

mcm entertainment group limited

melbourne

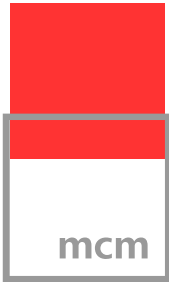
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**Appendix 4C – Consolidated Statement of Cash Flows
December 2010 Quarter**

The Board of mcm entertainment group ltd (MEG) hereby present the Appendix 4C – Cash Flow Statement for the December 2010 Quarter.

After consistent Net Cash inflows for the year to 30 June 2010, MEG incurred consolidated Net Cash Outflows of \$1.999m for the period to 31 December 2010.

MEG incurred consolidated Net Cash Outflows of \$0.533m for the September 2010 Quarter and consolidated Net Cash Outflows of \$1.466m for the December 2010 Quarter.

MCM Media Pty Ltd continues to work within its own cash flows and was on target to contribute net cash inflows for the period but for approximately \$400,000 in Debtors due for collection by 31 December 2010 being collected early 2011. This collection would also have reduced the Group over-draft position at 31 December 2010.

igloo digital Pty Ltd has experienced a softening in earnings, however a restructure of the business in late 2010 has reduced its cost base and as such the Board expects this business to provide consistent positive monthly cash flows to the Group by June 2011.

movideo Pty Ltd has been the major contributor to the Net Cash Outflow of the Group (approximately \$1.1m) for the six month period. Whilst it continues to operate to plan and achieve incremental year on year revenue, as expected the execution of the business plan is drawing on MEG's cash reserves.

As reported in the 2010 Shareholder presentation and subsequent MEG Quarterly Update, MEG will undertake a share placement to raise approximately \$3m in capital. The process of the capital raise will be advised in due course, and is expected to be completed by March 2011.

The capital is to facilitate new corporate opportunities and the ongoing growth of MCM Media and igloo, and to allow movideo to work through its business plan whilst not impeding the growth of other MEG entities.

Management continue to manage Group cash flow and the Group remains within its Debt Facility limit and has the continued support of its bank, HSBC Bank Australia.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

mcm entertainment group limited

ABN

31 006 173 271

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date
	\$A'000	(6 months) \$A'000
1.1 Receipts from customers	5,252	11,294
1.2 Payments for (a) staff costs	(2,806)	(5,902)
(b) advertising & marketing	(90)	(202)
(c) research & development	(1)	(1)
(d) leased assets	-	-
(e) other working capital	(3,419)	(6,489)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	3
1.5 Interest and other costs of finance paid	(33)	(52)
1.6 Income taxes paid	(230)	(274)
1.7 Other (provide details if material)	-	-
Net operating cash flows	(1,326)	(1,623)

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,326)	(1,623)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(50)	(50)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(51)	(273)
(e) intangible non-current assets	(25)	(26)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Refund of property, plant & equipment	-	-
Net investing cash flows	(126)	(349)
1.14 Total operating and investing cash flows	(1,452)	(1,972)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other:		
Payment of finance lease liabilities	(14)	(27)
Net financing cash flows	(14)	(27)
Net increase (decrease) in cash held	(1,466)	(1,999)
1.21 Cash at beginning of quarter/year to date	116	649
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	(1,350)	(1,350)

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	181.6
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

The above represents payments to executive and non-executive directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	441	321
3.2	Credit standby arrangements	3,000	1,506

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	156	116
4.2 Deposits at call	-	-
4.3 Bank overdraft	(1,506)	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	(1,350)	116

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Igloo Digital Pty Ltd	n/a
5.2 Place of incorporation or registration	Victoria, Australia	
5.3 Consideration for acquisition or disposal	The business was acquired on 1 September 2008 for the following consideration: Cash - \$75,000 Shares – 3,809,524 @ \$0.21; Earnout - \$125,000 Total - \$1,000,000 The \$50,000 capital payment (refer 1.9(a)) relates to achievement of the final earnout component.	
5.4 Total net assets	\$1,000,000 (at the date of acquisition)	
5.5 Nature of business	Digital Design	

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- This statement does give a true and fair view of the matters disclosed.

Sign here:

(Director)

Print name: **Anthony McGinn**

Date: 31 January 2011

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.