

Appendix 4D

Half-Year Report

Mitchell Communication Group Limited

ABN 59 088 110 141

Current period ended: 31 December 2009
Previous corresponding period: 31 December 2008

This half-year report on results (including the results for the previous corresponding period) is provided to the Australian Securities Exchange (ASX) under Listing Rule 4.2A.

The listed issuer (Mitchell Communication Group Limited) has a formally constituted Audit Committee, Remuneration Committee and Board of Directors.

Results for announcement to the market

Financial results					\$A'000
Total revenues	up	11%	to		123,446
Profit before interest and income tax expense	up	1%	to		12,555
Net profit for the period attributable to members	up	4%	to		8,379

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
- Interim dividend for period ended 31 December 2009	2.3¢	2.3¢
Previous period		
- Final dividend for period ended 30 June 2009	2.1¢	2.1¢
Previous corresponding period		
- Interim dividend for period ended 31 December 2008	1.9 ¢	1.9 ¢
Record date for determining entitlements to the dividend	19 March 2010	
Date the dividend is payable	16 April 2010	

Details:

- Operating revenues of \$122.9 million, up \$12.1 million or 11% on the previous corresponding period ('pcp')
- EBITDA of \$15.1 million, up \$0.1 million on the pcp
- Profit after tax of \$8.4 million, up \$0.3 million on the pcp
- Operating cash flow of \$29.5 million, up \$16.8 million or 132% on the pcp

For the details regarding the operations and financial performance for the Mitchell Communication Group Limited for the period ended 31 December 2009 please refer to the attached Half-Year Financial Report.

Half-Year Financial Report

Mitchell Communication Group Limited

ABN 59 088 110 141

Current period ended: 31 December 2009
Previous corresponding period: 31 December 2008

Directors' Report

The Directors of Mitchell Communication Group Limited ('Company' or the 'Group') submit herewith the financial report for the half-year ended 31 December 2009, in order to comply with the provisions of the Corporations Act 2001 and announce the following results for the period then ended:

Principal activities

During the period the principal activities of the Group consisted of:

- The provision of services to clients for communications strategy and the planning and buying of traditional media;
- The provision of services to clients for interactive marketing and communications strategy and planning and buying of interactive media and digital creative services;
- The development and implementation of communications campaigns across a broad range of disciplines including public relations, experiential marketing, brand experience, sponsorship, sports-ground marketing (including digital printing and signage), direct marketing, corporate social responsibility, video and event production services;
- The provision of branding, digital media, application development and automated ad templating; and
- The provision of qualitative and quantitative research, marketing analytics, communication planning tools and processes.

Financial Highlights

In comparison to the pcpc, the financial results for the half-year ended 31 December 2009 demonstrate:

- Group gross billings of \$661.1 million, up \$35.1 million or 6% on the pcpc;
- A \$12.1 million or 11% increase in operating revenues, benefiting from organic growth and the contributions associated with the recent acquisitions of the businesses of Starcom Worldwide (WA) and Insite Organisation;
- EBITDA of \$15.1 million, up \$0.1 million on the pcpc;
- A profit after tax attributable to shareholders of \$8.4 million, up \$0.3 million on pcpc; and
- Operating cash flow in the ordinary course of business of \$29.5 million, up \$16.8 million or 132% on pcpc.

Operational Highlights

- Gross Australian traditional media billings up 6% for the half as compared to the pcpc, versus industry contraction of 6%¹;
- In the six months to 31 December 2009, the gross billings of the Group's Australian online advertising businesses increased by 22%, more than 2 times that of the online advertising market in Australia which increased by 9%² during the same period;
- The acquisition of numerous new client accounts during the period including the media account of David Jones Limited;
- The acquisition of the business of Western Australian media buying agency Starcom Worldwide (WA), which elevated the Group to the position of Western Australia's largest media buyer;
- The acquisition of integrated marketing and communications agency Insite Organisation, which has a blue chip client base and recognised expertise in multi-dimensional, integrated marketing and communication; and
- During the period the Group launched the operations of Haystac New Zealand and Haystac Singapore enabling the Company to leverage off trans-Tasman market synergies and enter the Asian public relations market.

¹- Nielson Adex excluding Online and Pay TV for the period ended July 2009 to December 2009

²- PricewaterhouseCoopers – IAB Online Advertising Expenditure Report - December 2009

Directors' Report continued

Capital Management

- A fully franked final dividend of 2.1 cents per share or \$6.3 million was distributed to shareholders by way of cash and through the Dividend Reinvestment Plan (resulting in 1,440,652 shares issued) during the period.
- 1,185,245 fully paid ordinary shares were issued during the period as part consideration on the acquisition of Starcom Worldwide (WA).
- During the period, the Company signed a new finance facility. The purpose of the facility being for acquisitions, general corporate and working capital requirements. The facility is an "all-in-one" cash advance and overdraft facility with a limit of up to \$90 million. "Evergreen" facility with initial term to 31 October 2011, renewable thereafter.

Board of Directors

The names and particulars of the Directors of the Company who held office during or since the end of the half-year are:

Harold C Mitchell AO (Executive Chairman)
Stuart J Mitchell (Chief Executive Officer)
Robert J Stewart
Garry A Hounsell
Rodney J Lamplugh
Stephen A Cameron
Naseema Sparks
Peter G Nankervis (resigned 15 January 2010)

Subsequent events

On 24 February 2010, the Directors declared an interim dividend of 2.3 cents per share. The financial effect of the interim dividend has not been brought to account in the financial statements for the half-year ended 31 December 2009 and will be recognised in the subsequent financial period.

There have been no other subsequent events that would have a material impact on the financial report for the half-year ended 31 December 2009.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Auditor's Independence Declaration is found on page 6 and forms part of the Directors Report for the half-year ended 31 December 2009.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998. In accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated in Melbourne this 24th day of February 2010.

Signed in accordance with a resolution of the Directors:



Harold C Mitchell AO
Chairman



PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website: www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

INDEPENDENT AUDITORS REVIEW REPORT

to the members of Mitchell Communication Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Mitchell Communication Group Limited, which comprise the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Mitchell Communication Group (the consolidated entity). The consolidated entity comprises both Mitchell Communication Group Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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



INDEPENDENT AUDITORS REVIEW REPORT

to the members of Mitchell Communication Group Limited (continued)

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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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 Mitchell Communication Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', is written over a horizontal line.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Nadia Carlin', is written over a horizontal line.

Nadia Carlin
Partner

Melbourne
24 February 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website: www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the review of Mitchell Communication Group Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mitchell Communication Group Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Nadia Carlin'.

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
24 February 2010

Directors' Declaration

In accordance with a resolution of the Directors of the Mitchell Communication Group Limited, I state that:

In opinion of the Directors:

(a) the financial statements and notes of the consolidated entity set out on pages 8 to 22:

- (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that Mitchell Communication Group Limited will be able to pay its debts as and when they become due and payable.

Dated in Melbourne this 24th day of February 2010.

Signed in accordance with a resolution of the Directors:

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

Harold C Mitchell AO
Chairman

Consolidated statement of comprehensive income for the half-year ended 31 December 2009

	Note	Consolidated	
		December 2009 \$A'000	December 2008 \$A'000
Revenues from the rendering of services	3	122,876	110,807
Other revenue	3	570	773
Total revenue		123,446	111,580
Cost of revenue			
- Media delivery expenses		68,021	59,826
Total cost of revenue		68,021	59,826
Gross profit before expenses		55,425	51,754
Expenses			
- Employee, director and contractor expenses		30,077	26,464
- Occupancy expense		2,736	2,495
- Travel and accommodation expense		1,771	1,776
- Media research expense		1,662	1,328
- Finance expenses		1,076	1,575
- Software and infrastructure maintenance expense		806	593
- Accounting, legal and consultant's expenses		581	835
- Communication expenses		559	519
- Insurance expenses		424	408
- Other operating expenses		1,101	1,496
Total expenses		40,793	37,489
Profit before income tax expense, depreciation and amortisation		14,632	14,265
Depreciation and amortisation expense	4	2,583	2,623
Profit before income tax expense		12,049	11,642
Income tax expense	5	3,670	3,588
Profit after income tax attributable to members of the Company		8,379	8,054
Other comprehensive income			
Exchange differences on translation of foreign controlled operations		(67)	123
Total comprehensive income for the half-year		8,312	8,177
Basic earnings per share (cents)	6	2.8	2.8
Diluted earnings per share (cents)	6	2.8	2.8

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet as at 31 December 2009

		Consolidated	
	Note	December 2009 \$A'000	June 2009 \$A'000
ASSETS			
Current assets			
Cash and cash equivalents		98,276	76,112
Trade and other receivables	7	150,617	127,458
Other assets		7,031	9,139
Current tax assets		2,155	2,444
Total current assets		258,079	215,153
Non-current assets			
Property and equipment		9,619	9,999
Intangible assets	8	240,617	215,739
Total non-current assets		250,236	225,738
Total assets		508,315	440,891
LIABILITIES			
Current liabilities			
Trade and other payables	9	252,225	205,408
Provisions	11	3,526	3,299
Other financial liabilities	12	1,088	1,630
Current tax liabilities		790	2,475
Total current liabilities		257,629	212,812
Non-current liabilities			
Borrowings	10	74,886	73,000
Provisions	11	1,400	1,191
Other financial liabilities	12	16,604	-
Deferred tax liabilities		1,981	2,260
Total non-current liabilities		94,871	76,451
Total liabilities		352,500	289,263
Net assets		155,815	151,628
EQUITY			
Contributed equity	13	138,400	136,341
Reserves		(51)	(71)
Retained earnings	14	17,466	15,358
Total equity		155,815	151,628

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated cash flow statement for the half-year ended 31 December 2009

	Consolidated	
	December 2009 \$A'000	December 2008 \$A'000
Cash flows from operating activities		
Cash receipts in the course of operations	703,217	744,319
Cash payments in the course of operations	(668,013)	(723,458)
Income taxes paid	(5,446)	(7,617)
Borrowing costs paid	(782)	(1,299)
Interest received	570	773
Net cash inflow from operating activities	29,546	12,718
Cash flows from investing activities		
Payments for investments in controlled entities, net of cash acquired	167	(18,795)
Payments for property and equipment	(1,015)	(3,790)
Payments for intangible software assets	(261)	(143)
Proceeds from sale of joint venture	69	206
Repayment/(advance) of other loans	(60)	2
Repayment of loans from/(to) related parties	8	(840)
Net cash outflow from investing activities	(1,092)	(23,360)
Cash flows from financing activities		
Proceeds from borrowings	589	18,000
Dividends paid	(5,176)	(6,681)
Payment of deferred consideration	(1,630)	(5,792)
Finance lease payments	(12)	-
Share issue costs	(61)	(6)
Net cash inflow/(outflow) from financing activities	(6,290)	5,521
Net increase / (decrease) in cash held	22,164	(5,121)
Cash at beginning of period	76,112	73,318
Cash at end of period	98,276	68,197

The consolidated cash flow statement should be read in conjunction with the accompanying notes.

Statement of changes in equity for the half-year ended 31 December 2009

	Consolidated December 2009					
	Issued Capital \$A'000	Retained Earnings \$A'000	Equity Plan Reserve \$A'000	Foreign Currency Reserve \$A'000	Minority Interest \$A'000	Total \$A'000
Balance as at 1 July 2009	136,341	15,358	273	(344)	-	151,628
Profit for the period	-	8,379	-	-	-	8,379
Exchange differences on translation of foreign controlled entities	-	-	-	(67)	-	(67)
Total comprehensive income for the half-year	-	8,379	-	(67)	-	8,312
Transactions with owners in their capacity as owners:						
Dividends declared and paid	-	(6,271)	-	-	-	(6,271)
Shares issued under dividend reinvestment plan	1,095	-	-	-	-	1,095
Share consideration on acquisitions	1,025	-	-	-	-	1,025
Transaction costs arising on share issues (net of tax)	(61)	-	-	-	-	(61)
Share-based payments	-	-	87	-	-	87
Balance as at 31 December 2009	138,400	17,466	360	(411)	-	155,815

	Consolidated December 2008					
	Issued Capital \$A'000	Retained Earnings \$A'000	Equity Plan Reserve \$A'000	Foreign Currency Reserve \$A'000	Minority Interest \$A'000	Total \$A'000
Balance as at 1 July 2008	133,071	7,695	163	(383)	6,832	147,378
Profit for the period	-	8,054	-	-	-	8,054
Exchange differences on translation of foreign controlled entities	-	-	-	123	-	123
Total comprehensive income for the half-year	-	8,054	-	123	-	8,177
Transactions with owners in their capacity as owners:						
Changes in minority interest	-	25	-	-	(6,832)	(6,807)
Dividends declared and paid	-	(6,048)	-	-	-	(6,048)
Share consideration on acquisitions	44	-	-	-	-	44
Transaction costs arising on share issues (net of tax)	(58)	-	-	-	-	(58)
Share-based payments	-	-	25	-	-	25
Balance as at 31 December 2008	133,057	9,726	188	(260)	-	142,711

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

1. Statement of significant accounting policies

The significant accounting policies which have been adopted by the consolidated entity in preparation of this half-year financial report are:

(a) Basis of preparation

The half-year financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting'. The financial statements have been prepared on the basis of historical costs and are presented in Australian dollars.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy resulting from the adoption of applicable amending or new accounting standards are consistent with those of the previous year.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of the Mitchell Communication Group Limited as at 30 June 2009. It is also recommended that the half-year report be considered together with any public announcements made by the Mitchell Communication Group Limited during the half-year ended 31 December 2009 in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standard AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures that the financial report, comprising the financial statements and notes thereto, complies with International Accounting Standard IAS 134 'Interim Financial Reporting'.

(c) Changes in accounting policies

The Group was required to change certain accounting policies as a result of new or revised accounting standards, which became effective for the annual reporting period commencing 1 July 2009. The changes in standards which have affected this financial report are AASB 8 'Operating Segments' and AASB 101 'Presentation of Financial Statements'. There has been no restatement of balances arising on adoption of these standards.

AASB 8 Operating Segments

The Group has applied AASB 8 'Operating Segments' from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

AASB 101 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income.

(d) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

1. Statement of significant accounting policies continued

(d) Critical accounting estimates and assumptions continued

(i) Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill and other indefinite life intangible assets

The Group tests annually whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1(p) of the 2009 Annual Report of the Mitchell Communication Group Limited. The recoverable amounts of cash-generating units ('CGU') have been determined based on value in use calculations. These calculations require the use of assumptions. Management does not consider a change in any key assumptions will have a significant risk of causing a material adjustment to the carrying amount of the goodwill due to the large excess of value in use over the carrying amount of the CGU's.

(ii) Critical accounting judgements

Revenue recognition

The Group has made the judgement to recognise revenue from the Media division on an agency basis, while revenue from the Digital and Diversified segments is recognised as principal. Refer to note 1(d) of the 2009 Annual Report of the Mitchell Communication Group Limited for further details regarding the revenue recognition policy of the Group.

2. Segment information

The Group is organised on a global basis into the following divisions by product and service type. Management have determined the operating segments based on the reports required and relied upon by the Board of Directors. The operating segments are as follows:

- **Media:** The provision of services to clients for communications strategies and the planning and buying of traditional media.
- **Digital:** The provision of services to clients for interactive marketing and communications strategies and the planning and buying of interactive media and digital creative production.
- **Diversified:** The development and implementation of communications campaigns across a broad range of disciplines including public relations, experimental marketing, brand experience, sponsorship, sports ground marketing, direct marketing, corporate social responsibility, video and event production services, application development and automated ad templating, qualitative and quantitative research, marketing analytics, communication planning tools and processes.
- **Corporate Central Services:** The corporate and financial control functions of running the Group, including Group management, finance, human resources, information technology and administration activities.

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

2. Segment information continued

Operating segments	Media		Digital		Diversified		Corporate Central Services		Consolidated	
	Dec 2009 \$A'000	Dec 2008 \$A'000	Dec 2009 \$A'000	Dec 2008 \$A'000	Dec 2009 \$A'000	Dec 2008 \$A'000	Dec 2009 \$A'000	Dec 2008 \$A'000	Dec 2009 \$A'000	Dec 2008 \$A'000
Revenue										
Revenue from the rendering of services	20,514	19,797	76,652	64,435	25,710	26,575	-	-	122,876	110,807
Segment result										
Profit/(loss) before interest, income tax, depreciation and amortisation	4,838	3,848	10,251	8,960	2,209	4,153	(2,160)	(1,894)	15,138	15,067
Depreciation of property and equipment	(435)	(389)	(264)	(300)	(535)	(367)	(287)	(216)	(1,521)	(1,272)
Amortisation of intangible assets	(333)	(331)	(414)	(542)	(235)	(370)	(80)	(108)	(1,062)	(1,351)
Profit/(loss) before interest and income tax	4,070	3,128	9,573	8,118	1,439	3,416	(2,527)	(2,218)	12,555	12,444
Interest revenue									570	773
Interest expense									(1,076)	(1,575)
Profit before income tax									12,049	11,642
Income tax expense									(3,670)	(3,588)
Net profit after income tax attributable to members of the Company									8,379	8,054

Balance sheet	Dec 2009 \$A'000	Jun 2009 \$A'000	Dec 2009 \$A'000	Jun 2009 \$A'000	Dec 2009 \$A'000	Jun 2009 \$A'000	Dec 2009 \$A'000	Jun 2009 \$A'000	Dec 2009 \$A'000	Jun 2009 \$A'000
Assets										
Segment assets	254,675	249,127	35,439	38,976	125,675	104,162	92,526	48,626	508,315	440,891
Liabilities										
Segment liabilities	208,621	171,256	33,935	28,066	28,846	8,957	81,098	80,984	352,500	289,263
Consolidated net assets/(liabilities)	46,054	77,871	1,504	10,910	96,829	95,205	11,428	(32,358)	155,815	151,628

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

	Consolidated	
	December 2009 \$A'000	December 2008 \$A'000
3. Revenues		
Revenues		
Revenues from the rendering of services	122,876	110,807
Other revenues		
Interest revenue	570	773
4. Expenses		
Depreciation and amortisation		
Depreciation of property and equipment	1,521	1,272
Amortisation of intangible assets	1,062	1,351
Total depreciation and amortisation expense	2,583	2,623
5. Income tax		
(a) Income tax expense		
Current tax – relating to current year	3,817	4,542
Current tax – under/(over) provision in prior year	(18)	(18)
Deferred tax – origination and reversal of temporary differences	(129)	(936)
Aggregate income tax expense	3,670	3,588
Deferred income tax (benefit)/expense included in income tax expense comprises:		
- Decrease/(increase) in deferred tax assets	184	(1,020)
- Increase/(decrease) in deferred tax liabilities	(313)	84
	(129)	(936)
(b) Reconciliation of prima facie income tax expense calculated at 30% (2008: 30%) on profit	3,615	3,493
Increase in income tax expense due to:		
- Expenditure non deductible for tax purposes	239	157
- Non deductible amortisation of intangible assets	-	73
- Tax losses not recognised in deferred tax asset	26	26
Decrease in income tax expense due to:		
- Correction of opening deferred tax asset balance	(42)	-
- Over provision in prior year	(18)	(18)
- Other	(150)	(143)
Income tax expense for the period	3,670	3,588

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

	Consolidated	
	December 2009 \$A'000	December 2008 \$A'000
6. Earnings per share		
Basic earnings per share (cents)	2.8	2.8
Diluted earnings per share (cents)	2.8	2.8
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Earnings used in calculating basic and diluted earnings per share	8,379	8,054
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	298,926,332	288,806,850

	Consolidated	
	December 2009 \$A'000	June 2009 \$A'000
7. Trade and other receivables		
Trade receivables	151,389	128,153
Less: provision for impaired receivables	(772)	(695)
	<u>150,617</u>	<u>127,458</u>

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

8. Intangible assets

Consolidated	Software & licence \$A'000	Brand name \$A'000	Customer-related \$A'000	Stadia rights \$A'000	Goodwill \$A'000	Total \$A'000
At 1 July 2008						
Cost	1,775	5,750	9,970	1,600	189,566	208,661
Less: accumulated amortisation	(770)	-	(1,708)	(1,442)	-	(3,920)
Net book value	1,005	5,750	8,262	158	189,566	204,741
<i>Year ended 30 June 2009:</i>						
Additions	322	-	-	-	-	322
Acquisition of subsidiary	545	-	172	-	12,613	13,330
Amortisation charge	(837)	-	(1,659)	(158)	-	(2,654)
Closing net book value	1,035	5,750	6,775	-	202,179	215,739
At 1 July 2009						
Cost	2,642	5,750	10,142	1,600	202,179	222,313
Less: accumulated amortisation	(1,607)	-	(3,367)	(1,600)	-	(6,574)
Net book value	1,035	5,750	6,775	-	202,179	215,739
<i>Half-year ended 31 December 2009:</i>						
Additions	261	-	-	-	-	261
Acquisition of subsidiary	-	-	-	-	25,679	25,679
Amortisation charge	(233)	-	(829)	-	-	(1,062)
Closing net book value	1,063	5,750	5,946	-	227,858	240,617
At 31 December 2009						
Cost	2,903	5,750	10,142	1,600	227,858	248,253
Less: accumulated amortisation	(1,840)	-	(4,196)	(1,600)	-	(7,636)
Net book value	1,063	5,750	5,946	-	227,858	240,617

The Company is in the process of appraising the fair value of the identifiable intangible assets resulting from acquisitions in the half-year period ended 31 December 2009. The Company will determine and disclose the allocation to intangible assets and its associated tax effect within 12 months of acquisition date in accordance with AASB 3 – Business Combinations.

	Consolidated	
	December 2009 \$A'000	June 2009 \$A'000
9. Trade and other payables		
Trade payables	238,707	182,184
Other payables	9,469	16,355
Deferred revenue	3,767	6,753
Accrued interest	282	116
	252,225	205,408

10. Borrowings

Non-current		
Bank loans	73,589	73,000
Other loans	1,297	-
	74,886	73,000

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

	Consolidated	
	December 2009 \$A'000	June 2009 \$A'000
11. Provisions		
Current		
Employee entitlements	3,276	3,049
Provision for insurance excess	250	250
	3,526	3,299
Non-current		
Employee entitlements	1,400	1,191

12. Other financial liabilities

Current		
Deferred consideration – acquisitions	1,088	1,630
Non-current		
Deferred consideration - acquisitions	16,604	-

Deferred consideration is payable to the vendors of acquired entities or business pursuant to the Sale and Purchase Agreements.

13. Contributed equity

Share capital		
300,073,188 (2009: 297,447,291) ordinary shares, fully paid	138,400	136,341
Movements during the period		
Balance at beginning of period	136,341	133,071
- 1,440,652 (2009: 7,134,839) shares issued under the Dividend Reinvestment Plan	1,095	3,139
- 1,185,245 (2009: nil) shares issued as part consideration on purchase of Starcom Worldwide (WA)	1,025	-
- nil (2009: 500,000) issued under employment contract	-	213
- nil (2009: 781,281) issued as part consideration of earn-out payments on the purchase of Coleman Group Pty Ltd ¹	-	112
- nil (2009: 1,012,590) issued as part consideration on the purchase of Visual Jazz Pty Ltd ¹	-	(68)
Less: transaction costs arising on share issue, including the tax benefit from previous share issues	(61)	(126)
Balance at end of period	138,400	136,341

¹ June 2009 figure represents the variance between the estimated and actual value issued.

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

	Consolidated	
	December 2009 \$A'000	June 2009 \$A'000
14. Retained earnings		
Retained earnings at beginning of period	15,358	7,695
Net profit attributable to members of Mitchell Communication Group Limited	8,379	19,202
Dividends declared and paid during the period	(6,271)	(11,564)
Changes in minority interest	-	25
Retained earnings at end of period	17,466	15,358

15. Business combinations

(a) Acquisition of Insite Organisation

(i) Summary of the acquisition

On 1 December 2009, with effect from 1 November 2009, the Mitchell Communication Group announced it had acquired the business and assets of integrated marketing and communications agency Insite Organisation for consideration of \$5,100,000 in cash, with \$3,803,000 paid on 1 December 2009 and \$1,297,000 deferred to be paid in 2010. Further consideration up to a maximum of \$20,000,000 may be payable on the achievement of certain profit hurdles to 31 December 2012. The payment of contingent consideration will be reassessed at 30 June 2010. Details of the fair value of the assets and liabilities acquired, intangible assets and goodwill are as follows:

	\$A'000
(ii) Purchase consideration	
Cash paid – 1 December 2009	3,803
Deferred cash consideration	1,297
Contingent consideration (cash/equity) – 31 March 2013	13,349
Contingent consideration (cash/equity) – 31 March 2014	3,165
Total purchase consideration	21,614
Fair value of net identifiable assets/(liabilities) acquired	(2)
Goodwill – provisional (refer below)	21,616

Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	\$A'000	\$A'000
Cash and cash equivalents	1,087	1,087
Receivables	922	922
Other assets	82	82
Fixed assets	64	62
Trade and other payables	(2,083)	(2,083)
Provision for employee entitlements	(72)	(72)
Net identifiable assets acquired	-	(2)

The fair value of identifiable assets and liabilities acquired has been assessed provisionally. The Company is in the process of appraising the fair value of the identifiable intangible assets. The Company will determine and disclose the allocation to intangible assets and associated tax effect within 12 months of the acquisition date in accordance with AASB 3 Business Combinations. Since the acquisition, the Company performed a detailed value-in-use calculation that supports the carrying value of intangibles arising out of the acquisition.

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

15. Business Combinations continued

(b) Acquisition of Starcom Worldwide (WA)

(i) Summary of the acquisition

On 31 August 2009, with effect from 1 July 2009, the Mitchell Communication Group announced it had acquired the business and assets of Western Australian media buying agency Starcom Worldwide (WA) for consideration of \$1,025,000 in equity issued. Further consideration up to a maximum of \$957,200 may be payable on the satisfaction of certain financial measures as at 30 June 2010. Further consideration, by way of share issues totalling \$190,798 is payable on 30 June 2010 and 30 June 2011 and as such, has been included in the purchase consideration. The payment of contingent consideration will be reassessed at 30 June 2010.

Details of the fair value of the assets and liabilities acquired, intangible assets and goodwill are as follows:

(ii) Purchase consideration	\$A'000
Equity issued	1,025
Additional cash consideration – payable 30 June 2010	957
Additional equity consideration – equity issue 30 June 2010	100
Additional equity consideration – equity issue 30 June 2011	91
Total purchase consideration	2,173
Fair value of net identifiable assets/(liabilities) acquired	(1,704)
Goodwill – provisional (refer below)	3,877

Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	\$A'000	\$A'000
Cash and cash equivalents	3,043	3,043
Receivables	8,909	8,909
Fixed assets	144	113
Other assets	40	40
Deferred tax asset	-	18
Trade and other payables	(13,560)	(13,560)
Provision for employee entitlements	(206)	(267)
Net identifiable assets/(liabilities) acquired	(1,630)	(1,704)

The fair value of identifiable assets and liabilities acquired has been assessed provisionally. The Company is in the process of appraising the fair value of the identifiable intangible assets. The Company will determine and disclose the allocation to intangible assets and associated tax effect within 12 months of the acquisition date in accordance with AASB 3 Business Combinations. Since the acquisition, the Company performed a detailed value-in-use calculation that supports the carrying value of intangibles arising out of the acquisition.

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

15. Business Combinations continued

(c) Acquisition of Picture This! Productions

(i) Summary of the acquisition

On 11 November 2008, the Mitchell Communication Group announced it had acquired the business and assets of Picture This! Productions Pty Ltd, for consideration of \$70,000 in cash. Picture This! Productions provide video and event production services to clients. On 7 December 2009, additional consideration of \$100,000 was paid. There is no further consideration payable for the acquisition. Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

(ii) Purchase consideration	\$A'000
Cash paid	70
Additional consideration – 7 December 2009	100
Total purchase consideration	170
Goodwill	170

The goodwill is attributable to future growth prospects and the current workforce in use. Since the acquisition, the Company has performed a detailed value-in-use calculation that supports the carrying value of the intangibles arising out of the acquisition.

(d) Acquisition of Agile Automated Advertising

(i) Summary of the acquisition

On 21 July 2008, with effect from 1 July 2008, the Mitchell Communication Group acquired a licence, software and customers from the Adcast Group Pty Ltd, for consideration of \$1,200,000 in cash. The main driver of the business combination was to acquire Adcast's Automated Ad Templating Technology. Details of the fair value of the assets and liabilities acquired, intangible assets and goodwill are as follows:

(ii) Purchase consideration	\$A'000
Cash paid	1,200
Total purchase consideration	1,200
Fair value of net identifiable assets acquired	486
Goodwill	714

The fair value of assets and liabilities acquired are based on discounted cash flow models. The goodwill is attributable to future growth prospects and the current workforce in use. The intangible assets relate to software intangible assets which have a useful life of three years, as well as a licence which has an infinite life. Since the acquisition, the Company has performed a detailed value-in-use calculation, which supports the carrying value of all intangible assets arising on the acquisition.

Notes to and forming part of the financial statements for the half-year ended 31 December 2009

15. Business Combinations continued

(e) Acquisition of Vivid Holdings Australia Pty Ltd

(i) Summary of the acquisition

On 27 August 2008, with effect from 1 July 2008, the Mitchell Communication Group acquired 100% of the issued capital in Vivid Holdings Australia Pty Ltd ('Vivid Group'), a communications and technology services company which delivers innovation in branding, digital media and application development, for consideration of \$11,700,000 in cash. Further consideration is payable on the achievement of certain profit hurdles to 30 June 2010, which is not probable at 31 December 2009. A reassessment of the contingent consideration will be made at 30 June 2010. Details of the fair value of the assets and liabilities acquired, intangible assets and goodwill are as follows:

(ii) Purchase consideration	\$A'000
Cash paid	11,700
Direct costs relating to the acquisition	45
Total purchase consideration	11,745
Intangible assets	172
Fair value of net identifiable assets acquired	652
Goodwill	10,921

The fair value of assets and liabilities acquired are based on discounted cash flow models. The goodwill is attributable to future growth prospects, the ability of the business to attract high performing personnel, and the current workforce in use. The intangible assets are customer-related intangible assets, which have a useful life of three years. Since the acquisition, the Company has performed a detailed value-in-use calculation, which supports the carrying value of all intangible assets arising from the acquisition.

Cents per share	Total Amount \$A'000	Franked / unfranked	Date of payment
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16. Dividends

2010

Final 2009 ordinary	2.1	<u>6,271</u>	100% franked	2 October 2009
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2009

Interim 2009 ordinary	1.9	5,516	100% franked	17 April 2009
Final 2008 ordinary	2.1	<u>6,048</u>	100% franked	26 September 2008
Total amount		11,564		

Subsequent events

Since the end of the half-year, the Directors declared the following dividend:

Interim 2010 ordinary	2.3	<u>6,902</u>	100% franked	16 April 2010
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The financial effect of the interim dividend has not been brought to account in the financial statements for the half-year ended 31 December 2009 and will be recognised in the subsequent financial period.

17. Audit status of the half-year financial statements

The report is based on accounts which have been reviewed. A copy of the review report is enclosed on pages 4 and 5.