated) losses $	Share based payments reserve $	Total $
Balance at 1 July 2007	**1,028,175**	**(105,211)**	**-**	**922,964**
Earnings/(Loss) for the year	-	(316,555)	-	(316,555)
Total profit/(expense) for the year	**-**	**(316,555)**	**-**	**(316,555)**
Shares issued:				
15,000,000 fully paid ordinary shares @ $0.20 (initial public offering)	3,000,000	-	-	3,000,000
5,135,135 fully paid ordinary shares @ $0.185 (pre IPO capital raising)	950,000	-	-	950,000
125,000 fully paid ordinary shares gifted to employees @ $0.20	25,000	-	-	25,000
Capital raising costs incurred (after tax)	(824,967)	-	-	(824,967)
Employee share option plan	-	-	33,122	33,122
Balance at 30 June 2008	**4,178,208**	**(421,766)**	**33,122**	**3,789,564**
Earnings/(Loss) for the year	-	20,675	-	20,675
Total profit/(expense) for the year	**-**	**20,675**	**-**	**20,675**
Shares issued:				
3,809,524 fully paid ordinary shares @$0.20 issued in consideration for acquisition of business from Igloo Design Pty Ltd	761,905	-	-	**761,905**
Employee share option plan	-	-	58,391	**58,391**
Balance at 30 June 2009	**4,940,113**	**(401,091)**	**91,513**	**4,630,535**
PARENT				
Balance at 1 July 2007	**1,028,175**	**(125,319)**	**-**	**902,856**
Profit/(Loss) for the year	-	(217,065)	-	(217,065)
Total expense for the year	**-**	**(217,065)**	**-**	**(217,065)**
Shares issued:				
15,000,000 fully paid ordinary shares @ $0.20 (initial public offering)	3,000,000	-	-	3,000,000
5,135,135 fully paid ordinary shares @ $0.185 (pre IPO capital raising)	950,000	-	-	950,000
125,000 fully paid ordinary shares gifted to employees @ $0.20	25,000	-	-	25,000
Capital raising costs incurred (after tax)	(824,967)	-	-	(824,967)
Employee share option plan	-	-	33,122	33,122
Balance at 30 June 2008	**4,178,208**	**(342,384)**	**33,122**	**3,868,946**
Profit/(Loss) for the year	-	(501,793)	-	(501,793)
Total expense for the year	**-**	**(501,793)**	**-**	**(501,793)**
Shares issued:				
Igloo Shares	761,905	-	-	**761,905**
Employee share option plan	-	-	58,391	**58,391**
Balance at 30 June 2009	**4,940,113**	**(844,177)**	**91,513**	**4,187,449**

notes to financial statements

1. corporate information

The financial report of mcm entertainment group limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 21 August 2009.

mcm entertainment group limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. summary of significant accounting policies

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

a) Compliance of IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) New accounting standards and interpretation

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual period ended 30 June 2009. These are outlined in the table below.

Ref	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on	1 July 2009

notes to financial statements (continued)

Ref	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
				the Group's segment disclosures.	
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, these amendments are not expected to have any material impact on the Group's financial report.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs	1 July 2009	The Group has no plans to enter into business combinations during the next financial year and as such, these amendments are not expected to have any material impact on the Group's financial	1 July 2009

notes to financial statements (continued)

Ref	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.		report.	
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer above.	1 July 2009
AASB 2008-5 AASB 2008-6 AASB 2009-4	Amendments to Australian Accounting Standards arising from	The improvements project is an annual project that provides	1 January 2009	These amendments are not expected to	1 July 2009

notes to financial statements (continued)

Ref	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-Y	the Annual Improvements Project (and other related amendments)	a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].		have a material impact on the Group's financial position and performance.	
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost method" and requiring all	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater	1 July 2009

notes to financial statements (continued)

Ref	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.		income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: the scope of AASB 2; and the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles	1 January 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

notes to financial statements (continued)

Ref	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2—Group and Treasury Share Transactions*. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.			

* designates the beginning of the applicable annual reporting period unless otherwise stated

Adoption of new accounting standard

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of mcm entertainment group limited and its subsidiaries as at 30 June 2009.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

notes to financial statements (continued)

d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill.

e) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

f) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of mcm entertainment group limited and its Australian subsidiaries are Australian dollars ($).

Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Translation of Group Companies functional currency to presentation currency

All exchange differences in the consolidated financial report are taken to the income statement.

g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

h) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

notes to financial statements (continued)

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

i) Deferred revenue/production costs

Production expenses work in progress are valued at the lower of cost and net realisable value. Costs incurred in the production of new programmes are recognised as an asset (work-in-progress) where future economic benefits are expected to be derived. When customers are billed in advance for production costs a negative inventory balance may arise and is reclassified as deferred revenue.

j) Investments

When separate financial statements are prepared, entities have the choice to carry investments in subsidiaries at cost or in accordance with AASB 139. The Group has elected to recognise its investments in its subsidiaries at cost.

k) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

	Useful Life
Office and Studio Equipment	2.5 to 13.5 years
Furniture, fixtures and fittings	4.0 to 20 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Impairment

The carrying values of plant and equipment are tested for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

notes to financial statements (continued)

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Assets that have suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

mcm entertainment group limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

m) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

notes to financial statements (continued)

Goodwill is not amortised, instead it is tested for impairment, annually or more frequently if event or changes in circumstances indicated that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the appropriate cash-generating unit being either the business of mcm media pty ltd or igloo digital pty ltd.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable a mount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles – brand names

The Group's brand names, underpinned by registered trademarks, meet the definition of an intangible asset held at cost under AASB 138: Intangible Assets and are disclosed on this basis.

These assets were acquired as part of the business combination which occurred on 25 November 2005. They were initially recorded at fair value and then subsequently carried at cost less accumulated amortisation and impairment charges, if any.

The Directors have determined that the brand names have a finite useful life of seven years and are amortised over this period. This determination is reviewed at the end of each annual reporting period.

Impairment occurs when there is an indicator that the asset may be impaired. When the asset has suffered impairment it is tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Intangibles – capitalised web site costs

Web site development expenditure incurred is carried forward when its future recoverability can reasonably be regarded as assured and measurement of the expenditure can be reasonably measured. Costs attributed to full time staff working on web development projects are predominately expensed. Staff contracted specifically for web development projects are capitalised when the future recoverability of that work can be assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The capitalised expenditure carried forward is amortised over two and a half years.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project or 2.5 years whichever is less.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

notes to financial statements (continued)

Intangibles – development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the diminishing value method over a period of 2.5 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

A summary of the policies applied to the Group's intangible assets is as follows:

	Trademarks	**Capitalised website cost/development costs**
Useful lives	Finite	
Method used	7 years – straight line	2.5 years – straight line
Internally generated/acquired	Acquired	Internally generated
Impairment test/recoverable amount testing	Carrying value and amortisation method reviewed annually if there is an indication of impairment.	

n) Trade and other payables

Trade and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

o) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. mcm entertainment group limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

p) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

notes to financial statements (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

i. Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii. Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

q) Share-based payment transactions

Equity settled transactions

The Group has provided benefits to a number of its employees including key management personnel (KMP) in the form of an Option Plan and Employee Share Acquisition Plan.

mcm entertainment group limited has adopted the following employee and Director incentive plans:

- mcm option plan; and
- mcm employee share acquisition plan.

Each of these plans has been approved by the Board.

Shares issued under the plans will be fully paid and will have the same entitlements as other ordinary shares in mcm entertainment group limited.

The Option Plan provides benefits to Directors, senior Executives and management and the Employee Share Acquisition Plan provided $1,000 worth of gift shares to employees (excluding KMP). The employee share acquisition plan pertained to employees who had been employed permanently by mcm media pty ltd (formerly mcm syndication pty ltd) for a minimum of 12 months as at 19 December 2007. The allocation of options under the option plan was allocated to senior staff and management at the Boards discretion.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in note 26.

notes to financial statements (continued)

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of mcm entertainment group limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

i. the grant date fair value of the award;

ii. the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

iii. the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity. Equity-settled awards granted by mcm entertainment group limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by mcm entertainment group limited in relation to equity-settled awards only represents the expense associated with grants to employees within the Group. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 9).

r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can

notes to financial statements (continued)

be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Income derived from airtime sales is recognised based on when services to the customers are rendered, that is when the advertising is aired. Where services are yet to be rendered, income received in advance is recorded as deferred revenue.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

t) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

notes to financial statements (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

mcm entertainment group limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The head entity, mcm entertainment group limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, mcm entertainment group limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

u) Earnings per share

Basic earnings per share is determined by dividing the net profit/ (loss) attributable to members by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;

notes to financial statements (continued)

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

v) Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of a change in accounting policy.

3. financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, overdrafts, finance leases, and cash.

The main purpose of these financial instruments is to raise finance for the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate. Analysis and monitoring of credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts, which are performed on a weekly and monthly basis.

Primary responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk, credit and future cash flow forecast projections.

Fair values

The fair values of the group's financial instruments are materially consistent with the carrying amounts recognised in the financial statements.

Risk exposures and responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's overdraft facility provided by HSBC Australia Pty Ltd. During the year, the Group repaid the outstanding Commercial Bill Facility of $543,750.

notes to financial statements (continued)

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	**$**	$
Financial assets				
Cash and cash equivalents	77,528	518,414	26,846	449,719
	77,528	**518,414**	**26,846**	**449,719**
Financial liabilities				
Bank overdraft	827,220	499,352	-	-
Commercial bill facility	-	543,750	-	-
	827,220	**1,043,102**	**-**	**-**
Net exposure	**(749,692)**	**(524,688)**	**26,846**	**449,719**

The Group regularly analyses its interest rate exposure, cash and debt levels.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	NET PROFIT AFTER TAX	
	Higher / (Lower)	
	2009	2008
Judgements of reasonably possible movements:	**$**	**$**
Consolidated		
+0.5% (50 basis points)	(2,624)	(1,836)
-0.5% (50 basis points)	2,624	1,836
Parent		
+0.5% (50 basis points)	94	1,574
-0.5% (50 basis points)	(94)	(1,574)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity for the group is higher in 2009 than 2008 due to an increase in net exposure to debt. The repayment of the commercial bill was partly funded by the Group’s overdraft facility.

notes to financial statements (continued)

Foreign currency risk

The Group's foreign currency charge has increased year on year due to a decline in the Australian dollar in the first six months of the financial year. However the exposure to foreign currency risk is still considered to be immaterial. The Group sources some product from overseas suppliers but the value and volume of supply is not sufficient to warrant policies on hedging.

Credit risk

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is limited.

There are no significant concentrations of credit risk within the Group. The company has the majority of customers concentrated in the Australian media industry and the majority remit payment on 45 days which is industry standard.

Despite the increase in trade debtors in the current period relative to the prior period, the nature of the customers are consistent year on year. The increase in debtors is attributable to strong media sales in the last quarter of the 2009 financial year. Refer to note 11 for ageing of receivables.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2009.

	<6 months	6-12 months	1-5 years	TOTAL
YEAR ENDED 30 JUNE 2009 - CONSOLIDATED	**$**	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	77,528	-	-	77,528
Trade and other receivables	4,323,381	40,300	-	4,363,681
	4,400,909	**40,300**	**-**	**4,441,209**
Financial liabilities				
Bank overdraft	827,220	-	-	827,220
Trade and other payables	2,193,396	-	-	2,193,396
Interest bearing loans and borrowings	30,631	30,631	-	61,262
	3,051,247	**30,631**	-	**3,081,878**
Net maturity	**1,349,662**	**9,669**	-	**1,359,331**

notes to financial statements (continued)

The overdraft is an on demand facility. At this time HSBC Australia has not indicated any desire to cancel the facility. Cancellation can be made either by the group or HSBC Australia by providing 30 days notice to the other party. Based on current and forecast financial performance, management expects the overdraft facility to remain in place.

Maturity analysis of financial assets and liability based on contractual maturities

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital e.g. programmes, digital development and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, mcm entertainment group limited has established comprehensive risk reporting covering its business that reflects expectations of management of expected settlement of financial assets and liabilities.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and bank overdrafts with floating interest rates.

4. significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

notes to financial statements (continued)

Significant accounting judgements

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management does not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale within twelve (12) months. Development costs primarily relate to expenditure on new software and new infrastructure built to operate proprietary web sites and related internet production. Labour contracted to specifically work on development projects are capitalised, whereas the cost related to full time staff are on the main expensed in accordance with the policy of expenditure related to salaries and wages.

Taxation

Deferred tax assets, including those arising from unrecouped tax losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Significant accounting estimates and assumptions

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 16.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, with the assumptions detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no

notes to financial statements (continued)

impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Make good provision

A provision has been made for the present value of anticipated costs of returning the leased premised back to the condition stipulated in the respective tenancy leases. The provision includes future cost estimates associated with returning the premises to the condition of the tenancy before the Group entity occupied the respective tenancies. The calculation of this provision requires assumptions such as demolition and asset removal. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 18.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience (for office and studio equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Long service leave provision

As discussed in note 18, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Allowance for impairment

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. This assessment is based on supportable past collection history and historical write-offs of bad debts.

5. segment information

The Group operates in the media and entertainment industry in Australia. The Group provides product and programming to the radio, internet, mobile telephone and television mediums of Australia. This is considered to be one segment as the provision of product and programming and advertising sales contained therein typically crosses over all four mediums.

notes to financial statements (continued)

6. revenues & expenses

	CONSOLIDATED		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
Revenue				
Sales revenue - rendering of services	18,783,452	17,943,194	-	-
Other Income	-	10,349	-	-
Total other revenue	**-**	**10,349**	**-**	**-**
Total revenue	**18,783,452**	**17,953,543**	**-**	**-**
Depreciation and amortisation expense				
Depreciation expense of tangible assets	(421,125)	(444,659)	-	-
Amortisation expense of intangible assets	(372,487)	(407,465)	-	-
Total depreciation and amortisation expense	**(793,612)**	**(852,124)**	**-**	**-**
Interest & finance expenses				
Interest expense	(103,819)	(162,066)	-	-
Other financial expenses	(40,923)	(22,676)	(535)	(1,447)
Interest revenue	6,663	52,330	3,585	46,320
Total interest & finance expenses	**(138,079)**	**(132,412)**	**3,050**	**44,873**
Lease payments and other expenses included in income statement				
Minimum lease payments - operating leases charged directly to administation expense in the income statement	(637,759)	(500,908)	-	-
Total lease payments	**(637,759)**	**(500,908)**	**-**	**-**
Employee benefits expense				
Wages & salaries	(6,881,610)	(5,993,232)	(163,248)	(176,102)
Superannuation expense	(539,404)	(488,571)	(14,692)	(15,848)
Share-based payments expense	(58,391)	(58,122)	(58,391)	(58,122)
Other employee benefits expense	(685,238)	(784,944)	(11,083)	-
Total employee benefits expense	**(8,164,643)**	**(7,324,869)**	**(247,414)**	**(250,072)**
Research and development expenses				
Research and development costs charged directly to administration expense in the income statement	(486)	(10,798)	-	-
Total research and development expense	**(486)**	**(10,798)**	**-**	**-**

notes to financial statements (continued)

7. income tax

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Current income tax				
Current income tax charge	-	(142,305)	(165,548)	(142,305)
Adjustments in respect of current income tax of previous years	-	(18,066)	-	-
Deferred tax income				
Relating to origination and reversal of temporary differences	100,971	(64,771)	241,017	63,471
Income tax expense / (benefit) reported in income statement	**100,971**	**(225,142)**	**75,469**	**(78,834)**

A reconciliation of income tax expense / (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

Accounting profit / (loss) before income tax	**121,646**	**(541,697)**	**(426,324)**	**(295,899)**
At the Group's statutory income tax rate of 30%	36,494	(162,509)	(127,897)	(88,770)
Adjustment in respect of current tax of previous years	-	(18,066)	-	-
Non-deductible expenditure	64,504	51,437	28,097	9,936
Carry forward tax losses applied	-	(14,981)	175,269	-
Recognition of tax losses not previously recognised	-	(81,023)	-	-
Other	(27)	-	-	-
Aggregate income tax expense/(benefit)	**100,971**	**(225,142)**	**75,469**	**(78,834)**
Net deferred tax assets				
Allowance for doubtful debts	12,089	15,485	-	-
Prepayments	(3,297)	(5,380)	-	-
Property, plant and equipment	57,981	14,518	-	-
Finance lease assets	-	(8,685)	-	-
Brandnames	(49,250)	(64,916)	-	-
Lease liabilities	-	-	-	-
Accrued expenses	169,078	143,826	-	2,462
Annual leave	102,848	94,252	-	-
Unused tax losses	48,059	223,329	48,059	223,329
Provision for long service leave	82,108	69,723	-	-
Capital raising costs	186,361	255,886	186,361	255,886
Other	31,090	-	6,240	-
Total net deferred tax assets	**637,067**	**738,038**	**240,660**	**481,677**

notes to financial statements (continued)

The Group has tax losses arising in Australia of $160,195 (2008: $744,429). The tax losses are available to be offset against future taxable profits, subject to meeting the relevant statutory tests for tax purposes.

Deferred tax assets

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Opening balance	738,038	191,074	481,677	-
Charge to income statement	(100,971)	65,287	(75,469)	-
Unused tax losses	-	223,329	-	223,329
Capital raising costs	-	255,886	-	255,886
Group tax losses utilised	-	-	(165,548)	-
Other	-	2,462	-	2,462
Closing balance	**637,067**	**738,038**	**240,660**	**481,677**

Tax consolidation

Members of the tax consolidated group and the tax sharing arrangement

mcm entertainment group limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. mcm entertainment group limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on accounting profit, which is not an acceptable method of allocation under UIG 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax

notes to financial statements (continued)

funding agreement and the allocation under UIG 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

	PARENT	
	30 June 2009	30 June 2008
	$	$
Total increase/(reduction) to deferred tax asset of *mcm entertainment group ltd*	(165,548)	81,023
Total increase/(reduction) to intercompany assets of *mcm entertainment group ltd*	165,548	(81,023)

8. dividends paid and proposed

There were no dividends paid or proposed in the 2009 financial year.

	CONSOLIDATED		**PARENT**	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$	$	**$**	$
Declared and paid during the year				
Dividends on ordinary shares	-	-	-	-
Fully franked dividends for 2009: $nil	-	-	-	-
Franking credit balance				
The amount of franking credits available for the subsequent financial year or period, as applicable, are:				
- franking account balance at the end of the financial period at 30%	371,042	371,042	371,042	371,042
- franking credits that will arise from the payment of income tax	-	-	-	-
- franking debits that will arise from the payment of dividends as at the end of the financial year or period, as applicable	-	-	-	-
	371,042	**371,042**	**371,042**	**371,042**

9. earnings per share

The following reflects the income and share data used to calculate the Group's basic and diluted earnings per share:

Earnings used in calculating earnings per share:

	CONSOLIDATED	
	30 June 2009	30 June 2008
	$	$
Earnings/(loss) after tax	20,675	(316,555)

notes to financial statements (continued)

Weighted average number of shares

	CONSOLIDATED	
	30 June 2009 No. of shares	30 June 2008 No. of shares
Basic weighted number of ordinary shares	71,189,152	58,753,913
Diluted weighted number of ordinary shares	n/a	n/a

Earnings per share

	CONSOLIDATED	
	30 June 2009 cents	30 June 2008 cents
Earnings per share (eps)		
Basic eps	0.03	(0.54)
Diluted eps ^	n/a	n/a

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary share or potential ordinary share outstanding between the reporting date and the date of completion of these financial statements.

^ The diluted earnings per share is not applicable at 30 June 2009 and 30 June 2008 as the share options on issue are anti-dilutive.

notes to financial statements (continued)

10. current assets – cash and cash equivalents

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Cash at bank and in hand	77,528	518,414	26,846	449,719
Bank overdraft	(827,220)	(499,352)	-	-
Total cash and cash equivalents	**(749,692)**	**19,062**	**26,846**	**449,719**
Reconciliation of net profit /(loss) after tax to net cash flows from operations				
Net profit / (loss)	**20,675**	**(316,555)**	**(501,793)**	**(217,065)**
Adjustments for non-cash income and expense				
Depreciation of plant and equipment	421,125	444,659	-	-
Amortisation of intangibles	372,487	407,465	-	-
Write down of asset	15,213	-	-	-
Share based payments expense	58,391	58,122	58,391	58,122
Decrease / (increase) in assets and liabilities				
Trade and other receivables	(1,963,343)	754,794	(350,358)	141,635
Other assets	102,770	547,285	195,542	90,721
Trade and other payables	379,518	(367,754)	205,249	20,700
Deferred revenue	624,761	(252,823)	-	-
Income tax payables	-	360,281	-	360,281
Deferred taxes	100,971	(546,964)	241,017	(481,677)
Provisions (employee benefits)	41,284	26,798	-	-
Deferred Consideration	125,000	-	125,000	-
Net cash from operating activites	**298,852**	**1,115,308**	**(26,952)**	**(27,283)**

11. current assets – trade and other receivables

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Trade receivables, third parties	4,360,232	2,229,866	-	-
Provision for impairment	(40,300)	(51,617)	-	-
Trade receivables, related parties	-	26,516	-	-
Total trade receivables	**4,319,932**	**2,204,765**	**-**	**-**
Other receivables, third parties	43,749	184,259	20,749	87,376
Other receivables, related parties	-	37,057	3,288,036	2,870,873
Total other receivables	**43,749**	**221,316**	**3,308,785**	**2,958,249**
Total trade and other receivables	**4,363,681**	**2,426,081**	**3,308,785**	**2,958,249**

notes to financial statements (continued)

Trade receivables and allowance for impairment

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

An allowance for impairment (impairment loss) is recognised when there is objective evidence that a trade receivable is impaired. An allowance for impairment, which decreased by $11,317 during the year (2008: decreased by $53,655) has been recognised by the Group for the period in the 'administration expenses' line item for the current period for specific debtors and debtors assessed on a collective basis, as described in note 2(h), for which such evidence exists. During the year, $37,061 of bad debts were written off.

Other receivables, third parties primarily relate to GST receivable which is expected to be recovered within 30 days following presentation of the related supplier invoice.

Movements in the provision for impairment loss were as follows:

	CONSOLIDATED		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$	$	**$**	$
Provision for impairment opening balance	(51,617)	(105,272)	-	-
Impairment expensed	37,061	29,654	-	-
Decrease/(increase) in provision	(25,744)	24,001	-	-
Provision for impairment closing balance	**(40,300)**	**(51,617)**	**-**	**-**

An ageing analysis of trade receivables is provided below:

	0-30 days NPDNI^	0-30 days CI#	31-60 days NPDNI^	31-60 days CI#	61-90 days PDNI*	61-90 days CI#	+91 days PDNI*	+91 days CI#	Total
2009	$	$	$	$	$	$	$	$	$
Consolidated	2,132,784	-	2,116,833	-	67,015	-	3,300	40,300	4,360,232
Parent	-	-	-	-	-	-	-	-	-
2008									
Consolidated	1,432,611	14,520	701,048	8,598	10,341	993	55,740	6,015	2,229,866
Parent	-	-	-	-	-	-	-	-	-

^ Not past due not impaired
* Past due not impaired
# Considered impaired

Related party receivables

For terms and conditions of related party receivables refer to note 24.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

notes to financial statements (continued)

12. current assets – prepayments

	CONSOLIDATED		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$	$	**$**	$
Prepayments	55,405	182,462	-	-
Total prepayments	**55,405**	**182,462**	**-**	**-**

13. non-current assets – investment in subsidiaries

		Percentage of equity interest held by the consolidated entity		Investment	
		30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
Name	**Country of Corporation**			**$**	**$**
mcm media pty ltd (*formerly mcm syndication pty ltd*)	Australia	100%	100%	2	2
igloo digital pty ltd (*formerly mcm digital media australia pty ltd)*	Australia	100%	100%	962,005	100
mcm technical services pty ltd	Australia	100%	100%	100	100
				962,107	202

		equity interest held by mcm media pty ltd		Investment	
Name	**Country of Corporation**	**30 June 2009**	30 June 2008	**30 June 2009**	30 June 2008
mcm entertainment pty ltd	Australia	100%	100%	2	2
				2	2

During the year, the Group acquired the business of igloo design pty ltd. This business now operates within the subsidiary igloo digital pty ltd (formerly mcm digital media australia pty ltd). Refer note 23 for further details in relation to this acquisition.

notes to financial statements (continued)

14. non-current assets – plant and equipment

	CONSOLIDATED		
	Furniture, Fixtures & Fittings $	Office, Studio Equipment $	Total $
Year ended 30 June 2009			
At 1 July 2008, net of accumulated depreciation	1,092,890	790,190	1,883,080
Additions	12,449	35,457	47,906
Assets written off	-	(15,213)	(15,213)
Depreciation for the period	(137,880)	(283,245)	(421,125)
At 30 June 2009, net of accumulated depreciation	**967,459**	**527,189**	**1,494,648**
At 30 June 2009			
Cost	1,102,507	3,274,520	4,377,027
Accumulated depreciation	(186,712)	(2,695,667)	(2,882,379)
Net carrying amount	**915,795**	**578,853**	**1,494,648**
Year ended 30 June 2008			
At 1 July 2007, net of accumulated depreciation	28,210	863,664	891,874
Additions	1,151,662	284,203	1,435,865
Assets written off	-	-	-
Depreciation for the period	(86,982)	(357,677)	(444,659)
At 30 June 2008, net of accumulated depreciation	**1,092,890**	**790,190**	**1,883,080**
At 30 June 2008			
Cost	2,189,204	3,202,459	5,391,663
Accumulated depreciation	(1,096,314)	(2,412,269)	(3,508,583)
Net carrying amount	**1,092,890**	**790,190**	**1,883,080**

The net carrying value of plant and equipment held under finance lease contracts at 30 June 2009 is $207,704 (June 2008 is $341,577). Leased assets are pledged as security for the related finance leases.

notes to financial statements (continued)

15. non-current assets – intangible assets and goodwill

	CONSOLIDATED			
	Goodwill $	Brand names - trade marks $	Capitalised website costs $	Total $
Year ended 30 June 2009				
At 1 July 2008, net of accumulated amortisation and impairment	553,946	216,385	640,668	1,410,999
Additions in the period	956,934	-	216,470	1,173,404
Amortisation for the period	-	(52,220)	(320,267)	(372,487)
Impairment for the period	-	-	-	-
At 30 June 2009, net of accumulated amortisation and impairment	**1,510,880**	**164,165**	**536,871**	**2,211,916**
At 30 June 2009, net of accumulated amortisation and impairment				
Cost	1,510,835	350,000	1,579,411	3,440,246
Accumulated amortisation	-	(185,835)	(1,042,495)	(1,228,330)
Accumulated impairment	-	-	-	-
Net carrying amount	**1,510,835**	**164,165**	**536,916**	**2,211,916**
Year ended 30 June 2008				
At 1 July 2007, net of accumulated amortisation and impairment	553,946	268,609	516,694	1,339,249
Additions in the period	-	-	479,215	479,215
Amortisation for the period	-	(52,224)	(355,241)	(407,465)
Impairment for the period	-	-	-	-
At 30 June 2008, net of accumulated amortisation and impairment	**553,946**	**216,385**	**640,668**	**1,410,999**
At 30 June 2008, net of accumulated amortisation and impairment				
Cost	553,946	350,000	1,362,896	2,266,842
Accumulated amortisation	-	(133,615)	(722,228)	(855,843)
Accumulated impairment	-	-	-	-
Net carrying amount	**553,946**	**216,385**	**640,668**	**1,410,999**

Goodwill is subject to annual impairment testing (see note 16).

notes to financial statements (continued)

16. impairment testing of intangibles and goodwill

Goodwill acquired through business combinations have been allocated to two individual cash generating units:

- mcm media cash generating unit; and
- igloo digital cash generating unit;

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Furthermore, the group has a third cash generating unit, mcm technical services which paid for an international patent to protect the Camify software.

mcm media cash generating unit

The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a six-year period.

Discount rates – discount rates reflect current market assessments and management's estimate of the time value of money and the risks. This is the benchmark used by management to assess operating performances and to evaluate future investment proposals. The pre-tax discount rate used is 15% (2008: 12%).

Market share assumptions – these assumptions are important because, as well as using industry data for growth rates, management assess how the business' relative position to its competitors might change over the budget period. Management expects the Group's share of the market to be stable over the budget period.

Growth rate estimates – the growth in the radio, internet and mobile mediums is determined by reference to the long term historical growth rate and nominal GDP estimates published by leading long term economic forecasters. The average growth rate used is 1.5% (2008: 5%).

Cost inflation – is determined by reference to CPI estimates published by leading long-term forecasters and the Reserve Bank of Australia's target benchmark. The current inflation assumption used is 1.5% (2008: 4.5%).

In relation to the assessment of the value in use of the mcm media unit, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

igloo digital cash generating unit

The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a six-year period.

Discount rates – discount rates reflect current market assessments and management's estimate of the time value of money and the risks. This is the benchmark used by management to assess operating performances and to evaluate future investment proposals. The pre-tax discount rate used is 15% (2008: n/a).

Market share assumptions – these assumptions are important because, as well as using industry data for growth rates, management assess how the business' relative position to its competitors

notes to financial statements (continued)

might change over the budget period. Management expects the Group's share of the market to be stable over the budget period.

Growth rate estimates – the growth in the digital publishing market is based on management's long terms strategy for the unit. The average growth rate used is 5.0% (2008: n/a).

Cost inflation – is determined by reference to CPI estimates published by leading long-term forecasters and the Reserve Bank of Australia's target benchmark. The current inflation assumption used is 1.5% (2008: n/a).

There are no reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. The implication of the key assumption on the recoverable amount is discussed below:

Growth rates – management recognises that the igloo digital unit is in its infancy and its ability to expand its operations to achieve growth is unproven.

mcm technical services cash generating unit

The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a six-year period.

Discount rates – discount rates reflect current market assessments and management's estimate of the time value of money and the risks. This is the benchmark used by management to assess operating performances and to evaluate future investment proposals. The pre-tax discount rate used is 15% (2008: n/a).

Market share assumptions –Management expects the Group's share of the market to increase significantly over the budget period contingent upon achieving targeted results outlined in the mcm technical services business plan.

Growth rate estimates – the growth is based on management's long terms strategy for the unit. The average growth rate used is 12.50% (2008: n/a).

Cost inflation – is determined by reference to CPI estimates published by leading long-term forecasters and the Reserve Bank of Australia's target benchmark. The current inflation assumption used is 1.5% (2008: n/a).

In respect of the mcm technical services cash generating unit, there are no reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. However should the objectives developed in the business plan failed to be achieved this may determinately impact he recoverable amount of the unit.

The carrying amounts of goodwill and patents are depicted below:

	MCM MEDIA UNIT		IGLOO DIGITAL UNIT		MCM TECHNICAL UNIT		PARENT	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008	**30 June 2009**	30 June 2008	**30 June 2009**	30 June 2008
	$	$	**$**	$	**$**	$	**$**	$
Carrying amount of goodwill	553,946	553,946	956,933	-	-	-	-	-
Carrying amount of patents	-	-	-	-	56,605	-	-	-

notes to financial statements (continued)

17. current liabilities – trade and other payables

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Trade payables, third parties	307,504	373,676	6,015	-
Trade payable, related parties	-	-	-	-
Total trade payables	**307,504**	**373,676**	**6,015**	**-**
Accrued expenses, third parties	1,530,839	1,104,025	14,500	20,701
Accrued annual leave	342,827	314,172	-	-
Other payables, related parties	12,226	-	205,434	200
Total other payables	**1,885,892**	**1,418,197**	**219,934**	**20,901**
Total trade and other payables	**2,193,396**	**1,791,873**	**225,949**	**20,901**

Terms and conditions

i Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms.

ii Accrued expenses are non-interest bearing and have an average term of 1 – 6 months.

iii Details of the terms and conditions of related party payables are set out in note 24.

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

18. provisions

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Current				
Long service leave	158,389	116,327	-	-
Deferred consideration - igloo design Pty Ltd acquisition	125,000	-	125,000	-
Total current	**283,389**	**116,327**	**125,000**	**-**
Non-current				
Long service leave	115,304	116,083	-	-
Other provisions	37,500	12,500	-	-
Total non-current	**152,804**	**128,583**	**-**	**-**
Total provisions	**436,193**	**244,910**	**125,000**	**-**

notes to financial statements (continued)

Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

Deferred consideration – acquisition of igloo design pty ltd

On 1 September 2008, mcm entertainment group limited acquired 100% of the business of igloo design pty ltd. The total cost of the acquisition was $961,905 (refer note 23) of which $125,000 relates to deferred consideration contingent on the business unit achieving key performance indicators.

Other provisions

A make good provision of $25,000 was raised during the year ended 30 June 2009 in respect of the Group's obligation to Coriannau Pty Ltd for the leased premises at Level 4, 21 – 31 Goodwood Street, Richmond, Victoria. The balance at reporting date is $37,500. Because of the long-term nature of the liability, there is uncertainty as to the costs that will ultimately be incurred.

19. interest bearing liabilities and borrowings

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Current				
Bank overdraft	827,220	499,352	-	-
Bank facility	-	375,000	-	-
Finance lease liability	61,262	161,485	-	-
Interest bearing liabilities (current)	**888,482**	**1,035,837**	**-**	**-**
Non-current				
Bank facility	-	168,750	-	-
Finance lease liability	-	61,262	-	-
Interest bearing liabilities (non-current)	-	**230,012**	**-**	**-**
Total interest bearing liabilities	**888,482**	**1,265,849**	**-**	**-**

Finance leased assets are pledged as security in relation to the finance lease arrangements.

The commercial bill was repaid in full in December 2008.

The bank overdraft is secured by a fixed charge over the assets and business undertakings of the Group.

notes to financial statements (continued)

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Total facilities				
Bank overdraft	3,000,000	1,210,799	-	-
Commercial bill facility	-	543,750	-	-
Lease facilities	61,262	222,747	-	-
	3,061,262	**1,977,296**	**-**	**-**
Facilities used at balance date				
Bank overdraft	827,220	499,352	-	-
Commercial bill facility	-	543,750	-	-
Lease facilities	61,262	222,747	-	-
	888,482	**1,265,849**	**-**	**-**
Facilities unused at reporting date				
Bank overdraft	2,172,780	711,477	-	-
Commercial bill facility	-	-	-	-
Lease facilities	-	-	-	-
	2,172,780	**711,477**	**-**	**-**

Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 3.

20. economic dependency

The Groups ongoing operations are dependent on the availability of adequate funding from financiers.

notes to financial statements (continued)

21. contributed equity

Ordinary shares

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Share capital				
Share capital at start of period	4,178,208	1,028,175	4,178,208	1,028,175
Shares issued:				
15,000,000 fully paid ordinary shares @ $0.20 (Initial public offering)	-	3,000,000	-	3,000,000
5,135,135 fully paid ordinary shares @ $0.185 (Pre - IPO capital raising)	-	950,000	-	950,000
125,000 fully paid ordinary shares gifted to employees @ $0.20	-	25,000	-	25,000
3,809,524 fully paid ordinary shares @$0.20 issued in consideration for acquisition of business from Igloo Design Pty Ltd	761,905	-	761,905	-
Capital raising costs incurred (after tax)	-	(824,967)	-	(824,967)
Balance at end of period	**4,940,113**	**4,178,208**	**4,940,113**	**4,178,208**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. During the year, the group issued 3,809,524 shares as consideration for the acquisition of igloo design pty ltd (refer note 23).

	PARENT	
Number of Shares	**30 June 2009**	30 June 2008
Opening balance	68,037,161	174,892
Share split (293.6175:1)	-	51,351,352
Pre-IPO preference shares	-	5,135,135
Discount on share consolidation	-	(3,749,218)
Gifted shares to employees	-	125,000
IPO	-	15,000,000
Share issue - acquisition of Igloo Design Pty Ltd	3,809,524	-
Closing balance	**71,846,685**	**68,037,161**

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management did not pay a dividend during the 2009 financial year.

notes to financial statements (continued)

Management monitors capital through the gearing ratio (net debt/total capital). The target for the consolidated group ratio is between 10% and 30%. All financing activities occur within the subsidiaries of the parent company. The gearing ratios based on continuing operations at 30 June 2009 and 30 June 2008 were as follows:

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Total borrowings	888,482	1,265,849	-	-
Less cash and cash equivalents	(77,528)	(518,414)	(26,846)	(449,719)
Net debt	810,954	747,435	(26,846)	(449,719)
Total equity	4,630,535	3,789,564	4,187,449	3,868,946
Total capital	**5,441,489**	**4,536,999**	**4,160,603**	**3,419,227**
Gearing Ratio	**15%**	**16%**	**(1%)**	**(13%)**

22. accumulated losses and reserves

Movements in accumulated losses as follows:

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Accumulated losses				
Accumulated losses at the beginning of the period	(421,766)	(105,211)	(342,384)	(125,319)
Net earnings/(loss) attributable to the members of the group	20,675	(316,555)	(501,793)	(217,065)
Accumulated losses at end of the period	**(401,091)**	**(421,766)**	**(844,177)**	**(342,384)**

Movements in the share based payments reserve as follows:

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Share based payments reserve				
Employee share option plan at start of period	33,122	-	33,122	-
ESOP attributable to members of the group	58,391	33,122	58,391	33,122
Share based payments reserve at end of period	**91,513**	**33,122**	**91,513**	**33,122**

notes to financial statements (continued)

Nature and purpose of reserves

Share based payments reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to note 26 for further details of these plans.

23. business combination

On 1 September 2008, mcm entertainment group limited acquired 100% of the business of igloo design pty ltd. The total cost of the acquisition was $961,905.

	$
Assets Acquired	
Plant & Equipment	5,394
	5,394
Liabilities Acquired	
Other Payables	423
	423
Fair value of identifiable net assets	4,971
Goodwill acquired	956,934
Net Assets Acquired	**961,905**
Cost of Combination	
Cash Paid	75,000
Deferred consideration	125,000
3,809,524 fully paid ordinary shares @ market value of $0.20 ^	761,905
Total Cost of Combination	**961,905**

^ 3,809,524 shares at $0.21 per share were issued as part of the consideration. The cost of shares issued has been valued at the closing market share price of mcm entertainment group ltd on 1 September 2008, which was $0.20.

For the period ended 30 June 2009, igloo digital pty ltd recorded sales of $1,261,046 (including transactions with entities within the group) resulting in a net loss after tax of $71,952.

No disclosure is made of the impact of the business combination had it occurred at the beginning of the financial year. The previous financial information of igloo design pty ltd does not reflect the structure and operation of the entity under the group's ownership.

notes to financial statements (continued)

24. related party disclosure

Subsidiaries

The consolidated financial statements include the financial statements of mcm entertainment group limited and the subsidiaries listed below:

- mcm media pty ltd (formerly mcm syndication pty ltd);
- mcm entertainment pty ltd;
- igloo digital pty ltd; and
- mcm technical services pty ltd.

Ultimate parent

mcm entertainment group limited is the ultimate Australian parent entity and the ultimate parent of the Group.

Key management personnel

Details relating to KMP, including remuneration paid, are included in note 25.

Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year except those transactions relating to Directors and Non-Executive Director remuneration (see Directors' Report).

Payments to and amounts owed by related parties for the year ended 30 June 2009 are as follows:

CONSOLIDATED			Payments to related parties $	Amounts owed by related parties $
Transactions with director related entities				
a	Liberation Music	30-Jun-08	5,708	20,284
		30-Jun-09	-	-
b	Stynes Consulting - Consulting Fees (Cary Stynes - Director)	30-Jun-08	23,011	-
		30-Jun-09	-	-
c	Anthony McGinn (Director) - Loan	30-Jun-08	-	23,379
		30-Jun-09	-	-
d	Amanda McGinn (Spouse of Anthony McGinn)	30-Jun-08	-	-
	Consultancy/Design at Level 4, 21-31 Goodwood Street, Richmond, Victoria	30-Jun-09	26,000	-

notes to financial statements (continued)

Sales and payments made to related parties for the year ended 30 June 2009 are as follows:

CONSOLIDATED		Sales to related parties $	Purchases from related parties $	Other transactions $
Liberation Music Pty Ltd	2008	22,484	5,708	-
	2009	946	-	-

Balance of transactions between the parent and subsidiaries are as follows:

PARENT		Sales to related parties $	Purchases from related parties $	Other transactions $
Loan's between Parent & Subsidiaries	2008	-	-	2,847,494
	2009	-	-	3,288,036

25. key management personnel

Compensation for key management personnel

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Short-term employee benefits	2,255,699	2,066,984	153,974	172,636
Post-employment benefits	105,902	116,361	13,858	15,087
Other-long term benefits	39,969	12,144	-	-
Share based payments	38,664	19,514	7,890	4,047
Total compensation	**2,440,234**	**2,215,003**	**175,722**	**191,770**

notes to financial statements (continued)

Option holdings of key management personnel (consolidated)

	Balance at Beginning of Period 01 July 2008	Net Change Other #	Balance at End of Period 30 June 2009	Vested at 30 June 2009		
				Total	Exercisable	Not Exercisable
Directors						
C. Smith	150,000	-	150,000	150,000	-	150,000
A. McGinn	300,000	-	300,000	300,000	-	300,000
G. Smith	-	-	-	-	-	-
V. Donato	-	-	-	-	-	-
M. Gudinski	100,000	-	100,000	100,000	-	100,000
P. Jacobsen	-	-	-	-	-	-
A. Metcalfe	-	-	-	-	-	-
Executives						
M. Burgess	200,000	-	200,000	200,000	-	200,000
S. Joyce	200,000	-	200,000	200,000	-	200,000
G. Tremain	50,000	-	50,000	50,000	50,000	-
C. Moore	50,000	-	50,000	50,000	50,000	-
A. Englisch	-	-	-	-	-	-
N. Young	25,000	-	25,000	25,000	25,000	-
A. Leys	50,000	-	50,000	50,000	50,000	-
D. Gutterson	50,000	-	50,000	50,000	50,000	-
V. Cohen	50,000	-	50,000	50,000	50,000	-
TOTAL	1,225,000	-	1,225,000	1,225,000	275,000	950,000

notes to financial statements (continued)

Shareholdings of key management personnel (consolidated)

Shares held in mcm entertainment group limited (number) by KMP and Non-Executive Directors are:

	Balance at 01 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2009
	Ord	Ord	Ord	Ord	Ord
Directors					
C. Smith*	169,000	-	-	-	169,000
A. McGinn*	23,361,866	-	-	57,644	23,419,510
G. Smith	-	-	-	-	-
V. Donato	-	-	-	-	-
M. Gudinski*	15,562,600	-	-	-	15,562,600
P. Jacobsen	-	-	-	-	-
Executives					
M. Burgess	-	-	-	-	-
S. Joyce	25,000	-	-	-	25,000
G. Tremain	50,000	-	-	-	50,000
C. Moore	65,000	-	-	-	65,000
A. Englisch	-	-	-	1,904,762	1,904,762
N. Young	-	-	-	-	-
A. Leys	-	-	-	-	-
D. Gutterson	-	-	-	-	-
V. Cohen	50,000	-	-	-	50,000
TOTAL	39,283,466	-	-	1,962,406	41,245,872

* including shares held by controlled entities and on trust

There have not been any preference shares issued by the Group to KMP or Non-Executive Directors.

notes to financial statements (continued)

Loans to key management personnel

	Balance at beginning of period $	Interest charged $	Repayments $	Write-off $	Balance at end of period $
2008	**21,738**	1,641	-	-	**23,379**
2009	**23,379**	1,641	23,379	-	**-**

During the year, Anthony McGinn repaid his director loan in full.

26. share-based payment plans

Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Expense arising from equity settled share-based payment transactions	58,391	58,122	58,391	58,122

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans since being introduced on 19 December 2007.

Types of share-based payment plans

Employee share option plan

General

The mcm entertainment group limited employee share option plan (Option Plan), is the Company's long term incentive scheme for staff of mcm entertainment and key talent engaged by mcm entertainment. A total of 1,925,000 Options have been issued under the Option Plan, of which 75,000 were forfeited in the 2008 financial year. The Option Plan provides for Options representing approximately 5% of the Shares on issue to be available for issue.

Under the Option Plan, participants may be granted options over Shares in the Company on the terms and conditions determined by the Board. If the applicable service conditions are satisfied and the Options vest, participants can exercise their Options.

Eligibility

Under the Option Plan, the Board may offer Options to any persons determined by the Board to be eligible to participate in the Option Plan. The Board, exercising its absolute discretion, will determine the eligibility of persons, their entitlement and the consideration payable for the Options.

notes to financial statements (continued)

Options currently on issue

Following the exercise of the Options and payment of the exercise price, participants will be granted Shares in the Company.

A summary of the Options currently on issue to participants under the Option Plan is set out below:

Date of grant	Holder	Vesting date /expiration date	Number of options	Exercise price
10 December 2007	Non Executive Directors	31 December 2009/ 22 November 2012	250,000	20 cents
10 December 2007	Executive Directors	31 December 2009/ 22 November 2012	500,000	20 cents
10 December 2007	Senior Sales Management	31 December 2009/ 22 November 2012	200,000	20 cents
10 December 2007	Senior Management and Key Talent	30 June 2009/ 22 November 2012	700,000	20 cents
10 December 2007	Other Management	31 December 2008/ 22 November 2012	200,000	20 cents
Total			**1,850,000**	

Weighted average fair value

The weighted average fair value of options granted during the year was $0.06.

Option pricing model

The fair value of the equity-settled share options granted under the Option Plan is estimated as at the date of grant using a Binomial Model taking into account the terms and conditions upon which the options were granted.

notes to financial statements (continued)

The following table lists the inputs to the models used for the year ended 30 June 2009:

	30 June 2009
Dividend yield (%)	0.00
Expected volatility (%)	40.00
Risk-free interest rate (%)	6.35
Expected life of options (years)	1-2
Option exercise price ($)	0.20
Weighted average share price at measurement date ($)	0.20

Lapse of options

An Option will lapse on the earlier of:

- when the terms and conditions imposed under the Option Plan rules fail to be satisfied or cannot be satisfied;
- a participant's employment ceases with the Company or a Group Company and the Board does not make a determination to vest an Option;
- the Board determining that a participant has acted fraudulently or dishonestly, or is in breach of duty (under contract or otherwise) to any Group Company, and deems an Option to have lapsed;
- a change of control event taking place and the Board does not determine that an Option will vest following that event;
- the time that a participant purports to transfer an Option without the consent of the Board; or
- the time 10 years after the date of grant.

Allocation of shares

Shares will be allocated soon after the exercise of vested Options over Shares and the payment of the exercise price. The Shares may be newly issued or acquired on market.

Trading restrictions

Under the Option Plan, participants are not permitted to deal with (which includes being able to transfer) their Options without the consent of the Board, other than by force of law in the event of bankruptcy or their death, or to exercise their Options, as provided for under the Option Plan rules.

Subject to any applicable escrow, there are no dealing restrictions applying to Shares which are allocated as a result of Options that are exercised after the Shares are listed on ASX. However, participants will need to comply with the Company's securities trading policy and relevant insider trading provisions of the Corporations Act.

Option plan

Share options have been granted to the members of the Board, general managers and senior staff at the discretion of the Board. The Plan is designed to operate as the long term incentive component of remuneration for the Company. Under the Option Plan, the exercise price of the options is set at the listing price of the shares - the price at which the Company's shares were initially listed on the ASX.

Summaries of options granted under share-based payment plan arrangements

The following table illustrates the number, and movements in, share options issued during the year:

Outstanding at the beginning of the year	1,850,000
Granted during the year	Nil
Forfeited during the year	Nil
Exercised during the year	Nil
Expired during the year	Nil
Outstanding at the end of the year	1,850,000
Exercisable at the end of the year	900,000

The outstanding balance as at 30 June 2009 is represented by:

- 200,000 options over ordinary shares with an exercise price of $0.20 each, exercisable upon meeting the above conditions and until 31 December 2008;
- 700,000 options over ordinary shares with an exercise price of $0.20 each, exercisable upon meeting the above conditions and until 30 June 2009; and
- 950,000 options over ordinary shares with an exercise price of $0.20 each, exercisable upon meeting the above conditions and until 31 December 2009.

Range of exercise price

The exercise price for options outstanding at the end of the year was $0.20.

27. commitments and contingencies

Leasing commitments

The Group has entered into commercial leases on certain buildings in Melbourne and Sydney and minimal office equipment. These leases have an average life of between 1 and 8 years. There are no restrictions placed upon the lessee by entering into these leases.

notes to financial statements (continued)

Future minimum rentals payable under non-cancellable operating leases are as follows:

	CONSOLIDATED		PARENT	
	30 June 2,009 $	30 June 2,008 $	**30 June 2,009 $**	30 June 2,008 $
Minimum lease payments				
Less than one year	686,548	575,156	-	-
Later than one year and no later than five years	1,888,834	2,164,641	-	-
More than five years	596,843	951,260	-	-
Total minimum lease commitments	**3,172,225**	**3,691,057**	**-**	**-**
Total operating lease commitments	**3,172,225**	**3,691,057**	**-**	**-**
Operating lease expenses recognised as an expense during the period:	**637,759**	**500,908**	**-**	**-**

Property, plant and equipment commitments

The parent entity has no property, plant and equipment. The parent entity and the Group had no contractual obligations to purchase plant and equipment at 30 June 2009.

Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of Directors and Executives referred to in the Remuneration Report of the Directors Report that are not recognised as liabilities and are not included in the compensation of KMP.

Finance lease commitments

The Group has finance leases for various studio and computer equipment.

notes to financial statements (continued)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	CONSOLIDATED		PARENT	
	Minimum lease payments 30 June 2009 $	Present value of lease payments 30 June 2008 $	Minimum lease payments 30 June 2009 $	Present value of lease payments 30 June 2008 $
Minimum lease commitments				
Less than one year	62,587	175,541	-	-
Later than one year and not later than five years	-	62,587	-	-
More than five years	-	-	-	-
Total minimum lease commitments	**62,587**	**238,128**	**-**	**-**
Less amounts representing finance charges	(1,325)	(15,381)	-	-
Present value of minimum lease payments	61,262	222,747	-	-
Finance liability				
Current liability	61,262	161,485	-	-
Non-current liability	-	61,262	-	-
Total finance lease liability	**61,262**	**222,747**	**-**	**-**

The weighted average interest rate impact in the leases for both the Group is 7.99% at 30 June 2009 (30 June 2008: 9.89%).

Capital commitments

The Group has no material capital commitments as at 30 June 2009.

Contingent Liabilities and contingent assets

There are no contingent liabilities or contingent assets as at 30 June 2009.

28. events after the balance sheet date

There were no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of the affairs of the company in future financial periods.

notes to financial statements (continued)

29. auditors remuneration

The auditor of mcm entertainment group limited is Ernst & Young.

	CONSOLIDATED		PARENT	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Amounts received or due and receivable by Ernst & Young (Australia) for				
An audit or review of the financial report of the entity and any other entity in the consolidated group	96,000	100,000	-	-
Other services in relation to the entity and any other entity in the consolidated group				
Investigating Accountant's Report	-	129,852	-	-
	96,000	**229,852**	**-**	**-**

directors' declaration

In accordance with a resolution of the Directors of mcm entertainment group limited, I state that:

1. In the opinion of the Directors:

   a the financial statements, notes and the additional disclosures included in the Directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

      ii complying with Accounting Standards and Corporations Regulations 2001; and

   b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2009.

On behalf of the Board

Anthony McGinn
Director

Melbourne, 21 August 2009

independent auditor's report

ERNST & YOUNG

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Independent auditor's report to the members of MCM Entertainment Group Limited

Report on the Financial Report

We have audited the accompanying financial report of MCM Entertainment Group Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing 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 our 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, we consider internal controls 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 controls. 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 met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

2

Auditor's Opinion

In our opinion:

1. The financial report of MCM Entertainment Group Limited is in accordance with the *Corporations Act 2001*, including:
   - i Giving a true and fair view of the financial position of MCM Entertainment Group Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
   - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 22 of the directors' report for the year ended 30 June 2009. 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 MCM Entertainment Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

K Brown

Kester C Brown
Partner

Melbourne
21 August 2009

asx additional information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 July 2009.

Distribution of equity securities

Ordinary share capital

71,846,685 fully paid ordinary shares are held by 163 individual shareholders. All issued ordinary shares carry one vote per share and carry full rights to dividends declared by the Company.

Options

1,850,000 options are held by 27 individual option holders. Options do not carry a right to vote. During the financial year ended 30 June 2009, no options were converted into shares. The number of Security investors holding less than a marketable parcel of 2,942 securities ($0.170 on 31 July 2009) is 2 (two) holdings of 2,851securities.

Distribution of shareholders

The number of ordinary shareholders, by size of holding, in each class are:

As at 31 July 2009	Fully Paid Ordinary Shares		Escrowed Shares (restricted until 19 December 2009)		Employee Shares (restricted until 10 December 2010)		Escrowed Shares (restricted until 01 September 2009)	
	Holders	Units	Holders	Holders	Units	Units	Holders	Units
1 – 1,000	1	1						
1,001 – 5,000	15	69,837			16	80,000		
5,000 – 10,000	59	578,860						
10,001 – 100,000	53	1,804,951						
100,001 and over	14	25,693,199	5	39,810,313			1	1,269,841
TOTAL	142	28,146,848	5	39,810,313	16	80,000	1	1,269,841

As at 31 July 2009	Escrowed Shares (restricted until 01 March 2010)		Employee Shares (restricted until 01 September 2010	
	Holders	Units	Holders	Units
1 – 1,000				
1,001 – 5,000				
5,000 – 10,000				
10,001 – 100,000				
100,001 and over	1	1,269,841	1	1,269,842
TOTAL	1	1,269,841	1	1,269,842

Substantial shareholders and twenty largest holders of quoted equity securities

As at 31 July 2009		Fully Paid	
Rank	**Ordinary Shareholders**	**Number**	**Percentage**
1	Anthony James McGinn	18,726,449	26.06
2	Michael Gudinksi	15,402,121	21.44
3	Fortis Clearing Nominees P/L - Next Custodian	11,185,712	15.57
4	Fortis Clearing Nominees P/L - Settlement	10,514,176	14.63
5	Milford Cove Pty Ltd	4,485,597	6.24
6	National Australia Trustees Ltd	3,809,524	5.30
7	Rosemary McGinn	1,618,643	2.25
8	Donald Keith McGinn Superannuation Fund	1,052,521	1.46
9	Don McGinn	553,730	0.77
10	Merrill Lynch (Australia) Nominees Pty Ltd	489,084	0.68
11	Invia Custodian Pty Ltd	405,000	0.56
12	Bond Street Custodians Ltd	230,000	0.32
13	Mr Alan Sony	180,000	0.25
14	Michael Gudinski Promotions Pty Ltd	160,479	0.22
15	John Louise Pty Ltd	150,000	0.21
16	Jodanstar Pty Ltd	125,000	0.17
17	Alto Nominees Pty Ltd	115,000	0.16
18	Fruitful Super Pty Ltd	110,000	0.15
19	Sydwick Pty Ltd	100,000	0.14
20	Mr Nicholas Seckold and Mrs Helen Grisdale	80,000	0.11
	TOTAL	**69,493,036**	**96.69**

Note: Some Directors holdings of MEG shares are held in Trust by authorized third party clearing or settlement accounts.

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