



MCM Entertainment Group Limited

ABN: 31 006 173 271

**Condensed Half Year Financial Report
31 December 2011**

Lodged with ASX under Listing Rule 4.2A

ASX Half Year Information – 31 December 2011

Lodged with the ASX under Listing Rule 4.2A.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by MCM Entertainment Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Half Yearly Report

Half Year Ended 31 December 2011

(Previous Corresponding Period: Half Year Ended 31 December 2010)

Results for announcement to the market

	\$'000	Up / Down	Movement
Revenues from ordinary activities	16,349	Up	43%
Gross profit	9,261	Up	39%
Net profit/(loss) for the period attributable to members	801	Up	202%

Corporate Directory

Directors

Mr. Philip Jacobson (Acting Chairman) – Appointed 19 October 2011

Mr. Michael Gudinski (Non-Executive Director) – Appointed 19 October 2011

Mr. Simon Joyce (Executive Director and Chief Executive Officer) – Appointed 1 July 2011

Mr. Anthony James McGinn (Executive Director and Chief Executive Officer of Movideo Pty Ltd)

Company Secretary

Mr. Andrew Metcalfe

Registered Office

Level 4

21-31 Goodwood Street

RICHMOND VIC 3121

Website

www.mcmentertainment.com

Auditor

Ernst & Young

8 Exhibition Street

MELBOURNE VIC 3000

Share registry

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

ABBOTSFORD VIC 3067

Bankers

HSBC Bank Australia Limited

333 Collins Street

MELBOURNE VIC 3000

Legal advisors

Freehills

101 Collins Street

MELBOURNE VIC 3000

MCM Entertainment Group Limited and Controlled Entities

Directors' Report for the Half Year Ended 31 December 2011

The directors present their report together with the condensed financial report of the consolidated entity ("the group"), being *MCM Entertainment Group Limited* (the "Company") and its controlled entities, for the half year ended 31 December 2011 and the auditor's report thereon.

Directors

The names of the persons who have been directors of the Company during or since the end of the six month period from 1 July 2011 to 31 December 2011 are as follows:

- Mr. Philip Jacobson (Acting Chairman) – Appointed 19 October 2011
- Mr. Michael Gudinski (Non-Executive Director) – Appointed 19 October 2011
- Mr. Simon Joyce (Executive Director and Chief Executive Officer) – Appointed 1 July 2011
- Mr. Anthony James McGinn (Executive Director and Chief Executive Officer of Movideo Pty Ltd)
- Mr. Julien Playoust (Chairman) – Resigned 19 October 2011
- Mr. Vincent Donato (Non-Executive Director) – Resigned 19 October 2011
- Mr. Gregory Smith (Non-Executive Director) – Resigned 19 October 2011
- Mr. Michael Burgess (Executive Director and Chief Operating Officer) – Resigned as a Director on 19 October 2011 and as Chief Operating Officer on 27 January 2012.

Review and results of operations

Review of results

The board of directors are pleased to announce that MCM Entertainment Group Limited (MEG) recorded a Net Profit After Tax (NPAT) of \$800,553 for the six month period to 31 December 2011 (2010: Net Loss After Tax of (\$784,835)).

The improved position when compared to the prior corresponding period (PCP) and the return to profit can be attributed to an improvement in sales by MCM Media Pty Ltd (MCM Media) and Igloo Digital Pty Ltd (Igloo) combined with prudent cost control throughout the MEG Group.

Key variances to note in comparing the results to the PCP are:

Total Revenue up by \$4,938,448 or 43%:

- MCM Media's sales grew by \$3,675,269 or 37%. Television projects and Digital sales were key drivers of this improved result;
- Igloo enjoyed revenue growth of \$1,034,395 or 88% year on year (YOY) primarily as a result of an increase in its client base; and
- Movideo Pty Ltd's (Movideo) revenue increased by \$228,784 or 108% YOY.

Gross Profit increased by \$2,603,203 or 39%:

- Whilst cost of sales increased YOY across each entity, this enabled MEG to facilitate strong revenue growth.

Operating Expenses increased by \$907,555 or 12% YOY:

- Salary and wages increased by \$744,441 or 14%. Igloo increased its staffing resources to support client and revenue growth whilst MCM Media invested strongly in its sales team with revenue results supporting management's decision to invest in this department. For the first four months Movideo employed a team of 8 in China however in October these employees were made redundant based on the decision by management to cease the Chinese operation in an effort to maintain cost control. Such costs

were not incurred in the prior period. From a corporate perspective, MEG gifted 62 employees ordinary shares to the value of \$1,000 with the full amount of \$62,000 expensed in the reporting period.

- Property expenses increased by \$45,127 or 11%. As a result of Movideo's decision to cease operations in China all future leasing obligations were expensed during the period. Management also terminated its lease for MCM Media's Television Studio located in Sydney and raised a make good provision at balance date upon vacating the premises.
- Administrative expenses increased by \$180,136 or 14% primarily due to:
 - An increase in professional fees relating to legal costs incurred in a proposed capital raise and other corporate matters; and
 - Management wrote off assets in respect of the Sydney Studio, whilst fixtures and fittings relating to the Chinese operations which ceased in October were also written off.
- Sales and marketing decreased by \$52,834 or 32% with management utilising in-house resources to promote the MEG businesses due to a focus on cost control.
- Depreciation and amortization decreased by \$88,931 or 23%.
- Interest expense increased by \$45,293 or 92% as a result a higher overdraft YOY.

The increase in expenditure has resulted in a greater investment in the business which has assisted strong revenue growth. Despite this increase in operating expenses YOY, MEG has completed an analysis of all MEG entities and reduced expenditure and re-negotiated supplier contracts where possible in an effort to improve profitability.

Review of operations

On 1 July 2011, Mr Simon Joyce was appointed Chief Executive Officer (CEO) and Managing Director (MD) of MEG, replacing Mr Anthony McGinn. Having managed the dual role of Group CEO and CEO of Movideo, Mr McGinn, the founder of MEG, relinquished the role of Group CEO to pursue international growth opportunities for Movideo whilst continuing on as an Executive Director of MEG. Mr Joyce was previously CEO of MCM Media for 3 years, a role which he has retained in his new role as Group CEO.

MCM Media continues to entrench itself in the media landscape through content delivery across radio, online, television and events. On the 16th of November 2011, MCM Media announced a new Content Supply Agreement with Southern Cross Austereo Media Group Ltd (SCA) for a further four years. The agreement extends the company's long term relationship with SCA network to continue supplying key national syndicated radio programs and content to their national radio stations until 31 December 2015.

MCM Media has enjoyed strong growth in online space with www.thehothits.com and www.take40.com rating as the Number 1 and Number 2 music sites respectively as at December 2011 (source: Nieslen NetRatings). The Take40 i-Phone Application was launched in July delivering 928,306 streams in December 2011. In January 2012, The Take40 Application had attracted 231,162 downloads. On December 23, the Take40 Android Application was released with marketing to commence in early 2012. The result of this increased audience across online and mobile is a rise in shelf space for online video ad sales. For the period ending 31 December 2011, digital revenue was up \$1,246,452 or 79%.

The Television and Events department have also contributed to Media's strong results with a number of music television properties produced including:

- the exclusive shooting of 'Lady Gaga – Live from Sydney's Monster Hall';
- Live At The Chapel®;
- Take40 Live Lounge®; and

- The Mastercard Priceless Music series.

Igloo, the Group's digital strategy, design and development agency has returned to profit for the first half of FY2012 and under the leadership of Jay Claringbold and has developed a strong team. The improved performance alongside the ever growing digital design market has Igloo well-structured for growth.

Movideo contains the technical online media assets of MEG having built, developed and now licensed an Online Video Platform (OVP) known as 'Movideo®'. During the first half of FY 2012 client numbers grew from 8 to 24 and management is now focused on commercialising the Movideo® OVP in Australia and the Asia Pacific (APAC) region with staffing presence located in Australia and Singapore.

The return to profit for MEG has flowed through to an improved cash position. The Group has a Net Cash overdraft of (\$805,686) at 31 December 2011, down from a Net Cash overdraft of (\$1,237,547) at 30 June 2011. The improvement is reflective of enhanced Group trading over the 2011 calendar year and careful cash flow management.

The Board in conjunction with management will continue to monitor cash flow closely and will work to gear the business to produce positive cash and positive earnings. At the time of reporting the Group remained within its Debt Facility limit.

Whilst the Board remains excited about the opportunities for all three businesses across content, technology and design it must be noted that as stated in the Profit Guidance issued 18 January 2012: "MEG remains on target to report a full year profit for FY2012, however the short term nature of the Australian media market means that MEG is unable to provide further guidance as to its year end position for FY2012".

Events subsequent to balance date

On January 27, 2012 Michael Burgess resigned from the Company in his role as Chief Operating Officer. There were no other material events that have occurred subsequent to 31 December 2011.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 9.

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

A handwritten signature in black ink, appearing to read 'Simon Joyce', with a long horizontal stroke extending to the right.

Simon Joyce
Chief Executive Officer
MCM Entertainment Group Limited

Date: 29 February 2012



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

In relation to our review of the financial report of MCM Entertainment Group Limited for the half-year ended 31 December 2011, 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, appearing to be 'David Shewring'.

David Shewring
Partner

Melbourne
29 February 2012

MCM Entertainment Group Limited and Controlled Entities

Consolidated Statement of Comprehensive Income For The Half Year Ended 31 December 2011

	note	CONSOLIDATED 31 Dec 2011 \$	31 Dec 2010 \$
Sales revenue		16,349,441	11,410,993
Cost of sales		(7,088,844)	(4,753,599)
Gross Profit		9,260,597	6,657,394
Employee benefits expense		(6,199,587)	(5,455,146)
Property expenses		(449,051)	(403,924)
Administration expenses		(1,436,942)	(1,256,806)
Sales & marketing expenses		(110,217)	(163,061)
Foreign currency gains/(losses)		(18,358)	15,975
Depreciation & amortisation		(297,481)	(386,412)
Interest expense		(94,434)	(49,141)
Operating Expenses		(8,606,070)	(7,698,515)
Profit/(loss) before income tax		654,527	(1,041,121)
Income tax benefit/(expense)		146,026	256,286
Profit/(loss) from continuing operations after income tax		800,553	(784,835)
Other comprehensive income			
Foreign currency translation		4,745	-
Total other comprehensive income		4,745	-
Total comprehensive income/(loss) for the period		805,298	(784,835)
Earnings per share for profit			
attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)	3	1.11	(1.09)
Diluted earnings per share (cents)	3	1.11	(1.09)

MCM Entertainment Group Limited and Controlled Entities

Consolidated Statement of Financial Position As At 31 December 2011

		CONSOLIDATED	
		31 Dec 2011	30 Jun 2011
	note	\$	\$
Current assets			
Cash and cash equivalents		187,305	110,467
Trade and other receivables		4,880,093	5,441,891
Deferred production expenditure		192,538	317,598
Prepayments		223,506	197,717
Total current assets		5,483,442	6,067,673
Non-current assets			
Deferred tax assets	9	730,311	664,531
Property, plant and equipment		1,175,794	1,348,254
Intangible assets and goodwill		1,780,025	1,851,421
Total non-current assets		3,686,130	3,864,206
TOTAL ASSETS		9,169,572	9,931,879
Current liabilities			
Trade and other payables		2,696,739	2,624,549
Unearned revenue		654,982	2,188,137
Interest bearing liabilities	10	1,057,906	1,412,252
Provisions		424,608	305,720
Total current liabilities		4,834,235	6,530,658
Non-current liabilities			
Interest bearing liabilities	10	10,866	42,657
Provisions		205,037	176,665
Total non-current liabilities		215,903	219,322
TOTAL LIABILITIES		5,050,138	6,749,980
NET ASSETS		4,119,434	3,181,899
EQUITY			
Ordinary shares		5,002,113	4,940,113
Share based payments reserve		192,360	122,123
Foreign currency translation reserve		1,915	(2,830)
Retained earnings/(accumulated losses)		(1,076,954)	(1,877,507)
TOTAL EQUITY		4,119,434	3,181,899

MCM Entertainment Group Limited and Controlled Entities

Consolidated Statement of Changes in Equity For The Half Year Ended 31 December 2011

	Ordinary shares	Retained earnings/ (accumulated losses)	Share based payments reserve	Foreign currency translation reserve	Total
CONSOLIDATED	\$	\$	\$	\$	\$
Balance at 1 July 2010	4,940,113	253,839	106,100	-	5,300,052
Profit/(loss) for the year	-	(2,131,346)	-	-	(2,131,346)
Other comprehensive Income	-	-	-	(2,830)	(2,830)
Total comprehensive income	-	(2,131,346)	-	(2,830)	(2,134,176)
Employee share option plan	-	-	16,023	-	16,023
At 30 June 2011	4,940,113	(1,877,507)	122,123	(2,830)	3,181,899
Profit/(Loss) for the year	-	800,553	-	-	800,553
Other comprehensive income	-	-	-	4,745	4,745
Total comprehensive income	-	800,553	-	4,745	805,298
Shares gifted to employees	62,000	-	-	-	62,000
Employee share option plan	-	-	70,237	-	70,237
Balance at 31 December 2011	5,002,113	(1,076,954)	192,360	1,915	4,119,434

MCM Entertainment Group Limited and Controlled Entities

Consolidated Statement Of Cash Flows For The Half Year Ended 31 December 2011

	CONSOLIDATED	
	31 Dec 2011	31 Dec 2010
note	\$	\$
Cash flows from operating activities		
Receipts from customers and related parties	15,875,774	11,293,650
Payments to suppliers and employees	(15,221,995)	(12,593,525)
Interest received	1,275	2,780
Interest & other financial expenses paid	(95,709)	(51,921)
Income tax paid	-	(273,777)
Net cash flows from operating activities	559,345	(1,622,793)
Cash flows from investing activities		
Purchase of business	-	(50,000)
Purchase of property, plant and equipment	(91,387)	(273,800)
Purchase of intangibles	(4,983)	(25,544)
Net cash flows used in investing activities	(96,370)	(349,344)
Cash flows from financing activities		
Payments of finance lease liabilities	(31,114)	(27,090)
Net cash flows used in financing activities	(31,114)	(27,090)
Net cash increase/ (decrease) in cash and cash equivalents	431,861	(1,999,227)
Cash and cash equivalents at beginning of period	(1,237,547)	649,166
Cash and cash equivalents/(overdraft) at end of period 8	(805,686)	(1,350,061)

MCM Entertainment Group Limited and controlled entities

Notes To The Consolidated Financial Statements For The Half Year Ended 31 December 2011

Note 1: Summary of accounting policies

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

This interim financial report does not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by *MCM Entertainment Group Limited* during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

a. Basis of preparation

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2011, except for the adoption of new standards and interpretations as of 1 July 2012. The adoption of these changes did not have any material impact on the financial position or performance of the Group.

The half year report is prepared in Australian dollars.

Note 2: Dividends

The group has not paid or declared a dividend for the period ended 31 December 2011.

Note 3: Earnings per share

	CONSOLIDATED	
	31 Dec 2011 cents	31 Dec 2010 cents
Basic eps	1.11	(1.09)
Diluted eps	1.11	(1.09)

Net profit/ (loss) for the period used in the calculation of basic and diluted earnings per share is \$800,553 (2010: (\$784,835)).

The weighted average number of ordinary shares and diluted weighted average number of ordinary shares used in the calculation of basic earnings per share is 72,382,252 (2010: 71,846,685).

Note 4: Capital commitments

As at 31 December 2011, the group did not have any material capital commitments.

Note 5: Events subsequent to balance date

On January 27, 2012 Michael Burgess resigned from his role as Chief Operating Officer. There were no other material events that have occurred subsequent to 31 December 2011.

Note 6: Segment reporting

Identification of reportable segments

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

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

Types of products and services

Media

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

Web development and design

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

Software development

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

Accounting policies and inter-segment transactions

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

Inter-entity sales

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

Corporate charges

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

Intercompany loans payable and loans receivable

Intercompany loans are recognised at the consideration received.

Income tax expense

Income tax expense is calculated based on the segment operating net profit using a notional charge of 30% (2010: 30%) and then adjusted for taxable or deductible temporary differences.

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

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

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

	Media \$	Web Development & Design \$	Software Development \$	Total \$
Year Ended 31 December 2011				
Revenue				
Sales to external customers	13,695,719	2,213,823	439,899	16,349,441
Inter-segment sales	32,930	112,358	368,572	513,860
Total segment revenue	13,728,649	2,326,181	808,471	16,863,301
Segment net operating profit/(loss) after tax	1,535,687	171,072	(1,225,361)	481,398
Segment assets	12,747,313	1,766,937	2,258,682	16,772,932
Segment liabilities	7,671,342	743,297	6,667,467	15,082,106

	Media \$	Web Development & Design \$	Software Development \$	Total \$
Year Ended 31 December 2010				
Revenue				
Sales to external customers	10,020,450	1,179,428	211,115	11,410,993
Inter-segment sales	-	47,813	242,486	290,299
Total segment revenue	10,020,450	1,227,241	453,601	11,701,292
Segment net operating profit/(loss) after tax	416,636	(359,629)	(838,620)	(781,613)
Segment assets	10,915,077	1,613,000	1,261,903	13,789,980
Segment liabilities	7,678,593	998,770	3,771,708	12,449,071

i) segment revenue reconciliation to the statement of comprehensive income

	CONSOLIDATED	
	31 Dec 2011	31 Dec 2010
Consolidated revenue per the statement of comprehensive income	16,349,441	11,410,993
Inter-segment sales	513,860	290,299
Total segment revenue	16,863,301	11,701,292

ii) segment net operating earnings/(loss) after tax reconciliation to the statement of comprehensive income

	CONSOLIDATED	
	31 Dec 2011	31 Dec 2010
Segment net operating profit after tax	481,398	(781,613)
Corporate expenses	319,155	(3,222)
Total profit/(loss) after tax per the statement of comprehensive income	800,553	(784,835)

Note 7: Financing facilities available

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

	CONSOLIDATED	
	31 Dec	30 Jun
	2011	2011
	\$	\$
Total facilities		
Bank overdraft	3,000,000	3,000,000
Lease facilities	75,781	106,895
	3,075,781	3,106,895
Facilities used at balance date		
Bank overdraft	992,991	1,348,014
Lease facilities	75,781	106,895
	1,068,772	1,454,909
Facilities unused at reporting date		
Bank overdraft	2,007,009	1,651,986
Lease facilities	-	-
	2,007,009	1,651,986

(a) The bank overdraft arrangement is a secured stand by credit facility limited to \$3,000,000 or 75% of approved MCM Media debtors, whichever is lower. The credit facility held by MEG is variable and is supported by its prevailing debtor balances.

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

Note 8: Cash - reconciliation to consolidated statement of cash flows

	CONSOLIDATED	
	31 Dec	31 Dec
	2011	2010
	\$	\$
Cash at bank and in hand	187,305	155,569
Bank overdraft	(992,991)	(1,505,630)
Total cash and cash equivalents	(805,686)	(1,350,061)

Note 9: Deferred tax assets

	CONSOLIDATED	
	31 Dec 2011	30 Jun 2011
	\$	\$
Opening balance	664,531	595,547
Temporary differences	47,372	68,984
Recognition of unused tax losses	18,408	-
Closing balance	730,311	664,531

Note 10: Interest bearing loans and borrowings

	CONSOLIDATED	
	31 Dec 2011	30 June 2011
	\$	\$
Current		
Bank overdraft	992,991	1,348,014
Finance lease liability	64,915	64,238
Interest bearing liabilities (current)	1,057,906	1,412,252
Non-current		
Finance lease liability	10,866	42,657
Interest bearing liabilities (non-current)	10,866	42,657
Total interest bearing liabilities	1,068,772	1,454,909

Note 11: Economic dependency

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

MCM Entertainment Group Limited and Controlled Entities

Directors' Declaration on Half Yearly Consolidated Accounts

Directors' declaration

In the opinion of the directors of *MCM Entertainment Group Limited*:

- a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at 31 December 2011 and of the performance, for the half year ended on that date of the consolidated entity; and
 - ii. complying with Accounting Standards AASB 134 "*Interim Financial Reporting*"; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated 29 February 2012 in Melbourne

Signed in accordance with a resolution of the directors:



Simon Joyce
Chief Executive Officer



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Independent Review Report

To the members of MCM Entertainment Group Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying Condensed Half-Year Financial Report of MCM Entertainment Group Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration of the consolidated entity but excludes commentary and explanation of figures. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of MCM Entertainment Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report

Liability limited by a scheme approved
under Professional Standards Legislation



Conclusion

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

- a. the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. the ASX Listing Rules as they relate to Appendix 4D.

A handwritten signature in blue ink, appearing to be "Ernst & Young" with a stylized flourish.

Ernst & Young

A handwritten signature in blue ink, appearing to be "David Shewring" with a stylized flourish.

David Shewring
Partner

Melbourne
29 February 2012

MCM Entertainment Group Limited and Controlled Entities

**Supplementary Appendix 4D Information
For The Half Year Ended 31 December 2011**

Net tangible asset backing

	31 Dec 2011 cents	31 Dec 2010 cents
Net tangible asset backing per share	2.22	3.79

Control gained over entities having material effect

n/a

Loss of control of entities having material effect

n/a

Dividends

n/a

Dividend or distribution reinvestment plan

n/a

Associates and joint venture entities

n/a

Review status

This report is based on accounts which have been independently reviewed by Ernst & Young; *MCM Entertainment Group Limited's* auditors.

MCM Entertainment Group Limited has a formally constituted Audit and Risk Committee.

A handwritten signature in black ink, appearing to read 'S. Joyce', with a horizontal line extending to the right.

Simon Joyce

Chief Executive Officer
MCM Entertainment Group Limited

Date: 29 February 2012