appendix 4e
preliminary final report

Name of entity: mcm entertainment group limited

ABN: 31 006 173 271

Financial year ended: 30 June 2010 (previous corresponding period 30 June 2009)

results for announcement to the market

Group results

	$'000	up / down	movement
Revenues from ordinary activities	23,274	Up	19%
Gross profit	14,546	Up	25%
Net profit for the period attributable to members	655	Up	3,068%

Group ratios and returns

	Current period	Previous period
Gross profit margin	63%	60%
Return on shareholders funds	12%	0%

Financial statements – see attached financial report

- Statement of financial position.
- Statement of comprehensive income.
- Statement of cash flows.
- Statement of changes in equity.

Net tangible asset (NTA) backing

	30 June 2010 cents	30 June 2009 cents
Net tangible asset backing per share	4.71	3.37

Dividends

There were no dividends paid or declared during the 2010 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 retained earnings/ (accumulated losses)

	CONSOLIDATED	
	30 June 2010 $	30 June 2009 $
Retained earnings/(accumulated losses)		
Accumulated losses at the beginning of the period	(401,091)	(421,766)
Profit attributable to the members of the group	654,930	20,675
Retained earnings/(accumulated losses) at end of the period	**253,839**	**(401,091)**

Summary of results

Operating results for the year

The Board of mcm entertainment group ltd (MEG) is pleased to report an improved profit position for the financial year ended 30 June 2010 (FY2010). Net Profit After Tax (NPAT) recorded for FY2010 was $654,930, which is $634,255 better than the prior financial year (FY2009 $20,675). The improvement was driven by a material increase in Group Revenue and sustained cost control throughout the financial year.

This result is pleasing to the Board as MEG has achieved profitable growth in a challenging economic environment; and as the Group continued to invest in its three revenue generating businesses of mcm media pty ltd, igloo digital pty ltd and movideo pty ltd.

The key financial highlights for the year are:

Group revenue

Year on year group revenue grew by $3,697,543 or 18.89%. Both mcm media and igloo contributed significantly to the increase.

Group gross profit

Gross profit achieved for the year was $14,546,438 (FY2009: $11,655,162). The Gross Profit margin to sales increased to 62.5% as a result of improved group revenue performance (FY2009: 59.5%). This was a pleasing result when considering the incremental investment mcm media made into new radio product (including The

Hot hits Live From LA and new television production) and to its enhanced commitment to the Digital Entertainment Network (DEN). In addition, the absolute cost for Igloo in servicing its increase in sales grew year on year.

Employee benefits

Year on year our Staff Costs grew by $1,743,583. Over the financial year, our staff numbers grew by 23 people (15 in igloo and 8 in movideo). The increase in Staff Costs is directly attributable to the increase in Staff numbers.

Administration expenses

In total the Group's Administration Expenses have risen by $333,256 year on year. The increase in expenditure was driven by greater Staff numbers within the Group. The impact of more people in each of the revenue earning business has created higher expenditure in categories of: Equipment Hire, Communications and Travel and Entertainment. In addition, research conducted for movideo in overseas markets meant there was an incremental cost associated with travel for the FY2010 year.

Other key financial highlights for MEG were:

- MEG achieved Earnings Before Interest, Depreciation and Amortisation (EBITDA) of $1,837,969. An improvement of $784,632 or 74.49% on FY2009.
- The year-end Net Cash position for the Group was a positive balance of $649,166. This position was achieved by generating Net Cash Inflows of $1,398,858 for the financial year. Outside of leasing arrangements, MEG is currently operating without long term Debt. The Group has a floating working capital debt facility available but it was not used as at 30 June 2010.

Group overview

MEG operates three distinct revenue earning businesses: mcm media Pty Ltd, igloo digital Pty Ltd and movideo Pty Ltd. The holding company, mcm entertainment group ltd, manages the overall Group and employs corporate Staff and Directors.

mcm media

mcm media continued its profitable growth into FY2010. mcm media achieved sales of $20,333,310 for FY2010 and generating a NPAT of $1,787,278.

Other key highlights during the year were:

- The consolidation of mcm media's radio catalogue with 8 programs being delivered across four FM capital city radio networks and key regional networks.
- The launch of the Digital Entertainment Network (DEN). The DEN is a high quality music audio and video player that is distributed across some of the nation's leading entertainment sites. This has significantly contributed to mcm media growing its online audience to over 850,000 unique visitors each month; and streaming over 4.5 million audio and audio visual music tracks each month.
- The expansion of its television catalogue, that now includes: 'Live at the Chapel', 'Take 40 Live Lounge' and 'Take 40 Live'.

igloo digital

igloo grew its revenue base to $3,250,001 for FY2010 (FY2009: $1,261,046). Of this amount, $2,837,955 was sourced from clients outside of the Group. A NPAT of $83,806 was achieved for the year (FY2009: $71,952 loss).

Other key highlights during the year were:

- Staff numbers grew to 25 to accommodate improving sales and a growing client base.

- Successfully launched the new Mazda Australia website. The launch was a culmination of approximately 12 months of work by the igloo team.

movideo

The main focus of movideo during the year was to complete the development of its key 'Online Video Platform' (OVP) technology: movideo. The technology incorporates the use of its real time analytics software 'Camify' with the internally developed media player and content management system (this is the technology used across mcm media websites and the DEN to serve audio and audio visual content to users).

Whilst completing the final development of the OVP, movideo managed to derive $264,084 in sales for the year (FY2009: $112,000), of which $135,170 was earned from clients external to the Group. Movideo recorded a Net Loss After Tax of $1,151,941 (FY2009: $519,342 loss). This was a result of minimal sales and the Staff cost required to complete the technology build and to support existing and new clients.

Other key highlights during the year were:

- Changed name to movideo Pty Ltd (from mcm technical services Pty Ltd) to better reflect the nature of the business and product supplied to the market.
- Technology now supports over 4 million files streamed by mcm media.

Segment information

Please refer to note 5 of the attached financials.

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 have arisen since the end of the financial year, that have 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

The report has been prepared in accordance with AASB Accounting Standards and Interpretations and also complies with International Reporting Standards (IFRS)

This report and the accounts upon which the report is based, use the same accounting polices.

This report does give a true and fair view of the matters disclosed.

This report is in accordance with the Corporations Act 2001

The entity has a formally constituted Audit and Risk Committee.

Anthony McGinn
Chief Executive Officer
mcm entertainment group limited

Date: 27 August 2010

Financial Report to 30 June 2010

mcm entertainment group limited

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contents

corporate directory

directors

Mr. Colin J. Smith	Chairman (resigned 04 May 2010)
Mr. Julien Playoust	Chairman (appointed Non-Executive Director 04 May 2010; appointed Chairman 03 August 2010)
Mr. Anthony McGinn	Executive Director and Chief Executive Officer
Mr. Gregory Smith	Non-Executive Director
Mr. Vincent Donato	Non-Executive Director
Mr. Santiago Burridge	Non-Executive Director (appointed 04 May 2010)

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 2010.

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. Julien Playoust *(Chairman) appointed 04 May 2010*
Julien Playoust is Managing Director of AEH Group, a Sydney-based private investment company. His professional career includes Andersen Consulting and Accenture and his experience includes capital structuring, mergers and acquisitions, strategy, change, technology and supply-chain programs within various sectors. Current external appointments include Director of Tatts Group Limited and Director of Australian Renewable Fuels Limited, both ASX-listed companies, and he is chairman of the Remuneration Committees for both companies. He is a Director of private equity company MGB Equity Growth Pty Limited, a Trustee of the Art Gallery NSW Foundation and on the Advisory Board of The Nature Conservancy. He is a director of the Playoust Family Foundation. He is a member of the Australian Institute of Company Directors, Australian Institute of Management, Royal Australian Institute of Architects and The Executive Connection. He holds a Masters of Business Administration from AGSM, Bachelor of Architecture First Class Honours and Bachelor of Science from Sydney University and a Company Director Course Diploma from the AICD.

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 and 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 Company Directors. Vincent is a Director of:

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

Mr. Santiago Burridge *(Non-Executive Director) appointed 04 May 2010*
Santiago is a practicing partner in a boutique financial services firm, Vivid Financial and has worked within the business for 10 years. His current external appointments are as a Director of Premier Superannuation Services Pty Ltd, a leading provider of Self Managed Superannuation fund services, Implemented Portfolios Pty Ltd a fledgling provider of Managed Account Services and Fund Management, and Lessinghams Financial Service Pty

Ltd which is a boutique Financial Planning Firm. He holds a Bachelor of Commerce majoring in Economics and Finance from Griffith University and Diploma in Financial Planning from Deakin University. He is a member of the Australian Institute of Company Directors.

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

Mr. Colin J. Smith *(Non-Executive Chairman) appointed 03 May 2007, resigned 04 May 2010*
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.

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
Anthony McGinn	23,490,010	300,000
Gregory Smith	50,000	nil
Vincent Donato	nil	nil
Julien Playoust*	4,563,355	nil
Santiago Burridge#	218,500	nil

* J. Playoust is the Managing Director of and has a minority interest in Australian Enterprise Holdings Pty Ltd (AEH). AEH's shareholding is held in trust by ABN Amro Clearing Sydney Nominees Pty Ltd (Next Custodian Account). AEH owns 4,363,355 MEG shares. Further, J. Playoust controls 200,000 MEG shares ATF J&M Playoust Superannuation Fund.

including shares held by controlled entities and on trust.

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 24 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 2010 year: - on ordinary shares	$	Nil

principal activities

The principale 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;
- website design and development; and
- the provision of technology to manage and deliver online streaming for local and international publishers of audio and audio visual content.

operating and financial review

Operating results for the year

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Shareholder returns

The Board has decided not to declare a dividend to Shareholders for the financial year ended 30 June 2010.

Review of financial condition

Liquidity and capital resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents of $1,398,858 for the financial year ended 30 June 2010 (FY2009: net cash outflow $768,754).

The increase in the net cash position was mainly due to improved trading performance by mcm media and igloo.

The Group incurred net cash outflows from Investing Activities of $302,579 (FY2009: $385,749). This amount relates to funding the acquisition of Igloo ($75,000) and other fixed asset and software purchases ($227,579).

Net cash outflows from Financing Activities of ($93,873) relates to payment of lease liabilities.

As at 30 June 2010 there is a balance of cash and cash equivalents of $649,166 (FY2009: $749,692 overdraft). In addition to the cash balance, at 30 June 2010 the Group had an available overdraft facility of $2,525,649.

Risk management

The Company has an Audit and Risk Committee whose function is to identify and manage key risks within the business.

significant changes in the state of affairs

There were no other significant changes in the state of affairs at 30 June 2010.

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 1,500,000 unissued ordinary shares under options (1,500,000 at the reporting date). Refer to note 24 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' 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:

	Board meetings attended	Board meetings eligible	Audit & risk committee meetings attended	Audit & risk committee meetings eligible	Rem. committee meetings attended	Rem. committee meetings eligible
Number of meetings held	**11**		**3**		**3**	
Colin J. Smith	9	9	1	3	3	3
Anthony McGinn	11	11	-	-	3	3
Gregory Smith	11	11	-	-	-	-
Vincent Donato	11	11	3	3	3	3
Julien Playoust	2	2	-	-	-	-
Santiago Burridge	2	2	-	-	-	-

Committee membership

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

Audit and risk committee

Continuing in the role of committee members from the 2009 financial year were Vincent Donato (chair), Andrew Metcalfe (Company Secretary) and Michael Burgess. In May, 2010 Julian Playoust also became a member of the audit and risk committee. Although Andrew Metcalfe and Michael Burgess are not sitting board members they do attend committee meetings.

Nomination and remuneration committee

Colin Smith chaired the Committee until his resignation on 04 May 2010 at which time Greg Smith was elected Chairman. Vincent Donato was replaced by Santiago Burridge in May 2010. Anthony McGinn remains on the Committee from the prior reporting period.

auditor independence

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 2010, 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

27 August 2010

non-audit services

In the 2010 financial year the entity's auditor, Ernst & Young provided non-audit services in the form of a financial modeling review. The Directors remain 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 of the Group.

Details of key management personnel

Directors

Colin J. Smith	Chairman (Non-Executive - resigned 04 May 2010)
Julien Playoust	Chairman (Non-Executive - appointed 04 May 2010; appointed Chairman 03 August 2010)
Gregory Smith	Non-Executive Director
Vincent Donato	Non-Executive Director
Santiago Burridge	Non-Executive Director (appointed 04 May 2010)

Executive Director

Anthony McGinn	Chief Executive Officer, mcm entertainment group ltd

Executives

Michael Burgess	Chief Financial Officer, mcm entertainment group ltd
Simon Joyce	Chief Executive Officer, mcm media pty ltd
Cameron Moore	Chief Technology Officer, mcm entertainment group ltd
Andrew Englisch	Chief Executive Officer, igloo digital pty ltd

Nomination and remuneration committee

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Directors and Executives. The Nomination and 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. These options vested 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 received a fee inclusive of superannuation of $40,000 for being a Director of the Group. Vincent Donato received an additional payment of $5,000 for his role as chairman of the Audit Committee.

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 2010 and 30 June 2009 is detailed in table 1 and 2 respectively of this report.

Julien Playoust was elected chairman on 03 August 2010, at which time the Board resolved to review the remuneration structure of the Board for the year ending 30 June 2011.

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 Group Chief Executive Officer(CEO) (for two years expiring 31 October 2011), the Chief Financial Officer (for two years expiring 31 October 2011), the CEO of mcm media pty ltd (two years expiring 01 November 2011) and a standard contract with other Executives. The term of the other Executive contracts is for a period of two (2) years to four (4) years.

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.

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, risk 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 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 $423,085 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.

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 2008 cents	30 June 2009 cents	31 Dec 2009 cents	30 June 2010 cents
Basic EPS	0.43	(0.54)	(0.16)	0.03	0.82	0.91

Remuneration for key management personnel – Table 1

Remuneration for the year ended 30 June 2010	Short-term Salary & fees $	Short-term Cash bonus $	Short-term Non-monetary Benefits $	Short-term Other $	Super-annuation $	Retirement benefits $	Long-term Incentive plans $	Long-term Long service leave $	Share-based payment Options $	Total $	% Performance related
Non-executive directors											
J. Playoust (Chairman)*#	5,975	-	-	-	538	-	-	-	-	6,513	-
C. J. Smith (Former Chairman)**	76,038	-	-	-	6,843	-	-	-	2,574	85,455	-
V. Donato	37,462	-	-	-	3,372	-	-	-	-	40,834	-
G. Smith	34,786	-	-	4,500	2,856	-	-	-	-	42,142	-
S. Burridge*	5,975	-	-	-	538	-	-	-	-	6,513	-
Sub-total non-executive directors	160,236	-	-	4,500	14,147	-	-	-	2,574	181,457	-
Executive director											
A. McGinn	408,624	52,887	7,496	-	14,461	-	-	11,881	5,149	500,498	11%
Sub-total executive director	408,624	52,887	7,496	-	14,461	-	-	11,881	5,149	500,498	11%
Other key management personnel											
M. Burgess	229,623	29,720	-	-	14,461	-	-	7,064	3,432	284,300	10%
S. Joyce	326,300	311,364	-	-	14,461	-	-	7,684	3,432	663,241	47%
C. Moore	251,000	-	-	-	14,461	-	-	3,123	-	268,584	-
A. Englisch	175,283	-	-	-	14,461	-	-	1,176	-	190,920	-
Sub-total executive key management personnel	982,206	341,084	-	-	57,844	-	-	19,047	6,864	1,407,045	24%
Totals	**1,551,066**	**393,971**	**7,496**	**4,500**	**86,452**	**-**	**-**	**30,928**	**14,587**	**2,089,000**	**19%**

* commenced employment May 4, 2010
** resigned May 4, 2010
\# elected chairman August 3, 2010

Remuneration for key management personnel – Table 2

	Short-term						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											
J. Playoust (Chairman)*#	-	-	-	-	-	-	-	-	-	-	-
C. J. Smith (Former Chairman)**	90,000	-	-	-	8,100	-	-	-	4,734	102,834	-
V. Donato	32,110	-	-	-	2,890	-	-	-	-	35,000	-
G. Smith	9,840	-	-	-	886	-	-	-	-	10,726	-
S. Burridge*	-	-	-	-	-	-	-	-	-	-	-
Sub-total non-executive directors	131,950	-	-	-	11,876	-	-	-	4,734	148,560	-
Executive directors											
A. McGinn	398,658	55,800	17,579	-	13,745	-	-	7,699	9,469	502,950	11%
Sub-total executive directors	398,658	55,800	17,579	-	13,745	-	-	7,699	9,469	502,950	11%
Other key management personnel										-	
M. Burgess	224,215	33,200	-	-	13,745	-	-	3,978	6,313	281,451	12%
S. Joyce	275,000	269,555	-	-	13,745	-	-	15,265	6,313	579,878	46%
C. Moore	166,666	-	-	-	9,163	-	-	435	1,578	177,842	-
A. Englisch	128,441	-	-	-	10,309	-	-	738	-	139,488	-
Sub-total executive key management personnel	794,322	302,755	-	-	46,962	-	-	20,416	14,203	1,178,658	26%
Totals	**1,324,930**	**358,555**	**17,579**	**-**	**72,583**	**-**	**-**	**28,115**	**28,406**	**1,830,168**	**20%**

* commenced employment May 4, 2010
** resigned May 4, 2010
# elected chairman August 3, 2010

Compensation options: granted and vested during the year ended 30 June 2010 (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									
J. Playoust (Chairman)*#	-	-	-	-	-	-	-	-	-
C. J. Smith (Former Chairman)**^	150,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	150,000	100%
V. Donato	-	-	-	-	-	-	-	-	-
G. Smith	-	-	-	-	-	-	-	-	-
S. Burridge*	-	-	-	-	-	-	-	-	-
Executive director									
A. McGinn	300,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	300,000	100%
Other key management personnel									
M. Burgess	200,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	200,000	100%
S. Joyce	200,000	10-Dec-07	0.06	0.20	22-Nov-12	31-Dec-09	22-Nov-12	200,000	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	-	-	-	-	-	-	-	-	-
Total	**900,000**							**900,000**	**100%**

* commenced employment May 4, 2010

** resigned May 4, 2010

elected chairman August 3, 2010

^ options lapsed in accordance with Option Plan Rules on 09 August 2010

Options granted as part of remuneration

There were no options granted during the 2010 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
Chief Executive Officer

Melbourne, 27 August 2010

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 Principals and Recommendations.

Principals and Recommendations		Compliance	Comply
Principal 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 Principal 1*	The Board charter has been disclosed on the Company's website and is summarised in this Corporate Governance Statement. A performance evaluation process has been disclosed on the Company's website and is summarised in this Corporate Governance Statement. The Board conducted a performance evaluation of senior executives in the financial year in accordance with the process above.	Complies. Complies. Complies.
Principal 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: • Vincent Donato • Gregory Smith • Julien Playoust • Santiago Burridge	Complies.
2.2	The Chair should be an independent Director	Julien Playoust 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	Julien Playoust is the Chair and Anthony McGinn the Chief Executive Officer.	Complies.

Principals and Recommendations		Compliance	Comply
2.4	The Board should establish a nomination Committee	The Board has established a Nomination and Remuneration Committee. The following Directors have been appointed to the Nomination and Remuneration Committee: • Gregory Smith • Santiago Burridge • Julien Playoust	Complies
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 Principal 2*	The skills and experience of each Director is found in the Directors' Report attached to this Corporate Governance Statement. Vincent Donato, Gregory Smith, Julien Playoust and Santiago Burridge 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 Principals and Recommendations. 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. Julien Playoust, Chair, was appointed to the Board on 04 May 2010 as a non-executive director. On 03 August 2010, Julien was elected chairman. Santiago Burridge, non-executive Director, was appointed to the Board on 04 May 2010. Members of the Board are able to take independent professional advice at the expense of the Company. The Board did not conduct a formal performance evaluation of the Board and its Committees in the financial year. This was due to a restructuring of the Board that was completed in May 2010 that included a search for new Directors that would complement and add value to the Board and provide strategic direction to the company, following the decision by Colin Smith to resign as Chair for business reasons. The Board did, however, conduct a performance evaluation of its 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 Principal 2,* the 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 Principal 2* has been made available on the Company's website.	Complies.

Principal 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 emphasis 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 Principal 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.
Principal 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), Julien Playoust, Michael Burgess and Andrew Metcalfe. Vincent Donato and Julien Playoust are both independent, non-executive Directors and Vincent 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. Playoust 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.
4.4	Provide the information indicated in *Guide to reporting on Principal 4*	In accordance with the information suggested in *Guide to Reporting on Principal 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 3 meetings and meets approximately every 3-4 months. The Company's Audit and Risk charter is available on the Company's website.	Complies.

Principal 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 Principal 5*	The Company's continuous disclosure policy is available on the Company's website.	Complies.
Principal 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 Principal 6*	The Company's shareholder communications policy is available on the Company's website.	Complies.
Principal 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 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 charter is available on the Company's website and the Company's risk statement is summarised in this Corporate Governance Statement.	Complies.
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	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.

Principals and Recommendations		Compliance	Comply
	risks.		
7.4	Provide the information indicated in *Guide to reporting on Principal 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.
Principal 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a Remuneration Committee	The Board has established a Nomination and Remuneration Committee and operates in accordance with the Remuneration Committee charter for focusing the Company on appropriate remuneration policies. Members of the Nomination and Remuneration Committee are Santiago Burridge (Chair), Gregory Smith and Julien Playoust. All are independent, non-executive Directors.	Complies.
8.2	Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	The Company follows the guidelines for executive remuneration packages and non-executive Director remuneration; 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.	Complies.
8.3	Provide the information indicated in *the Guide to reporting on Principal 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 Principal 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 throughout the year ended 30 June 2010 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).
- 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 principals 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.

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**
Julien Playoust	Chairman
Vincent Donato	Non-executive Director
Gregory Smith	Non-executive Director
Santiago Burridge	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**
Julien Playoust	Chairman, non-executive Director	Appointed non-executive Director 04 May 2010; appointed Chairman 03 August 2010
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
Santiago Burridge	Non-executive Director	Appointed 04 May 2010

Mr. Colin Smith who resigned as a director on 4th May 2010 was a non-executive independent Director throughout the year and up to the date of his resignation.

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

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.
- Julien Playoust (non-executive Director) holds a Masters of Business Administration from AGSM, Bachelor of Architecture First Class Honours and Bachelor of Science from Sydney University and a Company Director Course Diploma from the AICD.
- 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 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 policies, 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 Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Chief Executive Officer and the executive team.

The Nomination and Remuneration Committee dealt with all remuneration issues during the financial year ended 30 June 2010. In carrying out its duties, the Nomination and Remuneration Committee operated in accordance with the Remuneration Committee Charter.

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

financial statements

statement of financial position as at 30 June 2010

		CONSOLIDATED		
		30 June 2010	30 June 2009 Restated	As at 1 July 2008 Restated
	note	**$**	$	$
Current assets				
Cash and cash equivalents	10	649,166	77,528	518,414
Trade and other receivables	11	4,443,881	4,363,681	2,563,984*
Deferred production expenditure		218,720	323,041	162,162
Prepayments		181,092	55,405	182,462*
Total current assets		**5,492,859**	**4,819,655**	**3,427,022**
Non-current assets				
Deferred tax assets	7	595,547	637,067	738,038
Property, plant and equipment	13	1,475,186	1,494,648	1,883,080
Intangible assets and goodwill	14	1,915,796	2,211,916	1,410,999
Total non-current assets		**3,986,529**	**4,343,631**	**4,032,117**
TOTAL ASSETS		**9,479,388**	**9,163,286**	**7,459,139**
Current liabilities				
Trade and other payables	16	2,580,485	2,193,396	1,791,873
Unearned revenue		701,058	1,014,680	366,943*
Interest bearing liabilities	18	56,192	888,482	1,035,837
Provisions	17	502,543	283,389	116,327
Total current liabilities		**3,840,278**	**4,379,947**	**3,310,980**
Non-current liabilities				
Interest bearing liabilities	18	106,895	-	230,012
Provisions	17	232,163	152,804	128,583
Total non-current liabilities		**339,058**	**152,804**	**358,595**
TOTAL LIABILITIES		**4,179,336**	**4,532,751**	**3,669,575**
NET ASSETS		**5,300,052**	**4,630,535**	**3,789,564**
EQUITY				
Oridnary Shares	20	4,940,113	4,940,113	4,178,208
Share based payments reserve	21	106,100	91,513	33,122
Retained earnings/(accumulated losses)	21	253,839	(401,091)	(421,766)
TOTAL EQUITY		**5,300,052**	**4,630,535**	**3,789,564**

*mcm entertainment group limited had a change in accounting policy (per note 2v).

statement of comprehensive income for the year ended 30 June 2010

		CONSOLIDATED	
		30 June 2010	30 June 2009
	note	**$**	$
Sales revenue	6	23,274,150	19,576,607
Cost of sales		(8,727,712)	(7,921,445)
Gross Profit		**14,546,438**	**11,655,162**
Employee benefits expense	6	(9,908,226)	(8,164,643)
Property expenses		(760,719)	(755,304)
Administration expenses		(1,798,909)	(1,465,653)
Sales & marketing expenses		(242,877)	(193,925)
Foreign currency gains/(losses)		2,262	(22,300)
Operating Expenses		**(12,708,469)**	**(10,601,825)**
Profit before interest, depreciaton & amortisation		**1,837,969**	**1,053,337**
Depreciation & amortisation	6	(708,679)	(793,612)
Profit before interest & taxation		**1,129,290**	**259,725**
Interest expense	6	(76,023)	(138,079)
Profit before income tax		**1,053,267**	**121,646**
Income tax expense	7	(398,337)	(100,971)
Profit from continuing operations after income tax		**654,930**	**20,675**
Total comprehensive income for the period		**654,930**	**20,675**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)	9	0.91	0.03
Diluted earnings per share (cents)	9	n/a	n/a

statement of cash flows for the year ended 30 June 2010

		CONSOLIDATED	
		30 June 2010	30 June 2009
	note	**$**	$
Cash flows from operating activities			
Receipts from customers and related parties		23,496,812	18,804,440
Payments to suppliers and employees		(21,542,437)	(18,367,509)
Interest received		3,917	6,663
Interest & other financial expenses paid		(79,940)	(144,742)
Income tax paid		(83,042)	-
Net cash flows from operating activities	**10**	**1,795,310**	**298,852**
Cash flows from investing activities			
Purchase of business		(75,000)	(75,000)
Purchase of property, plant and equipment		(183,120)	(77,898)
Purchase of intangibles		(44,459)	(232,851)
Net cash flows used in investing activities		**(302,579)**	**(385,749)**
Cash flows from financing activities			
Payments of finance lease liabilities		(93,873)	(161,485)
Repayment of borrowings		-	(543,750)
Proceeds from director loan		-	23,378
Net cash flows used in financing activities		**(93,873)**	**(681,857)**
Net cash increase/ (decrease) in cash and cash equivalents		**1,398,858**	**(768,754)**
Cash and cash equivalents at beginning of period		**(749,692)**	**19,062**
Cash and cash equivalents/(overdraft) at end of period		**649,166**	**(749,692)**

statement of changes of equity for the year ended 30 June 2010

CONSOLIDATED	Ordinary shares $	Retained earnings/ (accumulated losses) $	Share based payments reserve $	Total $
Balance at 1 July 2008	**4,178,208**	**(421,766)**	**33,122**	**3,789,564**
Total comprehensive income 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**
Total comprehensive income for the year	-	654,930	-	654,930
Employee share option plan	-	-	14,587	**14,587**
Balance at 30 June 2010	**4,940,113**	**253,839**	**106,100**	**5,300,052**

notes to financial statements

1. corporate information

The financial report of mcm entertainment group limited (the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 27 August 2010.

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.

The financial report is presented in Australian dollar.

a) Compliance with 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 2010. These are outlined in the table below.

Ref	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB	1 January 2010	No material impact anticipated	1 July 2010

Ref	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: has primary responsibility for providing the goods or service; • has inventory risk; • has discretion in establishing prices; • bears the credit risk.			
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party.	1 January 2011	No material impact anticipated	1 July 2011

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 and for the year ended 30 June 2010.

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 acquisition method of accounting. The acquisition method of accounting involves recognising an acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

d) Business combinations

Subsequent to 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 July 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional interest in the acquiree acquired did not affect previously recognised goodwill. The goodwill amounts calculated at each step acquisition were accumulated.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

e) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. Refer to note 5 for further information.

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.

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 (deferred production costs) 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) 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.

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.

k) 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.

l) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount 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.

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.	

m) 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.

n) 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).

o) 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.

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

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.

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.

p) 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 24.

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:

- the grant date fair value of the award;

- 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
- 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).

q) 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.

r) 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 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.

s) 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.

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.

t) Earnings per share

Basic earnings per share is determined by dividing the comprehensive income for the period 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;
- 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.

u) 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.

v) Retrospective restatement due to reclassification

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. In the 2009 financial year, this had the effect of increasing deferred revenue from $691,639 to $1,014,680 and deferred production expenditure from $nil to $323,041. 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.

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 Bank Australia Limited.

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	
	2010	2009
	$	$
Financial assets		
Cash and cash equivalents	649,166	77,528
	649,166	**77,528**
Financial liabilities		
Bank overdraft	-	827,220
	-	**827,220**
Net exposure	**649,166**	**(749,692)**

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 2010, 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)	
	2010	2009
Judgements of reasonably possible movements:	**$**	**$**
Consolidated		
+0.5% (50 basis points)	2,272	(2,624)
-0.5% (50 basis points)	(2,272)	2,624

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity for the group is lower in 2010 than 2009 due to a reduction in exposure to debt.

Foreign currency risk

The Group's foreign currency charge has decreased year on year due to an increase 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 2010 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, 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 2010.

	<6 months	6-12 months	1-5 years	TOTAL
YEAR ENDED 30 JUNE 2010 - CONSOLIDATED	**$**	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	649,166	-	-	649,166
Trade and other receivables	4,443,881	-		4,443,881
	5,093,047	**-**	**-**	**5,093,047**
Financial liabilities				
Trade and other payables	2,580,485	-	-	2,580,485
Interest bearing loans and borrowings	28,096	28,096	106,895	163,087
	2,608,581	**28,096**	**106,895**	**2,743,572**
Net maturity	**2,484,466**	**(28,096)**	**(106,895)**	**2,349,475**

The overdraft facility was $nil at 30 June 2010 however it remains 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.

a) Maturity analysis of financial assets and liability based on contractual maturities

The risk implied from the values shown in the table above, 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. programs, 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 with floating interest rates and finance leases with fixed interest rates.

4. significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments 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 judgments, 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.

Significant accounting judgments

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. Judgments are also required about the application of income tax legislation. These judgments 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 15.

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 24. The accounting estimates and assumptions relating to equity-settled share-based payments would have no 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 17.

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.

a) Long service leave provision

As discussed in note 17, 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.

b) 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. operating segments

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 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 online video platform (OVP) '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.

Segment loans payable & 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% (2009: 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.

	Media	Web Development & Design	Software Development	Unallocated	Total
	$	$	$	$	$
Year Ended 30 June 2010					
Revenue					
Sales to external customers	20,301,025	2,837,955	135,170	-	23,274,150
Inter-segment sales	32,285	412,046	128,914	-	573,245
Total segment revenue	**20,333,310**	**3,250,001**	**264,084**	-	**23,847,395**
Segment net operating profit/(loss) after tax	**1,787,278**	**83,806**	**(1,151,941)**	**(64,213)**	**654,930**
Interest revenue	3,476	299	47	95	3,917
Interest expense	(26,590)	-	(13)	(6,692)	(33,295)
Depreication and amortisation	(382,576)	(60,784)	(226,953)	(38,366)	(708,679)
Write off of assets	(11,866)	-	-	-	(11,866)
Other non-cash expenses	-	-	-	(14,587)	(14,587)
Income tax (expense)/benefit	(844,101)	(45,327)	480,880	10,211	(398,337)
Segment assets	**9,178,806**	**1,880,529**	**660,001**	**5,177,028**	**16,896,364**
Segment liabilities	**6,408,908**	**925,431**	**2,398,095**	**763,939**	**10,496,373**

	Media	Web Development & Design	Software Development	Unallocated	Total
	$	$	$	$	$
Year Ended 30 June 2009					
Revenue					
Sales to external customers	18,854,051	631,556	91,000	-	19,576,607
Inter-segment sales	-	629,490	21,000	-	650,490
Total segment revenue	**18,854,051**	**1,261,046**	**112,000**	**-**	**20,227,097**
Segment net operating profit/(loss) after tax	**1,113,762**	**(71,952)**	**(519,342)**	**(501,793)**	**20,675**
Interest revenue	3,045	33	-	3,585	6,663
Interest expense	(103,819)	-	-	-	(103,819)
Depreication and amortisation	(600,573)	(48,002)	(145,027)	-	(793,602)
Write off of assets	(15,213)	-	-	-	(15,213)
Other non-cash expenses	-	-	-	(58,391)	(58,391)
Income tax (expense)/benefit	(274,199)	28,461	220,236	(75,469)	(100,971)
Discontinued operations after income tax					-
Segment assets	**9,598,908**	**1,736,110**	**702,861**	**5,130,585**	**17,168,464**
Segment liabilities	**6,814,931**	**273,570**	**1,330,016**	**395,174**	**8,813,691**

a) Segment revenue reconciliation to the statement of comprehensive income

	CONSOLIDATED	
	30 Jun 2010	30 Jun 2009
Consolidated revenue per the statement of comprehensive income	23,274,150	19,576,607
Inter-segment sales	573,245	650,490
Total revenue	**23,847,395**	**20,227,097**

b) Segment net operating profit after tax reconciliation to the statement of comprehensive income

	CONSOLIDATED	
	30 Jun 2010	30 Jun 2009
Segment net operating profit after tax	719,143	522,468
Unallocated segment expenses	(64,213)	(501,793)
Total profit after tax per the statement of comprehensive income	**654,930**	**20,675**

c) Segment assets reconciliation to the statement of financial position

	CONSOLIDATED	
	30 Jun 2010	30 Jun 2009
Segment operating assets	16,896,364	17,168,464
Intersegment eliminations	(8,012,521)	(8,642,245)
Deferred tax assets	595,545	637,067
Total assets per the statement of financial position	**9,479,388**	**9,163,286**

Intersegment eliminations relate to loan accounts and accounts receivable balances between the members of the group.

d) Segment liabilities reconciliation to the statement of financial position

	CONSOLIDATED	
	30 Jun 2010	30 Jun 2009
Segment operating liabilities	10,496,373	8,813,691
Intersegment eliminations	(7,051,743)	(4,717,133)
Provisions	734,706	436,193
Total liabilities per the statement of financial position	**4,179,336**	**4,532,751**

Intersegment eliminations relate to loan accounts and accounts payable balances between the members of the group.

6. revenue & expenses

	CONSOLIDATED	
	30 June 2010	30 June 2009
Revenue		
Sales revenue - rendering of services	23,274,150	19,576,607
Total revenue	**23,274,150**	**19,576,607**
Depreciation and amortisation expense		
Depreciation expense of tangible assets	(388,292)	(421,125)
Amortisation expense of intangible assets	(320,387)	(372,487)
Total depreciation and amortisation expense	**(708,679)**	**(793,612)**
Interest & finance expenses		
Interest expense	(33,295)	(103,819)
Other financial expenses	(46,645)	(40,923)
Interest revenue	3,917	6,663
Total interest & finance expenses	**(76,023)**	**(138,079)**
Lease payments and other expenses included in income statement		
Minimum lease payments - operating leases charged directly to administation expense in the income statement	(695,508)	(637,759)
Total lease payments	**(695,508)**	**(637,759)**
Employee benefits expense		
Wages & salaries	(8,313,966)	(6,881,610)
Superannuation expense	(605,945)	(539,404)
Share-based payments expense	(14,587)	(58,391)
Other employee benefits expense	(973,728)	(685,238)
Total employee benefits expense	**(9,908,226)**	**(8,164,643)**
Research and development expenses		
Research and development costs charged directly to administration expense in the income statement	(23,866)	(486)
Total research and development expense	**(23,866)**	**(486)**

7. income tax

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
Current income tax		
Current income tax charge	356,817	-
Deferred tax income		
Relating to origination and reversal of temporary differences	41,520	100,971
Income tax expense reported in statement of comprehensive income	**398,337**	**100,971**

A reconciliation between tax expense applicable to accounting profit at the Group's effective income tax rate and income tax expense recognised in the statement of comprehensive income is as follows:

Accounting profit before income tax	**1,053,267**	**121,646**
At the Group's statutory income tax rate of 30%	315,980	36,494
Non-deductible expenditure	86,587	64,504
Expenditure deductible for tax purposes only	(938)	-
Other	(3,292)	(27)
Aggregate income tax expense	**398,337**	**100,971**
Net deferred tax assets		
Allowance for doubtful debts	12,337	12,089
Prepayments	(1,035)	(3,297)
Property, plant and equipment	117,555	57,981
Brandnames	(33,584)	(49,250)
Accrued expenses	59,795	169,078
Annual leave	112,047	102,848
Unused tax losses	-	48,059
Provision for long service leave	104,530	82,108
Capital raising costs	116,836	186,361
Other	107,066	31,090
Total net deferred tax assets	**595,547**	**637,067**

The Group has utilized all pre-existing tax losses arising in Australia (2009 tax losses carried forward: $160,195).

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

a) 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 principals 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.

b) 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 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.

8. dividends paid and proposed

There were no dividends paid or proposed in the 2010 financial year.

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
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
- franking credits that will arise from the payment of income tax	83,042	-
	454,084	**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 2010	30 June 2009
	$	$
Earnings after tax	654,930	20,675

Weighted average number of shares

	CONSOLIDATED	
	30 June 2010	30 June 2009
	No. of shares	No. of shares
Basic weighted number of ordinary shares	71,846,685	71,189,152
Diluted weighted number of ordinary shares	n/a	n/a

Earnings per share

	CONSOLIDATED	
	30 June 2010	30 June 2009
	cents	cents
Basic eps	0.91	0.03
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 shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

^ The diluted earnings per share is not applicable as the share options on issue are anti-dilutive.

10. current assets – cash and cash equivalents

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
Cash at bank and in hand	649,166	77,528
Bank overdraft	-	(827,220)
Total cash and cash equivalents	**649,166**	**(749,692)**
Reconciliation of net profit after tax to net cash flows from operations		
Total comprehensive income for the period	**654,930**	**20,675**
Adjustments for non-cash income and expense		
Depreciation of plant and equipment	388,292	421,125
Amortisation of intangibles	320,387	372,487
Write down of asset	11,866	15,213
Makegood expense	25,000	25,000
Share based payments expense	14,587	58,391
Decrease / (increase) in assets and liabilities		
Trade and other receivables	77,089	(1,963,343)
Other assets	(32,374)	77,770
Trade and other payables	208,859	379,518
Deferred revenue	(366,590)	624,761
Income tax payable	273,775	-
Deferred taxes	41,520	100,971
Provisions (employee benefits)	252,969	41,284
Deferred Consideration	(75,000)	125,000
Net cash from operating activities	**1,795,310**	**298,852**

11. current assets – trade and other receivables

	CONSOLIDATED		
	30 June 2010	30 June 2009	As At 1 July 2008 Restated
	$	$	$
Trade receivables, third parties	4,319,650	4,360,232	2,229,866
Allowance for impairment loss	(41,125)	(40,300)	(51,617)
Trade receivables, related parties	-	-	26,516
Total trade receivables	**4,278,525**	**4,319,932**	**2,204,765**
Other receivables, third parties	-	43,749	184,259
Other receivables, related parties	8,067	-	37,057
Accrued revenue	157,289	-	137,903
Total other receivables	**165,356**	**43,749**	**359,219**
Total trade and other receivables	**4,443,881**	**4,363,681**	**2,563,984**

Trade receivables and allowance for impairment loss

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

An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. Allowance for impairment loss, which increased by $825 during the year (2009: decreased by $11,317) has been recognised by the Group in the 'administration expenses' line item for the current period for specific debtors, as described in note 2(h), for which such evidence exists. During the year, $1,216 of bad debts were written off.

Movements in allowance for impairment loss were as follows:

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
Allowance for impairment loss opening balance	(40,300)	(51,617)
Amounts written off (included in Administration Expenses)	1,216	37,061
Increase in allowance	(2,041)	(25,744)
Allowance for impairment loss closing balance	**(41,125)**	**(40,300)**

An ageing analysis of trade receivables is provided below:

	0-30 days NPDNI^	31-60 days NPDNI^	61-90 days PDNI*	+91 days PDNI*	+91 days CI#	Total
2010	**$**	**$**	**$**	**$**	**$**	**$**
Consolidated	2,271,382	1,870,676	128,489	7,978	41,125	4,319,650
2009						
Consolidated	2,132,784	2,116,833	67,015	3,300	40,300	4,360,232

^ 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 22.

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.

12. non-current assets – investment in subsidiaries

Name	Country of Corporation	Percentage of equity interest held by the consolidated entity 30 June 2010	30 June 2009	Investment 30 June 2010 $	30 June 2009 $
mcm media pty ltd (*formerly mcm syndication pty ltd*)	Australia	100%	100%	2	2
igloo digital pty ltd	Australia	100%	100%	962,005	962,005
movideo pty ltd *(formerly mcm technical services pty ltd)*	Australia	100%	100%	100	100
				962,107	962,107

Name	Country of Corporation	equity interest held by mcm media pty ltd 30 June 2010	30 June 2009	Investment 30 June 2010	30 June 2009
mcm entertainment pty ltd	Australia	100%	100%	2	2
				2	2

13. non-current assets – property, plant & equipment

	CONSOLIDATED		
	Furniture, Fixtures & Fittings	**Office, Studio Equipment**	**Total**
	$	**$**	$
Year ended 30 June 2010			
At 1 July 2009 net of accumulated depreciation	967,459	527,189	1,494,648
Additions	6,123	214,663	220,786
Additions under finance lease	-	159,910	159,910
Assets written off	-	(11,866)	(11,866)
Depreciation for the period	(138,138)	(250,154)	(388,292)
At 30 June 2010 net of accumulated depreciation	**835,444**	**639,742**	**1,475,186**
At 30 June 2010			
Cost	1,170,234	3,566,249	4,736,483
Accumulated depreciation	(334,790)	(2,926,507)	(3,261,297)
Net carrying amount	**835,444**	**639,742**	**1,475,186**
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	1,164,111	3,222,856	4,386,967
Accumulated depreciation	(196,652)	(2,695,667)	(2,892,319)
Net carrying amount	**967,459**	**527,189**	**1,494,648**

The net carrying value of plant and equipment held under finance lease contracts at 30 June 2010 is $142,197 (June 2009 is $207,704). Leased assets are pledged as security for the related finance leases.

14. non-current assets – intangible assets and goodwill

	CONSOLIDATED			
	Goodwill	Brand names - trade marks	Capitalised website costs/ software	Total
	$	$	$	$
Year ended 30 June 2010				
At 1 July 2009 net of accumulated amortisation and impairment	1,510,835	164,165	536,916	2,211,916
Additions	-	-	9,127	9,127
Additions under finance lease	-	-	15,140	15,140
Amortisation for the period	-	(52,220)	(268,167)	(320,387)
At 30 June 2010 net of accumulated amortisation and impairment	**1,510,835**	**111,945**	**293,016**	**1,915,796**
At 30 June 2010				
Cost	1,510,835	350,000	1,603,678	3,464,513
Accumulated amortisation	-	(238,055)	(1,310,662)	(1,548,717)
Net carrying amount	**1,510,835**	**111,945**	**293,016**	**1,915,796**
Year ended 30 June 2009				
At 1 July 2008, net of accumulated amortisation and impairment	553,901	216,385	640,713	1,410,999
Additions in the period	956,934	-	216,470	1,173,404
Amortisation for the period	-	(52,220)	(320,267)	(372,487)
At 30 June 2009, net of accumulated amortisation and impairment	**1,510,835**	**164,165**	**536,916**	**2,211,916**
At 30 June 2009				
Cost	1,510,835	350,000	1,579,411	3,440,246
Accumulated amortisation	-	(185,835)	(1,042,495)	(1,228,330)
Net carrying amount	**1,510,835**	**164,165**	**536,916**	**2,211,916**

The net carrying value of software held under finance lease contracts at 30 June 2010 is $11,770 (June 2009 is $nil). Leased assets are pledged as security for the related finance leases.

Goodwill is subject to annual impairment testing (see note 15).

15. impairment testing of intangibles and goodwill

Goodwill acquired through business combinations has 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, movideo 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 five-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% (2009: 15%).

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% (2009: 1.5%).

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 cost assumption used is 2% (2009: 1.5%).

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 five-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% (2009: 15%).

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 digital publishing market is based on management's long terms strategy for the unit. The average growth rate used is 5.0% (2009: 5.0%).

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 cost assumption used is 3.0% (2009: 1.50%).

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.

movideo 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 five-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% (2009: 15%).

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 movideo business plan.

Growth rate estimates – the growth is based on management's long terms strategy for the unit. The average growth rate used is 3.5% (2009: 12.50%).

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 cost assumption used is 2% (2009: 1.50%).

In respect of the movideo 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		MOVIDEO UNIT	
	30 June 2010	30 June 2009	**30 June 2010**	30 June 2009	**30 June 2010**	30 June 2009
	$	$	**$**	$	**$**	$
Carrying amount of goodwill	553,946	553,946	956,933	956,933	-	-
Carrying amount of patents	-	-	-	-	56,605	56,605

16. current liabilities – trade and other payables

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
Trade payables, third parties	595,691	307,504
Total trade payables	**595,691**	**307,504**
Accrued expenses, third parties	1,611,239	1,530,839
Accrued annual leave	373,487	342,827
Other payables, related parties	68	12,226
Total other payables	**1,984,794**	**1,885,892**
Total trade and other payables	**2,580,485**	**2,193,396**

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 22.

Interest rate, foreign exchange and liquidity risk

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

17. provisions

	CONSOLIDATED	
	30 June 2010 $	30 June 2009 $
Current		
Long service leave	178,768	158,389
Deferred consideration - igloo design Pty Ltd acquisition	50,000	125,000
Provision for income tax	273,775	-
Total current	**502,543**	**283,389**
Non-current		
Long service leave	169,663	115,304
Provision for makegood	62,500	37,500
Total non-current	**232,163**	**152,804**
Total provisions	**734,706**	**436,193**

Movements in provisions

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

Other provisions

A make good provision of $25,000 was raised during the year ended 30 June 2010 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 $62,500. Because of the long-term nature of the liability, there is uncertainty as to the costs that will ultimately be incurred.

18. interest bearing liabilities and borrowings

	CONSOLIDATED	
	30 June 2010 $	30 June 2009 $
Current		
Bank overdraft	-	827,220
Finance lease liability	56,192	61,262
Interest bearing liabilities (current)	**56,192**	**888,482**
Non-current		
Finance lease liability	106,895	-
Interest bearing liabilities (non-current)	**106,895**	**-**
Total interest bearing liabilities	**163,087**	**888,482**

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

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

Financing facilities available

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

	CONSOLIDATED	
	30 June 2010	30 June **2009**
	$	$
Total facilities		
Bank overdraft	2,525,649	3,000,000
Lease facilities	163,087	61,262
	2,688,736	**3,061,262**
Facilities used at balance date		
Bank overdraft	-	827,220
Lease facilities	163,087	61,262
	163,087	**888,482**
Facilities unused at reporting date		
Bank overdraft	2,525,649	2,172,780
Lease facilities	-	-
	2,525,649	**2,172,780**

Interest rate, foreign exchange and liquidity risk

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

19. economic dependency

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

20. contributed equity

Ordinary shares

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
Ordinary shares		
Ordinary shares 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**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	CONSOLIDATED	
	30 June	30 June
Number of Shares	**2010**	2009
Opening balance	71,846,685	68,037,161
Share issue - acquisition of Igloo Design Pty Ltd	-	3,809,524
Closing balance	**71,846,685**	**71,846,685**

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 2010 financial year.

Management monitors capital through the gearing ratio (net debt/total capital). The target for the consolidated group ratio is between 10% and 30%. Management acknowledges that it has operated outside of this target range for the June 2010 in an effort to eliminate the pre-existing overdraft. The gearing ratios based on continuing operations at 30 June 2010 and 30 June 2009 were as follows:

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
Total borrowings	163,087	888,482
Less cash and cash equivalents	(649,166)	(77,528)
Add surplus cash and cash equivalents	486,079	-
Net debt	-	810,954
Total equity	5,300,052	4,630,535
Total capital	**5,300,052**	**5,441,489**
Gearing Ratio	**-**	**15%**

21. retained earnings/(accumulated losses) and reserves

Movements in retained earnings/(accumulated losses) as follows:

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
Retained earnings/(accumulated losses)		
Accumulated losses at the beginning of the period	(401,091)	(421,766)
Profit attributable to the members of the group	654,930	20,675
Retained earnings/(accumulated losses) at end of the period	**253,839**	**(401,091)**

Movements in the share based payments reserve as follows:

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
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	58,391
Share based payments reserve at end of period	**106,100**	**91,513**

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 23 for further details of these plans.

22. 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;
- mcm entertainment pty ltd;
- igloo digital pty ltd; and
- movideo pty ltd (formerly 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 23 as well as in the remuneration report within the Director's report.

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 2010 are as follows:

CONSOLIDATED		Payments to related parties $	Amounts owed by related parties $
Transactions with director related entities			
a Liberation Music	2009	-	-
	2010	1,238	-
b Amanda McGinn (Spouse of Anthony McGinn) Consultancy/Design at Level 4, 21-31 Goodwood Street, Richmond, Victoria	2009	26,000	-
	2010	-	-
c KOALA Foundation	2009	10,000	-
	2010	10,000	8,067

Sales and payments made to related parties for the year ended 30 June 2010 are as follows:

CONSOLIDATED		Sales to related parties $	Purchases from related parties $	Other transactions $
Liberation Music Pty Ltd	2009	946	-	-
	2010	-	5,573	-
Mushroom Group Pty Ltd	2009	-	-	-
	2010	652	-	-
Anthony McGinn (Executive Director)	2009	-	-	23,378
	2010	-	-	-
KOALA Foundation	2009	-	-	9,660
	2010	-	-	29,352

23. key management personnel

Compensation for key management personnel

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
Short-term employee benefits	1,957,033	1,701,064
Post-employment benefits	86,452	72,583
Other-long term benefits	30,928	28,115
Share based payments	14,587	28,406
Total compensation	**2,089,000**	**1,830,168**

Option holdings of key management personnel (consolidated)

	Balance at Beginning of Period 01 July 2009	Net Change Other #	Balance at End of Period 30 June 2010	Vested at 30 June 2010		
				Total	Exercisable	Not Exercisable
Directors						
J. Playoust	-	-	-	-	-	-
C. Smith*^	150,000	-	150,000	150,000	150,000	-
G. Smith	-	-	-	-	-	-
V. Donato	-	-	-	-	-	-
S. Burridge	-	-	-	-	-	-
Executive Director						
A. McGinn	300,000	-	300,000	300,000	300,000	-
Executives						
M. Burgess	200,000	-	200,000	200,000	200,000	-
S. Joyce	200,000	-	200,000	200,000	200,000	-
C. Moore	50,000	-	50,000	50,000	50,000	-
A. Englisch	-	-	-	-	-	-
TOTAL	**900,000**	**-**	**900,000**	**900,000**	**900,000**	**-**

*resigned 04 May 2010
^ options lapsed 09 August 2010

Shareholdings of key management personnel (consolidated)

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

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

	Balance at 01 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
	Ord	Ord	Ord	Ord	Ord
Directors					
J. Playoust*	4,363,355	-	-	200,000	4,563,355
C. Smith#	169,000	-	-	-	169,000
G. Smith	-	-	-	50,000	50,000
V. Donato	-	-	-	-	-
S. Burridge#	218,500	-	-	-	218,500
Executive Director					
A. McGinn	23,420,510	-	-	69,500	23,490,010
Executives					
M. Burgess	-	-	-	-	-
S. Joyce	25,000	-	-	-	25,000
C. Moore	65,000	-	-	-	65,000
A. Englisch	1,904,762	-	-	(86,950)	1,817,812
TOTAL	**30,166,127**	**-**	**-**	**232,550**	**30,398,677**

* J. Playoust is the Managing Director of and has a minority interest in Australian Enterprise Holdings Pty Ltd (AEH). AEH's shareholding is held in trust by ABN Amro Clearing Sydney Nominees Pty Ltd (Next Custodian Account). AEH owns 4,363,355 MEG shares. Further, J. Playoust controls 200,000 MEG shares ATF J&M Playoust Superannuation Fund.

including shares held by controlled entities and on trust

Loans to key management personnel

	Balance at beginning of period $	Interest charged $	Repayments $	Write-off $	Balance at end of period $
2009	-	1,641	23,379	-	-
2010	-	-	-	-	-

Loans were not granted to key management personnel during the year.

During the year, deferred consideration of $37,500 was paid to Andrew Englisch in respect of the acquisition by mcm entertainment group limited of Igloo Design Pty Ltd on 1 September 2008.

24. 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	
	30 June 2010	30 June 2009
	$	$
Expense arising from equity settled share-based payment transactions	14,587	58,391

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

a) 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 2009 financial year and a further 350,000 expired in the 2010 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.

b) 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.

c) 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	150,000	20 cents
10 December 2007	Executive Directors	31 December 2009/ 22 November 2012	300,000	20 cents
10 December 2007	Senior Management	30 June 2009/ 22 November 2012	400,000	20 cents
10 December 2007	Other Management and key talent	31 December 2008/ 22 November 2012	650,000	20 cents
Total			**1,500,000**	

d) 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.

The following table lists the inputs to the models used for the year ended 30 June 2010:

	30 June 2010
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

e) 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.

f) 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.

g) 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	350,000
Outstanding at the end of the year	1,500,000
Exercisable at the end of the year	1,500,000

Range of exercise price

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

25. 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.

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

	CONSOLIDATED	
	30 June 2010 $	30 June 2009 $
Minimum lease payments		
Less than one year	674,135	686,548
Later than one year and no later than five years	1,678,532	1,888,834
More than five years	214,627	596,843
Total minimum lease commitments	**2,567,294**	**3,172,224**
Total operating lease commitments	**2,567,294**	**3,172,224**
Operating lease expenses recognised as an expense during the period:	**695,508**	**637,759**

Finance lease commitments

The Group has finance leases for various computer equipment and supporting software.

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

	CONSOLIDATED	
	Minimum lease payments 30 June 2010 $	**Present value of lease payments 30 June 2009 $**
Minimum lease commitments		
Less than one year	73,561	175,541
Later than one year and not later than five years	118,130	62,587
Total minimum lease commitments	**191,691**	**238,128**
Less amounts representing finance charges	(28,604)	(15,381)
Present value of minimum lease payments	**163,087**	**222,747**
Finance liability		
Current liability	56,192	161,485
Non-current liability	106,895	61,262
Total finance lease liability	**163,087**	**222,747**

The weighted average interest rate impact in the leases for the Group is 7.70% at 30 June 2010 (30 June 2009: 7.99%).

Capital commitments

The Group has no material capital commitments as at 30 June 2010.

Contingent Liabilities and contingent assets

There are no contingent liabilities or contingent assets as at 30 June 2010.

26. 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.

27. parent entity information

	PARENT	
	30 June 2010	30 June 2009
	$	$
Current Assets	4,135,640	3,526,292
Total Assets	**5,371,245**	**4,728,857**
Current Liabilities	1,057,347	415,923
Total Liabilities	**1,232,937**	**540,923**
Ordinary shares	4,940,113	4,940,113
Share based payments reserve	106,100	91,513
Accumulated losses	(843,692)	(341,899)
Total Equity	**4,202,521**	**4,689,727**
Profit/(Loss) of the parent entity	64,213	(501,793)
Total comprehensive income of the parent entity	**64,213**	**(501,793)**

Property, plant and equipment commitments

The parent entity and the Group had no contractual obligations to purchase plant and equipment at 30 June 2010.

28. auditor's remuneration

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

	CONSOLIDATED	
	30 June 2010	30 June 2009
	$	$
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	98,000	96,000
Other services in relation to the entity and any other entity in the consolidated group	10,000	-
	108,000	**96,000**

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 consolidated entity are in accordance with the *Corporations Act 2001*, including:

      i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

      ii complying with Accounting Standards and Corporations Regulations 2001; and

   b the financial statements and notes also comply with International Financial Reporting Statements as disclosed in note 2a; and

   c there are reasonable grounds to believe that the consolidated entity 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 2010.

On behalf of the Board

Anthony McGinn
Chief Executive Officer

Melbourne, 27 August 2010

independent auditor's report

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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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 and International Standards on Auditing. 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

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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 consolidated entity's financial position at 30 June 2010 and of its 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 21 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

K Brown

Kester C Brown
Partner

Melbourne
27 August 2010

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 2010.

Distribution of equity securities

Ordinary share capital

71,846,685 fully paid ordinary shares are held by 150 individual shareholders. All issued ordinary shares carry one vote per share and carry full rights to dividends declared by the Company.

Options

1,500,000 options are held by 20 individual option holders. Options do not carry a right to vote. During the financial year ended 30 June 2010, no options were converted into shares. The number of Security investors holding less than a marketable parcel of 3,125 securities ($0.160 on 31 July 2010) is nil.

Distribution of shareholders

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

As at 31 July 2010	Fully Paid Ordinary Shares		Employee Shares (restricted until 10 December 2010)		Escrow Shares (restricted until 01 September 2010)	
	Holders	Units	Holders	Units	Holders	Units
1 – 1,000	1	1				
1,001 – 5,000	17	79,837	13	65,000		
5,000 – 10,000	47	452,308				
10,001 – 100,000	52	1,839,579				
100,001 and over	16	27,059,964			1	1,269,842
TOTAL	**133**	**29,431,689**	**13**	**65,000**	**1**	**1,269,842**

Substantial shareholders and twenty largest holders of quoted equity securities

As at 31 July 2010		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	ABN Amro Clearing Sydney Nominees Pty Ltd (Next Custodian Account)	14,836,670	20.65
4	ABN Amro Clearing Sydney Nominees Pty Ltd (Settlement Account)	6,557,892	9.13
5	Milford Cove Pty Ltd	4,485,597	6.24
6	National Australia Trustees Ltd	2,539,683	3.53
7	Rosemary McGinn	1,618,643	2.25
8	Tony Prysten & Andrew Englisch	1,085,941	1.51
9	Donald Keith McGinn Superannuation Fund	1,052,521	1.46
10	Invia Custodian Pty Ltd	785,150	1.09
11	Don McGinn	553,730	0.77
12	Trust Company Ltd	489,084	0.68
13	Bond Street Custodians Ltd	230,000	0.32
14	Julien Playoust & Michelle Playoust	200,000	0.28
15	Alan Sony	180,000	0.25
16	Michael Gudinski Promotions Pty Ltd	160,479	0.22
17	John Louise Pty Ltd	150,000	0.21
18	Sea Dreaming Pty Ltd	131,000	0.18
19	Alto Nominees Pty Ltd	115,000	0.16
20	Fruitful Super Pty Ltd	110,000	0.15
	TOTAL	**69,409,960**	**96.58**

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