mcm entertainment group limited
abn 31 006 173 271

Condensed Half Year Financial Report
31 December 2009

Lodged with ASX under Listing Rule 4.2A

mcm

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ASX Half Year Information – 31 December 2009

Lodged with the ASX under Listing Rule 4.2A.

Contents **Page**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by mcm entertainment group limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

appendix 4d

half yearly report

half year ended 31 december 2009

(previous corresponding period: half year ended 31 december 2008)

Results for announcement to the market

Revenues from Ordinary Activities	Up	23%	to	$12,020,165
Net profit/(loss)for the period attributable to member	Up	627%	to	$589,983

corporate directory

Directors
Mr. Colin J. Smith (Chairman)
Mr. Anthony James McGinn (Executive Director and Chief Executive Officer)
Mr. Vincent Donato (Non-Executive Director)
Mr. Gregory Smith (Non-Executive Director)

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

mcm entertainment group limited and controlled entities

directors' report for the half year ended 31 december 2009

The directors present their report together with the condensed financial report of the consolidated entity ("the group"), being *mcm entertainment group limited* (the "Company") and its controlled entities, for the half year ended 31 December 2009 and the auditor's report thereon.

Directors

The names of the persons who have been directors of the Company during or since the end of the six month period from 1 July 2009 to 31 December 2009 are as follows:

Mr. Colin J. Smith (Chairman)

Mr. Anthony James McGinn (Executive Director and Chief Executive Officer)

Mr. Vincent Donato (Non-Executive Director)

Mr. Gregory Smith (Non-Executive Director)

Review and results of operations

Review of results

The board of directors are pleased to announce that mcm entertainment group limited (MEG) recorded a Net Profit After Tax (NPAT) of $589,983 for the six month period to 31 December 2009 (2008: Net Loss After Tax $112,040).

This is a pleasing result. The improved position when compared to the prior corresponding period, and the return to profit, can be attributed to the improved sales recorded by mcm media and igloo contributing positive earnings to the Group.

The divergence of revenue streams through radio, online and television has been the catalyst for improved sales for mcm media. The full integration of igloo into MEG has been achieved. As a consequence, new business development has been successful with companies including the like of Mazda Australia and Crown secured as key clients.

It must also be noted, that the NPAT of $589,983 includes expenses incurred within the mcm technical services company for the continued development of the movideo® Online Video Platform and Camify® online video analytics. As at this time, these products are yet to derive material revenues.

Key variances to note in comparing the results to the prior period are:

Total Revenue up by $2,233,595 or 22.82%

- mcm media sales increased by $1,191,208 or 12.53% when compared to the prior period. The re-introduction of Live at the Chapel® to the portfolio was a key driver in the improvement.
- igloo revenues grew to $1,288,013 for the six months to 31 December 2009. The business operated for the full six months of this period and generated material sales from new account wins.

Gross Profit grew by $1,500,138 or 26.23%

- The majority of this improvement was through mcm media. All facets of the business, being radio online and television contributed to the improvement of the Gross Profit Line. It must be noted, that Television generates the lowest Gross Margin because of higher cost of production.

Operating Expenses increased by $514,831 or 9.58%

- Salary and wages contributed to the majority of this negative variance incurring increased costs of $439,078 (or 10.8% within this category). Extra staff to support client and revenue growth for igloo and incremental staff costs in developing the movideo® Online Video Platform and software property Camify® were the predominate drivers of the cost increase.

- The balance of operating expenses increased by 118,407 or 9.1% in aggregate. Material expenditure relating to the increase in expenditure was:
  - Property Expenses increased by $33,954 mainly due to finalising sub-leasing of the old igloo office
  - Administration Expenses grew by $87,291 mainly due to the increase in travel expense of the Group. The increase in staff numbers has been a contributing factor to an increase in activity of this expense. The other cause for the increase has been two overseas trips by two key executives as part of the sales and marketing of mcm technical services and its products.
  - increase in Sales and Marketing of $40,811 for efforts to support the launch of the mcm media property Digital Entertainment Network (DEN), as well as enhanced promotion of mcm media and igloo.

Review of operations

The improved financial performance of MEG year to date can be largely contributed to the restructure of the Group late in the 2008 calendar year and the improved economic conditions. The restructure created three discrete business units, each focused on growing their businesses in their respective markets.

mcm media continues to entrench itself in the media landscape through traditional brands such as 'Take 40 Australia®', growing brands like 'Live at the Chapel®' and creating brands in new growth mediums such as the Internet where the Digital Entertainment Network (DEN) was introduced into the market in July 2009. Whilst the media market remains short term, management continues to work diligently to ensure it remains relevant in the fragmenting market.

igloo is emerging as a leading digital strategy, design & website development agency in the Australian market. A strong and growing team has won key digital accounts and is well placed for growth.

mcm technical services (MTS) contains the technical online media assets of MEG. MTS will conclude the development of its Online Video Platform (OVP) known as movideo® (inclusive of the video analytics software Camify®) over the next few months with the view of commercialising the product both in Australia and overseas. Further information relating to the business strategy will be made available when finalised.

The return to profit for MEG has flowed through to an improved cash position. The Group has a Net Cash overdraft of $478,963 at 31 December 2009, down from a Net Cash overdraft of $749,692 at 30 June 2009. This improvement is reflective of enhanced Group trading over the 2009 calendar year and careful cash flow management.

For the March 2010 quarter the Group cash flow will benefit from the positive trading from the December 2009 quarter. As such, the Group will continue to operate within its working capital credit facility and further erode the level of working capital overdraft.

The Board will continue to monitor cash flow extremely closely and will continue to work to gear the business to produce positive cash and positive earnings.

Whilst the Board remains excited about the opportunities for the Group, it must be noted that as stated in the Profit Guidance of 27 January 2010: 'Notwithstanding the pleasing positive results for the 31 December 2009 half year, the January 2010 Group revenue results are well below management expectations and have fallen approximately 11% behind sales achieved in January 2009. Consequently, MEG cannot provide any guidance to the market on the expected financial year-end result which is subject to the current short-term market cycles of the Australian advertising and media market, the continued positive performance from igloo and the final business plan for the commercialisation of mts products.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 6.

This report is made in accordance with a resolution of directors.

Anthony James McGinn
Chief Executive Officer
mcm entertainment group limited

Date: 17th February 2010

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

In relation to our review of the financial report of MCM Entertainment Group Limited for the half-year ended 31 December 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 Brown
Partner

Melbourne
17 February 2010

mcm entertainment group limited and controlled entities

consolidated income statement
for the half year ended 31 december 2009

	notes	CONSOLIDATED 31 Dec 2009 $	31 Dec 2008 $
Sales revenue		12,020,165	9,786,570
Cost of sales		(4,801,879)	(4,068,422)
Gross Profit		**7,218,286**	**5,718,148**
Employee benefits expense		(4,503,712)	(4,064,634)
Property expenses		(399,822)	(365,868)
Administration expenses		(871,603)	(784,312)
Sales & marketing expenses		(147,818)	(107,007)
Foreign currency gains/(losses)		9,828	(33,821)
Operating Expenses		**(5,913,127)**	**(5,355,642)**
Earnings before interest, depreciaton & amortisation		**1,305,159**	**362,506**
Depreciation & amortisation		(358,332)	(368,666)
Earnings before interest & taxation		**946,827**	**(6,160)**
Finance costs		(40,720)	(72,127)
Earnings/ (loss) before income tax		**906,107**	**(78,287)**
Income tax expense		(316,124)	(33,753)
Earnings/ (loss) attribute to members of the parent		**589,983**	**(112,040)**
		cents	**cents**
Earnings per share for profit/(loss) attributable to the ordinary equity of the company:			
Basic earnings per share (cents)	**3**	0.82	(0.16)
Diluted earnings per share (cents)	**3**	0.82	n/a

mcm entertainment group limited and controlled entities

consolidated statement of financial position
as at 31 december 2009

	notes	CONSOLIDATED 31 Dec 2009 $	30 June 2009 $
Current assets			
Cash and cash equivalents	**8**	62,960	77,528
Trade and other receivables		4,630,912	4,363,681
Prepayments		167,518	55,405
Deferred Production Costs		265,383	323,041
Total current assets		**5,126,773**	**4,819,655**
Non-current assets			
Deferred tax assets	**9**	583,308	637,067
Property, plant and equipment		1,493,241	1,494,648
Intangible assets and goodwill		2,057,384	2,211,916
Total non-current assets		**4,133,933**	**4,343,631**
TOTAL ASSETS		**9,260,706**	**9,163,286**
Current liabilities			
Trade and other payables		2,229,050	2,193,396
Unearned revenue		475,679	1,014,680
Interest bearing liabilities	**10**	583,330	888,482
Income Tax Payable		262,365	-
Provisions		209,199	283,389
Total current liabilities		**3,759,623**	**4,379,947**
Non-current liabilities			
Interest bearing liabilities	**10**	68,956	-
Provisions		197,022	152,804
Total non-current liabilities		**265,978**	**152,804**
TOTAL LIABILITIES		**4,025,601**	**4,532,751**
NET ASSETS		**5,235,105**	**4,630,535**
EQUITY			
Issued capital		4,940,113	4,940,113
Share based payments reserve		106,100	91,513
Retained Earnings/(Accumulated losses)		188,892	(401,091)
TOTAL EQUITY		**5,235,105**	**4,630,535**

condensed statement of changes in equity
for the half year ended 31 december 2009

Share capital

	CONSOLIDATED	
	31 Dec 2009 $	31 Dec 2008 $
Share capital		
Share capital at start of period	4,940,113	4,178,208
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
Balance at end of period	**4,940,113**	**4,940,113**

Share based payments reserve

	CONSOLIDATED	
	31 Dec 2009 $	31 Dec 2008 $
Share based payments reserve		
Employee share option plan at start of period	91,513	33,122
ESOP attributable to members of the group	14,587	31,415
Share based payments reserve at end of period	**106,100**	**64,537**

Retained earnings/ (accumulated losses)

	CONSOLIDATED	
	31 Dec 2009 $	31-Dec 2008 $
Retained earnings/ (accumulated losses)		
Accumulated losses at the beginning of the period	(401,091)	(421,766)
Net earnings/(loss) attributable to the members of the group	589,983	(112,040)
Retained earnings/ (accumulated losses) at end of the period	**188,892**	**(533,806)**

mcm entertainment group limited and controlled entities

consolidated cash flow statement
for the half year ended 31 december 2009

	notes	CONSOLIDATED 31-Dec 2009 $	31-Dec 2008 $
Cash flows from operating activities			
Receipts from customers and related parties		11,484,126	8,073,234
Payments to suppliers and employees		(10,931,309)	(8,944,021)
Interest received		1,000	3,585
Interest paid		(41,720)	(75,712)
Net cash flows from/(used) operating activities		**512,097**	**(942,914)**
Cash flows from investing activities			
Purchase of business		-	(75,000)
Payment of deferred consideration	**11**	(75,000)	-
Purchase of property, plant and equipment		(99,825)	(57,107)
Purchase of intangibles		(3,239)	(107,776)
Net cash flows used in investing activities		**(178,064)**	**(239,883)**
Cash flows from financing activities			
Payments of finance lease liabilities		(63,304)	(78,798)
Repayment of borrowings		-	(543,750)
Net cash flows used in financing activities		**(63,304)**	**(622,548)**
Net cash increase/ (decrease) in cash and cash equivalents		**270,729**	**(1,805,345)**
Cash and cash equivalents at beginning of period		**(749,692)**	**19,062**
Cash and cash equivalents/(overdraft) at end of period	**8**	**(478,963)**	**(1,786,283)**

Note 1: Summary of accounting policies

The condensed half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'.

This interim financial report does not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by *mcm entertainment group limited* during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

a. Basis of preparation

The accounting policies applied by the consolidated entity in this condensed consolidated financial report have been consistently applied by the entities in the economic entity and are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2009.

The half year report is prepared in Australian dollars.

b. New accounting standards adopted

During the period, the group adopted accounting standard *"AASB 8 – operating segments"*.

c. Change of accounting policy

The group has changed the way in which it accounts for production revenue. Previously unearned revenue was presented net of associated costs. The group now discloses gross unearned revenue and deferred production costs as separate line items within the balance sheet. This policy has also been adopted in the income statement and cash flow statement. The comparative figures have been adjusted to reflect this change in policy.

Note 2: Dividends

The group has not paid or declared a dividend for the period ended 31 December 2009.

Note 3: Earnings per share

	CONSOLIDATED	
	31 Dec 2009 cents	31 Dec 2008 cents
Earnings per share (eps)		
Basic eps	0.82	(0.16)
Diluted eps	0.82	n/a

Net profit/ (loss) for the period used in the calculation of basic and diluted earnings per share is $589,983 (2008: ($112,040)).

The weighted average number of ordinary shares used in the calculation of basic earnings per share is 71,846,685 (2008: 70,563,041).

The diluted weighted average number of ordinary shares used in the calculation of the diluted earnings per share is 71,846,685. The diluted earnings per share was not applicable at December 2008 as the share options on issue were anti-dilutive.

Note 4: Capital commitments

As at 31 December 2009, the group did not have any material capital commitments.

Note 5: Events subsequent to balance date

There were no material events that have occurred subsequent to 31 December 2009.

Note 6: Segment reporting

Identification of reportable segments

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

The operating segments are identified by management based on the manner of the services provided. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

Types of products and services

Media

The media business is a media content production and distribution organization supplying radio, television, online and 3G mobile with advertiser funded entertainment content.

Web development and design

The web development and design business is a full service digital agency specialising in digital strategy, design and development. The business creates intelligent and creative digital solutions for nationally recognized brands from the media, entertainment, leisure, hospitality and automotive industry.

Software development

The software development business' core function is to develop, sell and license software and technical solution services to both local and international clients. The business has developed the real time internet traffic and behavioural measurement software 'Camify®' and media player 'movideo®'.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are detailed below:

Inter-entity sales

Inter-entity sales are recognised based on an internally set transfer price. The price is set per transaction and aims to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

Corporate charges

Corporate charges comprise non-segmental expenses such as head office expenses. Corporate charges are allocated to each business segment on a proportionate basis linked to segment revenue and number of employees as to determine a segmental result.

Intercompany loans payable and loans receivable

Intercompany loans are recognised at the consideration received.

Income tax expense

Income tax expense is calculated based on the segment operating net profit using a notional charge of 30% (2008: 30%) and then adjusted for taxable or deductible temporary differences.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains on disposal of available-for-sale investments.
- Finance costs – including adjustments on provisions due to discounting.
- Impairment of assets – impairment of assets is not included in the measurement of segment profit or loss where they are not expected to recur.

	Media $	Web Development & Design $	Software Development $	Total $
Year Ended 31 December 2009				
Revenue				
Sales to external customers	10,695,397	1,288,013	36,755	12,020,165
Inter-segment sales	3,700	239,180	83,134	326,014
Total segment revenue	**10,699,097**	**1,527,193**	**119,889**	**12,346,179**
Segment net operating profit/(loss) after tax	**945,817**	**148,496**	**(496,147)**	**598,166**
Segment assets	**8,767,235**	**1,477,617**	**632,157**	**10,877,010**

	Media $	Web Development & Design $	Software Development $	Total $
Year Ended 31 December 2008				
Revenue				
Sales to external customers	9,504,189	282,381	-	9,786,570
Inter-segment sales	-	202,045	-	202,045
Total segment revenue	**9,504,189**	**484,426**	**-**	**9,988,615**
Segment net operating profit/(loss) after tax	**162,334**	**(77,972)**	**(96,049)**	**(11,687)**
Segment assets	**8,829,538**	**1,254,581**	**481,073**	**10,565,192**

i) segment revenue reconciliation to the consolidated income statement

	CONSOLIDATED	
	31 Dec 2009	31 Dec 2008
Total segment revenue	12,346,179	9,988,615
Inter-segment sales elimination	(326,014)	(202,045)
Total revenue	**12,020,165**	**9,786,570**

ii) segment net operating profit after tax reconciliation to the consolidated income statement

	CONSOLIDATED	
	31 Dec 2009	31 Dec 2008
Segment net operating earnings/(loss) after tax	598,166	(11,687)
Unallocated segment expenses	(8,183)	(100,353)
Total earnings after tax per the statement of consolidated income statement	**589,983**	**(112,040)**

Note 7: Financing facilities available

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

	CONSOLIDATED	
	31 Dec 2009 $	30 Jun 2009 $
Total facilities		
Bank overdraft	3,000,000	3,000,000
Lease facilities	110,363	61,262
	3,110,363	**3,061,262**
Facilities used at balance date		
Bank overdraft	541,923	827,220
Lease facilities	110,363	61,262
	652,286	**888,482**
Facilities unused at reporting date		
Bank overdraft	2,458,077	2,172,780
Lease facilities	-	-
	2,458,077	**2,172,780**

(a) The bank overdraft arrangement is a secured stand by credit facility limited to $3,000,000. The credit facility held by MEG is variable and is supported by its prevailing debtor balances.

(b) HSBC Australia Limited have provided guarantees on lease properties to the value of $261,070.

Note 8: Cash & cash equivalents

	CONSOLIDATED	
	31 Dec 2009 $	30 June 2009 $
Cash at bank and in hand	62,960	77,528
Bank overdraft	(541,923)	(827,220)
Total cash and cash equivalents	**(478,963)**	**(749,692)**

Note 9: Deferred tax assets

	CONSOLIDATED	
	31 Dec 2009 $	30 June 2009 $
Opening balance	637,067	738,038
Deferred income tax expense	(53,759)	(100,971)
Closing balance	**583,308**	**637,067**

Note 10: Interest bearing loans and borrowings

	31 Dec 2009 $	31 Dec 2008 $
Current		
Bank overdraft	541,923	827,220
Finance lease liability	41,407	61,262
Interest bearing liabilities (current)	**583,330**	**888,482**
Non-current		
Finance lease liability	68,956	-
Interest bearing liabilities (non-current)	68,956	-
Total interest bearing liabilities	**652,286**	**888,482**

Note 11: Business combination

During the period the group made a capital payment of $75,000 for partial achievement of an earn out agreement relating to the acquisition of igloo Design. At balance date, a $50,000 capital payment is payable contingent on future performance.

Note 12: Economic dependency

The Group's ongoing operations are dependent on the availability of adequate funding from financiers.

Directors' declaration

In the opinion of the directors of *mcm entertainment group limited*:

a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the financial position as at 31 December 2009 and of the performance, for the half year ended on that date of the consolidated entity; and

   ii. complying with Accounting Standards AASB 134 "*Interim Financial Reporting*"; 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.

Dated 17th February 2010 in Melbourne

Signed in accordance with a resolution of the directors:

Anthony James McGinn
Chief Executive Officer

Ernst & Young

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Independent Review Report

To the members of MCM Entertainment Group Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying Condensed Half-Year Financial Report financial report of MCM Entertainment Group Limited, which comprises the balance sheet as at 31 December 2009, income statement, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with 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 half year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the Half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of MCM Entertainment Group Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MCM Entertainment Group Limited is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

K Brown

Kester Brown
Partner

Melbourne
17 February 2010

Net tangible asset backing

	31 Dec 2009 cents	31 Dec 2008 cents
Net tangible asset backing per share	4.42	2.98

Control gained over entities having material effect

n/a

Loss of control of entities having material effect

n/a

Dividends

n/a

Dividend or distribution reinvestment plan

n/a

Associates and joint venture entities

n/a

Review status

This report is based on accounts which have been independently reviewed by Ernst & Young; *mcm entertainment group limited*'s auditors.

mcm entertainment group limited has a formally constituted Audit And Risk Committee.

Anthony James McGinn
Chief Executive Officer
mcm entertainment group limited

Date: 17th February 2010