

Appendix 4E Preliminary Final Report

Name of Entity MCM Entertainment Group Limited

ABN 31 006 173 271

Financial Year Ended 30 June 2012 (previous corresponding period 30 June 2011)

Results for Announcement to the Market

Group Results

	\$'000	Up / Down	Movement
Revenues from ordinary activities	29,004	Up	26%
Gross profit	16,802	Up	27%
Net profit for the period attributable to members	675	Up	132%

Group Ratios and Returns

	Current	Previous
	period	period
Gross profit margin	58%	58%
Return on shareholders funds	17%	(67%)

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	30 June
	2012	2011
	cents	cents
Net tangible asset backing per share	1.75	1.85

Dividends

There were no dividends paid or declared during the 2012 financial year.

	Amount	Franked amount	Tax rate
	per	per	for
DIVIDEND INFORMATION	share	share	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 Jun	30 Jun
	2012	2011
	\$	\$
Retained earnings/(accumulated losses)		
Retained earnings/(accumulated losses) at the beginning of the period	(1,877,507)	253,839
Profit/(loss) attributable to the members of the group	674,799	(2,131,346)
Accumulated losses at end of the period	(1,202,708)	(1,877,507)

Group Overview

MCM Entertainment Group Limited (MEG) operates three distinct revenue earning businesses: MCM Media Pty Ltd (MCM Media), Igloo Digital Pty Ltd (Igloo Digital) and Movideo Pty Ltd (Movideo). MEG manages the overall Group and employs corporate staff and Directors.

Operating Results for the Year

The board of MEG is pleased to report an improved profit position for the financial year ended 30 June 2012. Net Profit After Tax (NPAT) recorded for the period was \$674,799 an increase of \$2,806,145 (FY2011: Net Loss After Tax (NLAT): \$2,131,346).

The improvement year on year (YOY) was driven by a material increase in Group Revenue:

MCM Entity	FY2012	FY2011	% Change
MCM Media	\$23,534,341	\$19,804,968	18.83%
Igloo Digital	\$4,218,660	\$2,563,274	64.58%
Movideo	\$1,251,318	\$569,036	119.90%
Total Group Revenue	\$29,004,319	\$22,937,278	26.45%

Key variances to note in comparing the Group's financial performance YOY:

Gross profit increased YOY by \$3,550,874 or 26.80% as a result of an increase in Group Revenue.

Operating expenses increased by \$1,071,577 or 6.94%:

- Staff costs grew YOY by \$1,163,993 or 10.53% due to an increase in staff numbers within Igloo Digital and MCM Media. MCM Media focused on investing in its sales team which assisted strong revenue growth. For the first four months of FY2012, Movideo employed a team in China however in October these employees were made redundant. This was based on the decision by management to cease the Chinese sales operation in an effort to maintain cost control and focus on alternative sales models. 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 period.
- Property expenses increased by \$35,145 or 4.28%. Management did not extend its lease for MCM Media's Television Studio and Sydney Office during the period and as such incurred make good expenses upon vacating both premises. Further, as a result of Movideo's decision to cease operations in China all future leasing obligations were expensed during the period.
- Administration expenses increased by \$106,003 or 4.36% primarily due to:
 - An increase in professional fees in relation 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 sales operations were also written off.

The above was offset by re-negotiating of key supplier contracts in respect of communication costs.

- YOY sales and marketing costs were down by \$93,218 or 33.82% with management utilising in-house resources to promote the MEG business due to a focus on cost control;
- Depreciation and amortisation decreased by \$209,616 or 27.31% with a number of assets reaching their useful life; and
- Interest and finance costs were up YOY by 23.24% or \$30,212 due to the Group having a higher overdraft in FY2012 relative to that of FY2011.

The increase in operating expenditure has resulted in a greater investment in the Group which has facilitated revenue growth. Management has undertaken an analysis of key MEG suppliers and has reduced expenditure and re-negotiated supplier contracts where possible in an effort to improve margins.

Media (MCM Media)

MCM media reported a NPAT of \$1,722,012 for the period (FY2011: \$728,243) an increase of \$993,769 YOY.

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 MCM Media's long term relationship with the SCA network to continue supplying key national syndicated radio programs and content to their national radio stations.

A Digital partnership with VEVO was formed on April 16, 2012. Advertisers will be able to access VEVO as part of MCM Media's Digital Entertainment Network (DEN) – an online video platform offering high quality music and entertainment content on an advertiser funded basis.

The Television and Events department contributed to MCM Media's strong results with a number of television properties produced.

Web Development & Design (Igloo Digital)

Igloo Digital reported a NPAT of \$223,586 for FY2012 (FY2011: NLAT of \$348,741) an increase of \$572,327 YOY. The turnaround in financial performance is attributed to structural changes made to the leadership team combined with a consistent delivery of monthly revenue. During the year, Igloo invested in its development team and is now in a position to increase its output for FY2013 and beyond. Other material factors to note for the year include a strengthening of client relations and an expanded team which sees the business well placed for further growth in FY2013.

Software Development (Movideo)

Movideo has continued its investment in product development and sales, consequently delivering a NLAT of \$1,742,064 for FY2012 (FY2011: NLAT of \$1,960,585). Despite ending the Chinese sales operations, Asia remains a key target market, with management focusing on clients in the south-east Asian region. Movideo has preserved its Chinese domiciled subsidiary with management intending to explore joint venture and strategic alliances in the future as opposed to a direct sales model.

Movideo has secured a number of new clients in the Asian region including Astro Digital Five and Media Nusantara Citra Tbk (MNC) both of which are media centric.

In March 2012, Movideo announced a four year strategic agreement with Microsoft which will enable Movideo to migrate its integrated Online Video Platform (OVP) to Windows Azure

to drive business growth. The alliance incorporates a long term pricing agreement, technical support combined with sales and marketing backing for the Movideo product.

Segment Information

Please refer to note 5 of the attached financials.

Subsequent Events

On 16 August 2012, the Company made an application to the Australian Securities Exchange Limited (ASX) to seek a de-register of its securities from the main board of the ASX. The ASX advised on 29 August 2012 that the company's application has been accepted subject to shareholder approval, to be sought at the Company's Annual General Meeting (AGM).

Andrew Darbyshire AM was appointed as a Non-Executive Director on 17 August 2012.

There were no further 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.

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 Financial Reporting Standards (IFRS)

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

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

Simon Joyce Chief Executive Officer MCM Entertainment Group Limited

mom Entertainment Group Emilio

Date: 30 August 2012



mcm entertainment group limited

Financial Report to 30 June 2012

ABN 31 006 173 271

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Financial Report for the year ended 30 June 2012

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Corporate Directory

Directors

Mr. Philip Jacobsen Chairman (appointed 19 October 2011)

Mr. Michael Gudinski
Mr. Andrew Darbyshire
Non-Executive Director (appointed 19 October 2011)
Non-Executive Director (appointed 17 August 2012)

Mr. Simon Joyce Executive Director Mr. Anthony McGinn Executive Director

Company Secretary

Mr. Andrew Metcalfe

Registered Office

Level 4 21-31 Goodwood Street RICHMOND VIC 3121

Website

www.mcmentertainment.com

Auditor

Ernst & Young 8 Exhibition Street MELBOURNE VIC 3000

Share Registry

Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street ABBOTSFORD VIC 3067

Bankers

HSBC Bank Australia Limited 333 Collins Street MELBOURNE VIC 3000

Legal Advisors

Madgwicks Lawyers Level 33 140 William Street MELBOURNE VIC 3000

Stock Exchange

Australian Securities Exchange Limited ASX Code: MEG

Financial Report for the year ended 30 June 2012

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Directors' Report

The Directors of MCM Entertainment Group Limited submit their financial report for the year ended 30 June 2012.

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. Philip Jacobsen Chairman – appointed 19 October 2011;

Philip Jacobsen has over 35 years' experience in the music and entertainment industry. A partner in his own accounting business up to 1970, he began managing various music artists before becoming the foundation director of Premier Artists; then Australia's largest live music booking agency. In 1979 he joined The Frontier Touring Company which was Australia's largest tour promoter for many years. As Director of Mushroom Records, Philip was instrumental in the Company's sale to News Limited. He is the Finance Director of the Mushroom Group of Companies.

Mr. Michael Gudinski Non Executive Director – appointed 19 October 2011;

Michael Gudinski AM is the founder of Mushroom Records (which was acquired by News Limited in 1998) and principal of the Mushroom Group of Companies. The Mushroom Group incorporates Mushroom Music – the largest independent publisher of Australian Music; Mushroom Pictures – responsible for a number of Australian feature films and the Frontier Touring Company – which has toured the likes of Madonna, KISS, Kylie Minogue, Frank Sinatra, Liza Minelli, Sammy Davis Jnr, Norah Jones and Billy Joel. Michael's contributions to the entertainment industry have been recognised with an ARIA Lifetime Achievement Award, the APRA's Ted Albert Award for Outstanding Services to Australian Music and a Member of the Order of Australia (AM) Medal for service to the entertainment industry. More recently, Michael was named Melbournian of the Year 2012 as a result of his contribution to the Australian music industry.

Mr. Andrew Darbyshire Non Executive Director – appointed 17 August 2012;

Andrew Darbyshire AM FAICD is a former broadcast engineer, who founded the highly successful Point of Sale and Inventory Management Software Specialist, Pacsoft. Pacsoft operates throughout Australia, New Zealand and the USA servicing over 1500 clients, and has won an Australian Design Award for software excellence.

A fellow of the Australian Institute of Directors, Andrew is also Chairman and Founder of Caitlin's Retreat and is involved with numerous other charity boards. Andrew was made a Member of the Order Of Australia in the 2012 Australia Day Honours for service to the community as a supporter of research into child-related brain conditions, through contributions to special needs children and their families, and to the arts.

Mr. Simon Joyce Executive Director and Chief Executive Officer, MCM Entertainment Group;

Simon Joyce is the CEO and Managing Director of MCM Entertainment Group. He joined the company in 2001 as part of MCM Media's Sales team, and then spent two years as National Sales Director overseeing all commercial sales revenue across radio, digital, television and events, before moving into the CEO role of MCM Media in 2008. In July 2011, Simon was appointed CEO and MD of the Group.

Mr. Anthony McGinn Executive Director and Chief Executive Officer Movideo

Anthony McGinn founded MCM Entertainment Group Ltd in 1983 and was its Chief Executive Officer until 2011 when he made the move to lead the Group's emerging global Software as a Service (SaaS) media platform business, Movideo. In his 29 years as principal Tony has gained considerable experience in media, content rights, production and syndication across traditional and new media and has built and operated multi-platform media businesses. Internationally he has operated in Europe for a decade and more recently in Asia. Tony has led MCM's expansion into the new digital media space, with a particular focus on developing and expanding the Group's Movideo business across Asia.

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

Mr. Julien Playoust Chairman - resigned 19 October 2011

Julien Playoust is Managing Director of AEH Group, a Sydney-based private investment company.

Mr. Gregory Smith Non-Executive Director - resigned 19 October 2011

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.

Mr. Vincent Donato Non-Executive Director - resigned 19 October 2011; and

Vincent Donato began his career in music and entertainment at Mushroom Records as an Accountant. He subsequently joined Network Ten as Financial Controller – Production and then went on to hold roles at Crawford Productions as Financial Controller and Shock Records as Group Financial Controller prior to becoming Group Finance Director.

Mr. Michael Burgess Executive Director - resigned 19 October 2011

Michael Burgess has 21 years of Accounting and Operations experience. He has a Bachelor of Business (Accounting) and is a Chartered Accountant. He worked with the Company from 1999 to 2012.

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
Philip Jacobsen	Nil	Nil
Michael Gudinski ¹	15,562,600	Nil
Andrew Darbyshire ¹	7,580,660	Nil
Simon Joyce	25,000	1,810,000
Anthony McGinn ¹	23,573,866	300,000

¹ Including shares held by controlled entities and in 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 25 years' experience in finance and accounting and over 15 years as Company Secretary of a number of ASX listed companies. Andrew does not participate in the operational decision making of the company however 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 2012 year:

- on ordinary shares \$Nil

Principal Activities

The principal activities during the year of the entities within the consolidated entity were:

- 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

Group Overview

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Movideo has secured a number of new clients in the Asian region including Astro Digital Five and Media Nusantara Citra Tbk (MNC) both of which are media centric.

In March 2012, Movideo announced a four year strategic agreement with Microsoft which will enable Movideo to migrate its integrated Online Video Platform (OVP) to Windows Azure to drive business growth. The alliance incorporates a long term pricing agreement, technical support combined with sales and marketing backing for the Movideo product.

Shareholder Returns

The Board has decided not to declare a dividend to Shareholders for the financial year ended 30 June 2012.

Review of Financial Condition

Liquidity and Capital Resources

The consolidated statement of cash flows illustrates an increase in cash and cash equivalents of \$1,015,503 for the financial year ended 30 June 2012 (FY2011: net cash outflow of (\$1,886,713)).

The increase in net cash was primarily the result of improved trading performance across all three entities, being MCM Media, Igloo Digital and Movideo, combined with careful management of expense outgoings. Net cash flow inflows from operating activities were \$1,286,340 (FY 2011: (\$1,219,793)).

YOY, the Group's net cash outflows from investing activities decreased by \$394,839 from \$601,438 in FY2011 to \$206,599 in FY2012. A new Sydney office was leased during the period, with the fit-out underwritten by a lease incentive.

Net cash outflows from financing activities of \$64,238 related to finance lease repayments

As at 30 June 2012, there was an overdraft balance of cash and cash equivalents of (\$222,044) (FY2011: (\$1,237,547)). The current balance has taken the Group to a gearing ratio of 6% (FY2011: 30%). The Group had an available overdraft facility of \$1,509,812 at 30 June 2012.

During the period, the Group undertook a capital raising process however the proposed terms and conditions were rejected by shareholders and as such the capital raising process was abandoned at the Group level with management instead focusing on improving trading performance and prudent cost control. In November 2011 Movideo issued an Information Memorandum (IM) seeking direct investment into the Movideo business. At the date of this report, the IM was being updated for new Asia based investor prospects.

Risk Management

The Audit and Risk Committee existed up until the 19th of October 2011, the functions of such a committee are now contained within the functions of the Board, who are responsible for the financial performance of the Company and 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 2012.

Subsequent Events

On 16 August 2012, the Company made an application to the Australian Securities Exchange Limited (ASX) to seek a de-register of its securities from the main board of the ASX. The ASX advised on 29 August 2012 that the company's application has been accepted subject to shareholder approval, to be sought at the Company's Annual General Meeting (AGM).

Andrew Darbyshire AM was appointed as a Non-Executive Director on 17 August 2012.

There were no further 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 reporting date there were 925,000 unissued ordinary shares under the Employee Share Option Plan and 5,944,765 unissued ordinary shares under the Executive Option and Share Plan. Refer to note 24 for further details.

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 and 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. Disclosure of the premium payable is prohibited under the conditions of the policy.

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
Number of meetings held	13		2	
Philip Jacobsen ¹	8	8	-	-
Michael Gudinski ¹	8	8	-	-
Simon Joyce	13	13	-	-
Anthony McGinn	13	13	-	-
Julien Playoust ²	5	5	2	2
Greg Smith ²	5	5	-	-
Vincent Donato ²	5	5	2	2
Michael Burgess ²	5	5	2	2

¹ Meetings attended from date of appointment, being 19 October 2011.

The Remuneration committee did not meet for the period 1 July 2011 until the time it was merged into the roles and responsibilities of the entire Board, being 19 October 2011.

² Meetings attended up to date of resignation, being 19 October 2011.

Committee Membership

Sub committees of the Board were merged into the roles and responsibilities of the entire Board on 19 October 2011. As at the date of this report, the company has not formed an Audit and Risk Committee and a Nomination and Remuneration Committee. The Board executes the functions of both Committees.

Auditor Independence

The Directors received the following declaration from the auditor of MCM Entertainment Group Limited.



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 2012, 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

David Shewring Partner 30 August 2012

> Liability limited by a scheme approved under Professional Standards Legislation

Non-Audit Services

In the 2012 financial year the entity's auditor, Ernst & Young did not provide non-audit services. The Directors remain satisfied that auditor independence was not compromised.

Remuneration Report (Audited)

The information provided in this Remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the Nature and Amount of Remuneration

The objective of the Group's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and is in line with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders:
- performance linkage/alignment of executive compensation;
- transparency;
- capital management; and
- attract and retain high-calibre executives.

In order to attract and retain high-calibre executives, MCM Entertainment Group Limited adopts the following principles:

- recognise and reward executives in accordance with capability and experience;
- align competitive rewards with contribution to growth in shareholder wealth; and
- provide a consistent and transparent reward framework.

Non-Executive Directors' Remuneration

Fees and payments to Non-Executive directors reflect the demands that are made on, and the responsibilities of, the directors. Non-Executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined based on fees of Non-Executive directors in comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-Executive directors receive superannuation payments in accordance with statutory requirements, calculated as 9% of directors' fees. Payments are made directly to their individual superannuation funds.

Non-Executive Directors' Fees

Non-Executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$400,000 per annum, covering all Non-Executive directors. At the 2007 Annual General Meeting (AGM) Shareholders approved the directors' fees pool of \$400,000.

The Non-Executive directors' fees (including superannuation) for FY2012 are:

Philip Jacobsen	\$63,015
Michael Gudinski	\$29,454
Julien Playoust	\$30,000
Vincent Donato	\$15,001
Greg Smith	\$15,001

Executive Remuneration

The executive pay and reward framework has three components, which comprises the executive total remuneration:

- Fixed Annual Remuneration including Statutory Superannuation (FAR);
- Short-term performance incentives through participation in the Executive Option and Share Plan; and
- Long-term incentives through participation in Executive Option and Share Plan;

Fixed Annual Remuneration (FAR)

It is delivered as a combination of cash and superannuation (restricted to the statutory limit).

FAR for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's FAR is also reviewed on promotion.

Other than CPI in prescribed circumstances there is no guaranteed base pay increases included in any senior executives' service contracts.

Retirement benefits are delivered under the Superannuation Guarantee Charge (SGC). Under current legislation, MCM Entertainment Group Limited provides choice of superannuation funds to all employees. The MCM Entertainment Group Limited default fund is the MCM Media Pty Ltd fund, which is provided by Colonial First State. This fund is an accumulation fund.

Other retirement benefits for directors may be provided directly by the company if the benefit is within statutory limits or is approved by shareholders.

Executive Option and Share Plan and Bonus Plan

Short-term incentives ("STI")

Select Executives participate in an executive share and option bonus plan and are eligible for cash incentives and share based incentives, combining the company's annual profit performance and the individual's personal performance. The level of the STI bonus is set as a percentage of the executive's base pay.

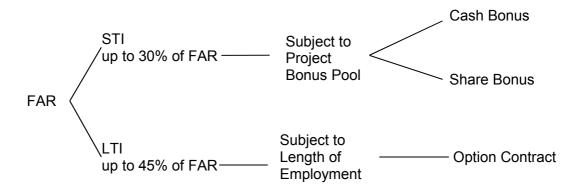
This method of providing short-term incentives aligns the executives with short-term shareholder wealth as expressed by company annual profits against targets, as well as an individual executive's performance.

Applicable bonuses under the new Plan will be paid annually, after the release of the company's annual results.

Long-term incentives ("LTI")

Similar to STI, this is based on a maximum value calculated as a percentage of base pay, ranging from 10% to 45%.

The LTI is awarded on tenure of each Executive so long as they remain employed by the Company. Eligible Executives can receive an amount of Options granted on a specified date over three years. Each grant of options vests over three years. Options can be cancelled at Board discretion.



Amounts of Remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124: Related Party Disclosures and the Corporations Act 2001) of MCM Entertainment Group Limited are set out in the following tables.

The key management personnel of MCM Entertainment Group Limited include the directors and the following executive officers:

Simon Joyce Chief Executive Officer, MCM Entertainment Group Limited

(effective 01 July 2011)

Ben Keep Chief Financial Officer, MCM Entertainment Group Limited

(effective 24 January 2012);

Cameron Moore Chief Technology Officer, MCM Entertainment Group Limited

Anthony McGinn Chief Executive Officer, Movideo Pty Ltd (effective 01 July 2011)

Michael Burgess Chief Operating Officer, MCM Entertainment Group Limited

(resigned 27 January 2012)

Employment Contracts

Chief Executive Officer

The Group CEO, Mr. Simon Joyce, is employed under an Executive Service Agreement commencing 1 July 2011. Under the terms of the present contract:

- Mr Joyce receives fixed remuneration of \$435,000 per annum (including superannuation).
- The Company may terminate this Executive Service Agreement 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

The company is in the process of completing a new Executive Service Agreement for Anthony McGinn. Ben Keep and Cameron Moore have Executive Service Agreements in place. 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 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.

Share-Based Compensation

Details of Options Plans

Options outstanding under all MCM Entertainment Group Limited Share Plans do not exceed 25% of the issued shares in MCM Entertainment Group Limited. Currently, Non-Executive directors are not entitled to participate in any MCM Entertainment Group Limited Share Plans.

Option Plan

An Option Plan started December 2007 with 1,500,000 options issued. As at 30 June 2012 options issued under the Plan are 925,000. This plan concludes 22 November 2012 and the company does not intend issuing any more options from this plan.

All full-time employees (excluding executive directors) of MCM Entertainment Group Limited and controlled entities were eligible to participate in the plan.

Options were granted under the plan for no consideration. Each option is convertible into one ordinary share at any time (subject to vesting rules) on or before 22 November 2012 after the date of issue at the specified exercised price. All options can be converted to ordinary shares at \$0.20 per option.

Executive Option and Share Plan

The Executive Option and Share Plan was established to provide long-term incentives to senior managers and executives. The Plan is in existence to entice Senior Executives to remain with the Group. During the year, 6,194,765 options were issued under this plan. At 30 June 2012, options issued under the Plan were 5,944,765.

The Plan is open to eligible senior executives of the company and its controlled entities, as determined by the Board.

Options are granted for no consideration. Each option is convertible to one ordinary share, subject to vesting and exercise rules at the specified exercise price of \$0.20. The number of options vesting in each period depends on tenure of employment by the Executives. Any options not vested in any period are forfeited.

The exercise price of options (\$0.20) was determined by the Board.

Options granted under the plans will be issued for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share in MCM Entertainment Group Limited. Unvested options are forfeited if the executive ceases employment with MCM Entertainment Group Limited.

Employee Share Trust

MCM Entertainment Group Limited has commenced legal arrangements to establish an Employee Share Trust (EST) to oversee the administration of all current share plans. The Trustee of the EST is MCM Media Pty Ltd.

Options Granted, Vested and Lapsed during the Period

Details of options over ordinary shares in the company provided as remuneration to each director of MCM Entertainment Group Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of MCM Entertainment Group Limited. Further information on options is set out in note 24 to the financial statements.

The assessed fair value at the grant date of options and Performance Rights granted to the individuals is allocated over the period from grant date to vesting date and the amount is included in the remuneration tables below.

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	30 June 2008	31 Dec 2008	30 June 2009	31 Dec 2009
	cents	cents	cents	cents	cents
Basic EPS	0.43	(0.54)	(0.16)	0.03	0.82
	30 June	31 Dec	30 June	31 Dec	30 June
	2010	2010	2011	2011	2012
	cents	cents	cents	cents	cents
Basic EPS	0.91	(1.09)	(2.97)	1.11	0.93

Remuneration for Key Management Personnel – Table 1

		<u>w</u>	Short-term			Long-term		Share-based payment	oavment	Total	% Performance related
Remuneration for the year ended 30 June 2012	Salary & fees	Cash	Non- monetary Benefits	Termination	Super- annuation	ncentive plans	Long ervice leave	Options	Shares		
	↔	₩	₩	↔	₩	↔	₩	₩	₩	₩	
Non-executive directors											
P. Jacobsen (Chairman) ¹	57,904	٠	•	•	5,111	٠	•	٠	•	63,015	ı
M. Gudinski¹	27,022	•	•	•	2,432	•	•	•	•	29,454	
J. Playoust²	27,523	•	•	•	2,477	•	•	•	•	30,000	1
V. Donato ²	13,762	٠	•	•	1,239	•	•	•	•	15,001	1
G. Smith ²	13,762	-	-	-	1,239	-	-	-	-	15,001	1
Sub-total non-executive directors	139,973	•	•	•	12,498	•	•	•	•	152,471	
Executive directors											Ī
S. Joyce ³	419,825	30,000	•	•	15,775	•	43,836	1,989	30,000	541,425	11.45%
A. McGinn	420,474	•	5,451	•	15,775	•	39,175	•	•	480,875	1
M. Burgess ^{2,4}	171,971	1	1	59,093	9,202	•	16,408	•	1	256,674	1
Sub-total executive director	1,012,270	30,000	5,451	59,093	40,752	•	99,419	1,989	30,000	1,278,974	4.85%
Other key management personnel											
C. Moore	259,255	•	1	•	15,775	•	1,717	7,440	1	284,187	2.62%
В. Кеер ⁵	71,875	1	'	'	6,469	•	4,749	445	1	83,538	0.53%
Sub-total executive key management personnel	331,130	•	•	•	22,244	•	6,466	7,885	•	367,725	2.14%
Totals	1,483,373	30,000	5,451	59,093	75,494	•	105,885	9,874	30,000	1,799,170	3.88%

¹ Appointed 19 October 2011

² Resigned as a Director 19 October 2011

³ Appointed 1 July 2011

⁴ Resigned as Chief Operating Officer 27 January 2012

⁵ Appointed Chief Financial Officer 24 January 2012

Remuneration for Key Management Personnel – Table 2

										Share- based		% Performance
			Ŗ	Short-term				Long-term	E	payment	Total	related
Remuneration for the year ended 30 June 2011	Salary & fees	Cash	Non- monetary Benefits	Other	Other Termination	Super- annuation	Retirement benefits	Incentive	Long service leave	Options		
	s	\$	\$	\$	89	S	89	\$	\$	\$	\$	
Non-executive directors												
J. Playoust (Chairman)	82,569	•	•	•	•	7,431	•	•	•	•	90,000	1
V. Donato	41,284	•	•	•	•	3,716	•	•	•	•	45,000	1
G. Smith	41,284	•	•	1,500	•	3,716	•	•	'	•	46,500	1
S. Burridge¹	22,477	'		'	'	2,023	'	•	•	•	24,500	1
Sub-total non-executive directors	187,614			1,500		16,886					206,000	1
Executive directors												
S. Joyce ²	336,775	80,708	•	•	•	15,199	•	٠	7,211	•	425,893	15.66%
M. Burgess	246,400	•	•	•	•	15,199	•	٠	9,325	•	270,924	1
A. McGinn	425,736	'	8,822	'	'	15,199	'	•	9,974	•	459,731	'
Sub-total executive director	1,008,911	66,708	8,822			45,597			26,510		1,156,548	5.77%
Other key management personnel												
C. Moore	256,669	•	•	•	•	15,199	•	•	4,535	7,440	283,843	1
A. Englisch³	157,850	•	•	•	•	4,287	•	•	•	•	162,137	•
Sub-total executive key management personnel	414,519					19,486			4,535	7,440	445,980	1
Totals	1,611,044	66,708	8,822	1,500	•	81,969	•	•	31,045	7,440	7,440 1,808,528	3.69%

¹ Resigned 27 January 2011

² Appointed Group Chief Executive Officer 1 July 2011

³ Resigned 11 October 2010

Compensation Options: Granted and Vested During the Period

	GRANTED		TERMS	TERMS AND CONDITIONS FOR EACH GRANT	IS FOR EACH G	RANT			VESTED	•
			per option	price		First	Last	8		
		Grant	Grant at grant date	per option	Expiry	exercise	exercise	forfeited		
	Number	date	\$	€	date	date	date	during year	Number	%
Directors										
P. Jacobsen (Chairman)¹	•	•	•	•	•	•	•	•	•	1
M. Gudinski¹	ı	•	•	•	•	•	•	1	٠	•
J. Playoust²	ı	•	•	•	•	•	•	1	٠	•
V. Donato²	1	•	•	•	•	•	•	ı	•	1
G. Smith ²	•	1	1	1	1	•	•	•	•	1
Executive director										
S. Joyce ³	200,000	10-Dec-07	90.0	0.20	22-Nov-12	31-Dec-09	22-Nov-12	1	200,000	100.00%
	805,000	17-Nov-11	90.0	0.20	31-Dec-17	01-Jan-14	31-Dec-17	1		
	805,000	17-Nov-11	90.0	0.20	31-Dec-18	01-Jan-15	31-Dec-18	-	•	•
	1,810,000							-	200,000	11.05%
A. McGinn	300,000	10-Dec-07	90.0	0.20	22-Nov-12	31-Dec-09	22-Nov-12	1	300,000	100.00%
M. Burgess ^{2,4}	200,000	10-Dec-07	90.0	0.20	22-Nov-12	31-Dec-09	22-Nov-12	200,000	•	1
Other key management personnel										
C. Moore	50,000	10-Dec-07	0.00	0.20	22-Nov-12	30-Jun-09	22-Nov-12	ı	20,000	100.00%
	500,000	01-Jan-11	0.15	0.20	31-Dec-17	01-Jan-14	31-Dec-17	1	1	
	500,000	01-Jan-11	0.15	0.20	31-Dec-18	01-Jan-15	31-Dec-18	-	-	-
	1,050,000							-	50,000	4.76%
B. Keep ⁵	50,000	10-Dec-07	90.0	0.20	22-Nov-12	30-Jun-09	22-Nov-12	1	50,000	100.00%
	180,000	17-Nov-11	0.06	0.20	31-Dec-17	01-Jan-14	31-Dec-17	ı	•	1
	180,000	17-Nov-11	0.00	0.20	31-Dec-18	01-Jan-15	31-Dec-18	1	•	'
	410,000								50,000	12.20%
Total	3,770,000							200,000	600,000	15.92%

¹ Appointed 19 October 2011

² Resigned as a Director 19 October 2011

³ Appointed 1 July 2011

⁴ Resigned as Chief Operating Officer 27 January 2012

⁵ Appointed Chief Financial Officer 24 January 2012

Options Granted as Part of Remuneration

During the year 6,194,765 options were granted under the Executive Option and Share plan. All other options granted relate to the Employee Share Option Plan and were issued in prior periods. This report is made in accordance with a resolution with the Board of Directors.

Simon Joyce

Chief Executive Officer

Melbourne, 30 August 2012

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 Principles and Recommendations.

	ciples and ommendations	Compliance	Comply
Princ	ciple 1 – Lay solid foundation	ns for management and oversight	
1.1	Establish the functions reserved to the Board of Directors (Board) of MCM Entertainment Group	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board	Complies.
	Limited (Company) and those delegated to manage and disclose those functions.	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.	
		On appointment of a Director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives.	
		The Board's responsibilities and the responsibilities delegated to senior executives are summarised in this Corporate Governance Statement.	
1.2	Disclose the process for evaluating the performance of senior executives.	Senior executives prepare strategic objectives that are reviewed and signed off by the Board. These objectives must then be met by senior executives as part of their key performance targets. The CEO reviews the performance of the senior executives against those objectives. The Board reviews the CEO's compliance against his and the company's objectives. These reviews occur annually.	Complies.
1.3	Provide the information indicated in <i>Guide to</i> reporting on Principle 1.	The Board charter has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
		A performance evaluation process has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies.

	ciples and ommendations	Compliance	Comply
		The Board conducted a performance evaluation of senior executives in the financial year in accordance with the process above.	Complies.
Princ	ciple 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 Board comprises one independent Non-Executive Director, one Non-Executive Director and two non-independent executive Directors. The independent Director is: Philip Jacobsen; and the Non-Executive Directors are: Michael Gudinski;	Does not comply. However the skills and experience of both Non-Executive Directors (NED) allow the Board to act in the best interest of the Company and its shareholders. The casting vote of the Independent chairman means the majority view may be maintained with the independent NED if necessary.
2.2	The Chair should be an independent Director.	Philip Jacobsen 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.	Philip Jacobsen is the Chair and Simon Joyce the Chief Executive Officer.	Complies.
2.4	The Board should establish a Nomination and Remuneration Committee.	The Board has not established a Nomination and Remuneration Committee. The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company. The Board supports the nomination and re-election of the directors at the Company's forthcoming Annual General Meeting.	Does not comply. Given the size of the Board, the Directors determined that it will execute the functions of a Nomination and Remuneration Committee and that a separate committee is unnecessary. The Board considers the skills and experience of both independent Non- Executive Directors allows the Board to act in the best interests of shareholders.
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. The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best	Complies.

	ciples and ommendations	Compliance	Comply
		interests of the Company. This includes supporting ongoing education of Directors for the benefit of the Company.	
2.6	Provide the information indicated in the <i>Guide to</i> reporting on Principle 2.	The skills and experience of each Director has been disclosed (where applicable) in the Directors' Report attached to this Corporate Governance Statement.	Complies. The Board does not consist of a majority of independent directors
		A Director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations.	however the skills and experience of both the independent and non-independent director allow the Board to act in the best interests of
		Philip Jacobsen, Non-Executive independent Chair, was appointed to the Board on 19 October 2011.	shareholders.
		Michael Gudinski, Non-Executive Director, was appointed to the Board on 19 October 2011.	
		Simon Joyce, Managing Director and Chief Executive Officer, was appointed to the Board on 1 July 2011.	
		Anthony McGinn, Executive Director was appointed to the Board on 10 August 1983.	
		Members of the Board are able to take independent professional advice at the expense of the Company.	
		The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.	
		The Board intends to conduct a formal performance evaluation of the Board and its Committees during the next financial year. The Board will also conduct a performance evaluation of its senior executives in the next financial year.	
		In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i> , the Company has disclosed full details of its Directors in the Director's Report attached to this Corporate Governance Statement. Other disclosure material on the	

	ciples and ommendations	Compliance	Comply
		Structure of the Board has been made available on the Company's website.	
Prin	ciple 3 – Promote ethical an	d 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 and an Equal Employment Opportunity Policy. Both the code and policy establish a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. Both the Code and Policy are available on the Company's website.	Complies in respect of establishing a clear se of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include	The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction. The Company has adopted an Equal	Complies.
	requirements for the Board to establish measurable objectives for achieving gender diversity and for the board to assess	Employment Opportunity Policy and is committed to ensuring a workplace free of discrimination and harassment. The basis of employment decisions is the individual merit of employees.	
	annually both the objectives and progress in achieving them.	The Company has adopted a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the Company, education programs to develop skills and experience in preparation for Board and senior management positions, and processes to include review and appointment of Directors.	
3.3	Provide the information indicated in <i>Guide to</i> reporting on Principle 3.	The Board has adopted a code of conduct and an Equal Employment Opportunity Policy. Both the code and policy establish a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.	Complies.
		The Board has adopted a Diversity Policy The Board supports diversity of employees with differing skills, values and backgrounds and experiences, and will continue to employ staff on their merits and on a fit for purpose basis.	Complies.

	ciples and ommendations	Compliance	Comply
		This Corporate Governance Statement does not include a statement of the measurable objectives for achieving gender diversity. However as a measurement of gender diversity, the proportion of women employees in the consolidated entity as at 30 June 2012 are as follows: Women on the Board: 0% Women in senior executive roles: 0% Women in management position: 33.33% Women in the organisation: 39.64%	Does not Comply. With respect to a Diversity Policy, the measurable objectives for achieving greater gender diversity have not been established. However the Board is aware of the disclosure requirements and is in the process of establishing these objectives.
Princ	ciple 4 – Safeguard integrity	in financial reporting	
4.1	The Board should establish an audit Committee.	As at the date of this Corporate Governance Statement the Board has not established an Audit and Risk Committee.	Does not comply, however all members of the Board are financially and commercially literate. Given the size of the Board, the Directors determined that it will execute the functions of the Audit and Risk Committee and that a separate committee is unnecessary. The Board considers the skills and experience of both Non-Executive Directors allows the Board to act in the best interests of shareholders.
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.	The Board has not established an Audit and Risk Committee. In the period from 1 July 2011 to 19 October 2011, an Audit and Risk Committee was established. The Committee comprised of an independent Non-Executive Chairman, one Non-Executive director and two further members.	Does not comply.
4.3	The Audit Committee should have a formal charter.	The Board has adopted an Audit and Risk charter.	Complies.

Principles and Recommendations		Compliance	Comply
4.4	Provide the information indicated in <i>Guide to</i> reporting on Principle 4.	In accordance with the information suggested in <i>Guide to Reporting on Principle 4</i> , this has been disclosed in the company's Directors' Report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement.	Complies.
		The Company's Audit and Risk charter is available on the Company's website.	
Prin	ciple 5 – Make timely and ba	lanced 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 <i>Guide to reporting on Principle 5.</i>	The Company's continuous disclosure policy is available on the Company's website.	Complies.
Prin	ciple 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, electronic communications distributed via MCM Entertainment Group's share registry service agent 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 <i>Guide to</i> reporting on <i>Principle 6</i> .	The Company's shareholder communications policy is available on the Company's website.	Complies.
Prin	inciple 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 Board is responsible for oversight and risk management. The Audit and Risk charter is available on the Company's website and the Company's risk statement is summarised in this Corporate	Complies.

	ciples and ommendations	Compliance	Comply
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 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 risks.	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.
7.4	Provide the information indicated in Guide to reporting on Principle 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 Financial Officer.	Complies.
Prin	ciple 8 – Remunerate fairly a	and responsibly	
8.1	The Board should establish a Remuneration Committee.	As at the date of this Corporate Governance Statement the Board has not established a Nomination and Remuneration Committee. In the period from 1 July 2011 to 19 October 2011, a Nomination and Remuneration Committee was established. The	Does not comply.

	ciples and ommendations	Compliance	Comply
		Committee comprised of an independent Non-Executive Chairman and one Non-Executive director.	
8.2	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive Directors and senior executives.	The Company complies with 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.	Complies.
		No senior executive is involved directly in deciding their own remuneration.	
		The Company does not have any schemes for retirement benefits other than superannuation for Non-Executive Directors.	
8.3	Provide the information indicated in the Guide to	The Board has adopted a Remuneration Committee charter.	Complies.
	reporting on Principle 8.	This charter is available on the Company's website and is summarised in this Corporate Governance Statement.	
		In accordance with the information suggested in <i>Guide to Reporting on Principle 8</i> , this has been disclosed in the Remuneration Report within the Directors' Report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement.	

MCM Entertainment Group Limited's corporate governance practices were in place throughout the year ended 30 June 2012 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

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 overviewing 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 principles 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 works to achieve defined independence as in Principal 2 of the ASX Corporate Governance Revised Principles 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:

NamePositionPhilip JacobsenIndependent Non-Executive Director, ChairmanMichael GudinskiNon-Executive DirectorAndrew DarbyshireNon-Executive Director

As at 01 July 2012, the Board had the same number of Non-Executive and Executive Directors. Subsequent to appointing Andrew Darbyshire as a Non-Executive Director on 17 August 2012, the majority of Directors were Non-Executive Directors.

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	Date Appointed
Philip Jacobsen	Chairman, Non-Executive Director	19 October 2011
Michael Gudinski	Non-Executive Director	19 October 2011
Andrew Darbyshire	Non-Executive Director	17 August 2012
Simon Joyce Executive Director		1 July 2011

Name		Position	Date Appointed
	Anthony McGinn	Executive Director	10 August 1983

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.

The Securities Trading Policy has been issued to ASX and can be found on the Company's website.

Audit & Risk Committee

The Audit and Risk Committee existed up until the 19th of October 2011, however the functions of Audit and Risk operate 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.

Risk Responsibility

The responsibility of overseeing risk falls within the Audit and Risk Charter. The Board 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 ensuring the following:

 a culture of risk control and the minimisation of risk throughout the Company, which is occurring through natural or instinctive process by employees of the Company;

- a culture of risk control that can easily identify risks as they arise and 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 CFO Certification

The Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that in their view:

- 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 key Executives is reviewed regularly using both measurable and qualitative indicators.

Into the new financial year, Directors will provide written feedback in relation to the performance of the Board against a set of agreed criteria.

- Feedback will be collected by the chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board.
- The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

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 Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Chief Executive Officer and the executive team.

Financial Statements

Statement of Financial Position as at 30 June 2012

		CONSOLIDATED		
		30 Jun	30 Jun	
		2012	2011	
	Note	\$	\$	
Current assets				
Cash and cash equivalents	10	318,687	110,467	
Trade and other receivables	11	3,982,545	5,441,891	
Deferred production expenditure		496,441	317,598	
Prepayments		248,559	197,717	
Total current assets		5,046,232	6,067,673	
Non-current assets				
Deferred tax assets	7	1,001,117	664,531	
Property, plant and equipment	13	1,410,357	1,348,254	
Intangible assets and goodwill	14	1,747,913	1,851,421	
Total non-current assets		4,159,387	3,864,206	
Total non-current assets		4, 139,367	3,004,206	
TOTAL ASSETS		9,205,619	9,931,879	
Current liabilities				
Trade and other payables	16	2,802,384	2,624,549	
Unearned revenue		834,181	2,188,137	
Provisions	17	383,534	305,720	
Interest bearing liabilities	18	583,388	1,412,252	
Deferred lease incentive	26	51,220	-	
Total current liabilities		4,654,707	6,530,658	
Non-current liabilities				
Provisions	17	225,575	176,665	
Interest bearing liabilities	18	-	42,657	
Deferred lease incentive	26	306,338	-	
Total non-current liabilities		531,913	219,322	
TOTAL LIABILITIES		5,186,620	6,749,980	
NET ASSETS		4,018,999	3,181,899	
		7,010,000	3,101,000	
EQUITY	00	5 000 110	4.040.440	
Ordinary shares	20	5,002,113	4,940,113	
Share based payments reserve	21	217,925	122,123	
Foreign currency translation reserve	•	1,669	(2,830)	
Accumulated losses	21	(1,202,708)	(1,877,507)	
TOTAL EQUITY		4,018,999	3,181,899	

Statement of Comprehensive Income for the year ended 30 June 2012

		DATED	
		30-Jun	30-Jun
	Note	2012 \$	2011
Calca rayanya		· · · · · · · · · · · · · · · · · · ·	32.027.279
Sales revenue	6	29,004,319	22,937,278
Cost of sales		(12,202,307)	(9,686,140)
Gross Profit		16,802,012	13,251,138
Employee benefits expense	6	(12,222,316)	(11,058,323)
Property expenses		(855,532)	(820,387)
Administration expenses		(2,535,907)	(2,429,904)
Sales & marketing expenses		(182,423)	(275,641)
Foreign currency gains/(losses)		(29,622)	30,436
Depreciation & amortisation	6	(558,018)	(767,634)
Interest expense	6	(160,227)	(130,015)
On and the Fire and		(40 544 045)	(45 454 400)
Operating Expenses		(16,544,045)	(15,451,468)
Profit/(loss) before income tax		257,967	(2,200,330)
Income tax benefit	7	416,832	68,984
Profit/(loss) from continuing operations after income tax		674,799	(2,131,346)
Other comprehensive income			
Foreign currency translation		4,499	(2,830)
Total other comprehensive income		4,499	(2,830)
Total comprehensive income/(loss) for the period		679,298	(2,134,176)
Earnings per share for profit			
attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share (cents)	9	0.93	(2.97)

Statement of Cash Flows for the year ended 30 June 2012

		CONSOLI	DATED
		30 Jun	30 Jun 2011
		2012	
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers and related parties		29,660,862	24,093,897
Payments to suppliers and employees		(28,294,541)	(24,909,898)
Interest received		7,459	4,553
Interest & other financial expenses paid		(167,686)	(134,568)
Income tax received/(paid)		80,246	(273,777)
Net cash flows from operating activities	10	1,286,340	(1,219,793)
Cash flows from investing activities			
Purchase of business		-	(50,000)
Purchase of property, plant and equipment		(526,752)	(374,722)
Purchase of intangibles		(37,404)	(176,716)
Lease incentive received	26	357,557	-
Net cash flows used in investing activities		(206,599)	(601,438)
Cash flows from financing activities			
Payments of finance lease liabilities		(64,238)	(56,192)
Payment of debt raising costs		-	(9,290)
Net cash flows used in financing activities		(64,238)	(65,482)
Net cash increase/(decrease) in cash and cash equivalents		1,015,503	(1,886,713)
Cash and cash equivilalents at beginning of period		(1,237,547)	649,166
Cash and cash equivilalents at end of period	10	(222,044)	(1,237,547)

Statement of Changes in Equity for the year ended 30 June 2012

	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 comphrensive Income	-	-	-	(2,830)	(2,830)
Total comprehensive income	-	(2,131,346)	-	(2,830)	(2,134,176)
Employee share option plan	-	-	16,023	-	16,023
Balance at 30 June 2011	4,940,113	(1,877,507)	122,123	(2,830)	3,181,899
Profit/(Loss) for the year	-	674,799	-	-	674,799
Other comprehensive income	-	-	-	4,499	4,499
Total comprehensive income	-	674,799	-	4,499	679,298
Shares gifted to employees	62,000	-	-	-	62,000
Shares to be issued as remuneration	-	-	68,175	-	68,175
Employee share option plan	-	-	27,627	-	27,627
Balance at 30 June 2012	5,002,113	(1,202,708)	217,925	1,669	4,018,999

Notes to Financial Statements

1. Corporate Information

The financial report of MCM Entertainment Group Limited (the Company) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 29 August 2012.

MCM Entertainment Group Limited is a for profit 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 dollars.

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

The following amendments to standards and interpretations were made. These changes have no current material impact for the Group as at 30 June 2012:

- AASB 124 (revised)Related Party Disclosures (December 2009);
- 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):
- AASB 2010-4 Amendments to Australian Accounting Standards (AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13);
- AASB 2010-5 Amendments to Australian Accounting Standards (AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042);
- AASB 1054 Australian Additional Disclosures:
- AASB 2010-6 Amendments to Australian Accounting Standards Disclosures on Transfers of Financial Assets (AASB 1 & AASB 7); and
- AASB 1048 Interpretation of Standards

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2012 and have no current material impact for the Group as at 30 June 2012:

- AASB 2010-8 Amendments to Australian Accounting Standards Deferred Tax: Recovery of Underlying Assets (AASB 112);
- AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Other Comprehensive Income (AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049);
- AASB 10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements;
- AASB 12 Disclosure of Interests in Other Entities;
- AASB 13 Fair Value Measurement;
- AASB 119 Employee Benefits
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124);
- AASB 1053 Application of Tiers of Australian Accounting Standards;
- AASB 2012-2 Amendments to Australian Accounting Standards Disclosures Offsetting Financial Assets and Financial Liabilities;
- AASB 2012-4 Amendments to Australian Accounting Standards Government Loans;
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle;
- AASB 2012-3 Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities; and
- AASB 9 Financial Instruments.

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 2012.

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 at 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) 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.

e) 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 (\$). The functional currency of Movideo Digital Networking Technology Services (Beijing) Ltd is Renminbi (RMB) whilst the presentation currency for this entity is also Chinese Renminbi (RMB).

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 reporting date.

Translation of Group Companies Functional Currency to Presentation Currency

All realised exchange differences in the consolidated financial report are taken to the foreign currency translation reserve. All unrealised exchange rate differences are taken to the statement of financial position.

f) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position 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 statement of cash flows, 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 statement of financial position.

q) 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.

h) 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.

i) 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 20.0 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 statement of comprehensive income 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. 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.

i) 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 statement of comprehensive income 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.

k) 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 events or changes in circumstances indicate 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 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. The development costs have been assessed as having a finite life and is amortised using the prime cost 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 a of impairment.		eviewed annually if there is an indication

I) 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.

m) 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 reporting date.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

n) 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 reporting 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 Employee Share Option Plan.

The Employee Share Option Plan provides benefits to Directors, senior Executives and management. The allocation of options under the option plan was to senior staff and management at the Board's discretion.

In the 2011 financial year, the Board approved the Executive Option and Share Plan which remains in place. For further information, please refer to note 24.

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 statement of comprehensive income 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 statement of comprehensive income 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 reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 reporting 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 reporting 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 statement of financial position.

Cash flows are included in the statement of cash flow 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 net profit/(loss) 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) Business Combinations

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. Acquisition related costs are expensed as incurred and included in administrative expenses. 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.

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 measured to fair value 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 as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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 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 reporting date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED	
	2012	2011
	\$	\$
Financial assets		
Cash and cash equivalents	318,687	110,467
	318,687	110,467
Financial liabilities		
Bank overdraft	540,731	1,348,014
	540,731	1,348,014
Net exposure	(222,044)	(1,237,547)

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 reporting date.

At 30 June 2012, 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 TA		
	Higher / (Lower)		
	2012	2011	
Judgements of reasonably possible movements:	s: \$		
Consolidated			
+0.5% (50 basis points)	(777)	(4,331)	
-0.5% (50 basis points)	777	4,331	

The movements in profit are due to lower interest costs from variable rate debt and cash balances. The sensitivity for the group is lower in 2012 than 2011 due to a decreased exposure to debt.

Foreign Currency Risk

The Group's foreign currency charge has fluctuated year on year due to movements in the underlying foreign currency balances. 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.

The Group holds USD and RMB bank accounts however these balances are considered to be immaterial and as such do not warrant policies or 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 a decrease in trade debtors in the current period relative to the prior period, the nature of the customers are consistent year on 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 2012.

	<6 months	6-12 months	1-5 years	TOTAL
YEAR ENDED 30 JUNE 2012 - CONSOLIDATED	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	318,687	-	-	318,687
Trade and other receivables	3,982,545	-		3,982,545
Total financial assets	4,301,232	-	-	4,301,232
Financial liabilities				
Bank overdraft	540,731	-	-	540,731
Trade and other payables	2,802,384	-	-	2,802,384
Other interest bearing loans and borrowings	31,790	10,867	-	42,657
Total financial liabilities	3,374,905	10,867	-	3,385,772
Net maturity	926,327	(10,867)	-	915,460

The overdraft amount was \$540,731 at 30 June 2012 (2011: \$1,348,014). This on demand facility remains in place with the support of HSBC Bank Australia Ltd. Cancellation can be made by either party giving 30 days' notice.

	<6 months	6-12 months	1-5 years	TOTAL
YEAR ENDED 30 JUNE 2011 - CONSOLIDATED	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	110,467	-	-	110,467
Trade and other receivables	5,441,891	-		5,441,891
Total financial assets	5,552,358	-	-	5,552,358
Financial liabilities				
Bank overdraft	1,348,014	-	-	1,348,014
Trade and other payables	2,624,549	-	-	2,624,549
Other interest bearing loans and borrowings	32,119	32,119	42,657	106,895
Total financial liabilities	4,004,682	32,119	42,657	4,079,458
Net maturity	1,547,676	(32,119)	(42,657)	1,472,900

a) Maturity Analysis of Financial Assets and Liabilities 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.

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

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 in the near future.

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 statement of financial position 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 statement of comprehensive income.

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 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 premises 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 statement of financial position 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, cinema 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 recognised 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% (2011: 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 2012	•	<u> </u>	<u> </u>	•	•
Revenue					
Sales to external customers	23,534,341	4,218,660	1,251,318	-	29,004,319
Inter-segment sales	41,575	327,920	791,898	-	1,161,393
Total segment revenue	23,575,916	4,546,580	2,043,216	-	30,165,712
Segment net operating profit/(loss) after tax _	1,722,012	223,586	(1,742,064)	471,265	674,799
Interest revenue	1,893	186	131	5,249	7,459
Interest expense	(86,543)	(31)	(53)	(9,452)	(96,079)
Depreciation and amortisation	(257,883)	(70,929)	(163,358)	(65,848)	(558,018)
Write off of assets	(33,309)	-	(6,066)	-	(39,375)
Other non-cash expenses	(30,000)	(8,175)	-	(119,627)	(157,802)
Income tax (expense)/benefit	(802,155)	(102,346)	736,944	584,389	416,832
Segment assets	13,226,597	2,058,856	2,635,828	5,991,849	23,913,130
Segment liabilities	8,023,133	1,022,966	7,609,107	1,942,804	18,598,010
		Web			
		Development	Softw are		
	Media \$	& Design \$	Development \$	Unallocated \$	Total \$
Year Ended 30 June 2011	Ψ.	Ψ_	Ψ	Ψ	4
Revenue					
Sales to external customers	19,804,968	2,563,274	569,036	-	22,937,278
Inter-segment sales	3,570	171,406	504,866	-	679,842
Total segment revenue	19,808,538	2,734,680	1,073,902	-	23,617,120
Segment net operating profit/(loss) after tax _	728,243	(348,741)	(1,960,585)	(550,263)	(2,131,346)
	0.000	400	0.4	222	4.550
Interest revenue	3,382	499	34	638	4,553
Interest expense	(63,911)	(77)	(2)	(17,433)	(81,423)
Depreciation and amortisation	(356,533)	(63,616)	(287,795)	(59,690)	(767,634)
Other non-cash expenses	(257.020)	175 151	607.000	(16,023)	(16,023)
Income tax (expense)/benefit	(357,039)	175,454	697,893	(447,324)	68,984
Segment assets	12,196,532	2,018,573	1,336,209	4,942,941	20,494,255

a) Segment Revenue Reconciliation to the Statement of Comprehensive Income

	CONSOLIDATED		
	30 Jun 2012	30 Jun 2011	
Consolidated revenue per the statement of comprehensive income	29,004,319	22,937,278	
Inter-segment sales	1,161,393	679,842	
Total segment revenue	30,165,712	23,617,120	

The revenue is primarily derived from Australian operations.

b) Segment Net Operating Profit/(Loss) after Tax Reconciliation to the Statement of Comprehensive Income

	CONSOLIDATED		
	30 Jun 2012	30 Jun 2011	
Segment net operating profit/(loss) after tax	203,534	(1,581,083)	
Corporate benefits/(expenses)	471,265	(550,263)	
Total profit/(loss) after tax per the statement of comprehensive income	674,799	(2,131,346)	

c) Segment Assets Reconciliation to the Statement of Financial Position

	CONSOLIDATED		
	30 Jun 2012	30 Jun 2011	
Segment operating assets	23,913,130	20,494,255	
Intersegment eliminations	(15,708,626)	(11,227,273)	
Deferred tax assets	1,001,115	664,897	
Total assets per the statement of financial position	9,205,619	9,931,879	

Intersegment eliminations relate to loan accounts and accounts receivable balances between the members of the group. The Group's assets are primarily located in Australia.

d) Segment Liabilities Reconciliation to the Statement of Financial Position

	CONSOLIDATED		
	30 Jun		
	2012	2011	
Segment operating liabilities	18,598,010	15,412,674	
Intersegment eliminations	(14,020,499)	(9,145,079)	
Provisions	609,109	482,385	
Total liabilities per the statement of financial position	5,186,620	6,749,980	

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

6. Revenue & Expenses

	CONSOLIDATED	
	30 June	30 June
	2012	2011
Revenue		
Sales revenue - rendering of services	29,004,319	22,937,278
Total revenue	29,004,319	22,937,278
Depreciation and amortisation expense		
Depreciation expense of tangible assets	(417,106)	(479,365)
Amortisation expense of intangible assets	(140,912)	(288,269)
Total depreciation and amortisation expense	(558,018)	(767,634)
Interest 9 Grands average		
Interest & finance expenses Interest expense	(96,079)	(81,423)
Other financial expenses	(71,607)	(53,145)
Interest revenue	7,459	4,553
THO COST TO VOTIGO	1,100	1,000
Total interest & finance expenses	(160,227)	(130,015)
Lease payments and other expenses included in the		
statement of comprehensive income Minimum lease payments - operating leases charged directly to		
administration expense in the statement of comprehensive income	(717,069)	(654,013)
Total lease payments	(717,069)	(654,013)
Employee benefits expense	(40.404.044)	(0.000.070)
Wages & salaries	(10,184,844)	(9,230,876)
Superannuation expense	(769,496)	(719,169)
Share-based payments expense	(157,802)	(16,023)
Other employee benefits expense	(1,110,174)	(1,092,255)
Total employee benefits expense	(12,222,316)	(11,058,323)
Research and development expenses		
Research and development costs charged directly to administration		
expense in the statement of comprehensive income	(3,025)	(9,219)
Total research and development expense	(3,025)	(9,219)
		<u>.</u>

7. Income Tax

	CONSOLIDATED	
	30 June	30 June
	2012	2011
	\$	\$
Current income tax		
Adjustment in respect of current income tax of previous year	(80,246)	-
Deferred tax income		
Relating to origination and reversal of temporary		
differences	(336,586)	(68,984)
Income tax (benefit)/expense reported in statement of		
comprehensive income	(416,832)	(68,984)
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/(loss) before income tax	257,967	(2,200,330)
At the Group's statutory income tax rate of 30%	77,390	(660,099)
Non-deductible expenditure	176,949	167,550
Expenditure deductible for tax purposes only	(155,492)	-
Non-recognition of deferred tax asset on losses	-	447,095
Recognition of prior year losses previously unrecognised	(258,606)	
Non-assessable income	-	(23,530)
Utilisation of previously unrecognised tax losses	(257,073)	
Aggregate income benefit	(416,832)	(68,984)
Net deferred tax assets		
Allow ance for doubtful debts	3,630	3,630
Prepayments	(1,129)	(3,443)
Property, plant and equipment	45,469	114,540
Brandnames	2,251	(17,918
Accrued expenses	157,838	52,034
Annual leave	150,965	152,89
Provision for long service leave	148,983	115,473
Capital raising costs	-	46,536
Deferred Lease Incentive	107,267	
Other	385,843	200,784
Total net deferred tax assets	1 001 117	664 531
TOTAL HEL MEIETTEN TAY ASSELS	1,001,117	664,531

The Group has unused tax losses arising in Australia of \$862,021 (2011 tax losses carried forward: \$1,718,932).

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 principles 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. 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 2012 financial year.

	CONSOLIDATED	
	30 June	30 June 2011
	2012	
	\$	\$
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%	647,615	454,084
- franking credits that will arise from the payment of income tax	-	273,777
- franking debits that will arise from income tax refund received	-	(80,246)
	647,615	647,615

9. Earnings per Share (EPS)

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

	CONSOLI	DATED
	30 Jun	30 Jun
	2012	2011
	\$	\$
Earnings after tax	674,799	(2,131,346)

Weighted Average Number of Shares

	CONSOLII	DATED
	30 Jun	30 Jun
	2012	2011
	No. of shares	No. of shares
Basic and diluted weighted number of ordinary shares	72,499,297	71,846,685

Earnings per Share

	CONSOLIDATED		
	30 Jun	30 Jun	
	2012	2011	
	cents	cents	
Basic and diluted EPS	0.93	(2.97)	

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.

10. Current Assets – Cash and Cash Equivalents

	CONSOLIDATED	
	30 June	30 June
	2012	2011
	\$	\$
Cash at bank and in hand	318,687	110,467
Bank overdraft	(540,731)	(1,348,014)
Total cash and cash equivalents	(222,044)	(1,237,547)
Reconciliation of net profit after tax to net cash flows from operations		
Profit/(loss) from continuing operations after income tax	674,799	(2,131,346)
Adjustments for non-cash income and expense		
Depreciation of plant and equipment	417,106	479,365
Amortisation of intangibles	140,912	288,269
Write down of asset	39,375	-
Makegood expense	25,000	25,000
Share based payments expense	157,802	16,023
Decrease/(increase) in assets and liabilities		
Trade and other receivables	1,459,346	(998,010)
Other assets	(297,263)	(83,931)
Trade and other payables	177,835	44,066
Deferred revenue	(1,353,956)	1,487,079
Income tax receivable/(payable)	80,246	(273,777)
Deferred taxes	(336,586)	(68,986)
Provisions (employee benefits)	101,724	46,455
Deferred Consideration	-	(50,000)
Net cash fows from operating activities	1,286,340	(1,219,793)

11. Current Assets - Trade and Other Receivables

	CONSOLIDATED		
	30 June	30 June	
	2012	2011	
	\$	\$	
Trade receivables, third parties	3,910,526	5,348,513	
Allow ance for impairment loss	(12,100)	(12,100)	
Total trade receivables	3,898,426	5,336,413	
Other receivables, third parties	32,240	-	
Other receivables, related parties	1,251	10,467	
Accrued revenue	50,628	95,011	
Total other receivables	84,119	105,478	
Total trade and other receivables	3,982,545	5,441,891	

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 remained unchanged for the period (2011: decreased by \$28,516) has been recognised by the Group in the 'administration expenses' line item for the current period for specific debtors, as described in note 2(g), for which such evidence exists. During the year, the Group did not incur any bad debts

Movements in allowance for impairment loss were as follows:

	CONSOLIDATED	
	30 June 2012 \$	30 June 2011 \$
Allow ance for impairment loss opening balance	(12,100)	(41,125)
Amounts written off (included in Administration Expenses)	-	509
Decrease/(increase) in allow ance	-	28,516
Allowance for impairment loss closing balance	(12,100)	(12,100)

An ageing analysis of trade receivables is provided below:

2012		0-30 days	31-60 days	61-90 days	+91 days	days	T-4-1
	NPDNI ¹ N \$	NPDNI ¹ \$		PDNI ² \$	CI³ \$	Total \$	
Consolidated	2,424,955	1,280,215	166,795	26,461	12,100	3,910,526	
2011							
Consolidated	2,977,402	2,312,829	33,508	12,674	12,100	5,348,513	

¹ Not past due not impaired

Related Party Receivables

For terms and conditions of related party receivables refer to note 22.

12. Non-Current Assets – Investment in Subsidiaries

		Percentage of equity in held by the consolidated		
		30 June	30 June	
		2012	2011	
	Country of			
Name	Corporation			
MCM Media Pty Ltd	Australia	100%	100%	
Igloo Digital Pty Ltd	Australia	100%	100%	
Movideo Pty Ltd	Australia	100%	100%	
MCM Entertainment Pty Ltd	Australia	100%	100%	
Movideo Digital Networking Technology Services (Beijing) Ltd	China	100%	100%	
Movideo Singapore Pte Ltd	Singapore	100%	100%	

² Past due not impaired

³ Considered impaired

13. Non-Current Assets – Property, Plant & Equipment

	CONSOLIDATED			
	Furniture,			
	Fixtures &	Office, Studio		
	Fittings	Equipment	Total	
	\$	\$	\$	
Year ended 30 June 2012				
At 1 July 2011 net of accumulated depreciation	696,540	651,714	1,348,254	
Additions	423,558	95,026	518,584	
Assets disposed of	-	(39,375)	(39,375)	
Depreciation for the period	(141,366)	(275,740)	(417,106)	
At 30 June 2012 net of accumulated depreciation	978,732	431,625	1,410,357	
At 30 June 2012				
Cost	1,593,792	3,128,701	4,722,493	
Accumulated depreciation	(615,060)	(2,697,076)	(3,312,136)	
Net carrying amount	978,732	431,625	1,410,357	
Year ended 30 June 2011				
At 1 July 2010, net of accumulated depreciation	835,444	639,742	1,475,186	
Additions	-	352,433	352,433	
Depreciation for the period	(138,904)	(340,461)	(479,365)	
At 30 June 2011 net of accumulated depreciation	696,540	651,714	1,348,254	
At 30 June 2011 net of accumulated depreciation				
Cost	1,170,234	3,469,927	4,640,161	
Accumulated depreciation	(473,694)	(2,818,213)	(3,291,907)	
Net carrying amount	696,540	651,714	1,348,254	

The net carrying value of plant and equipment held under finance lease contracts at 30 June 2012 is \$35,641 (June 2011 is \$88,771). Leased assets are pledged as security for the related finance leases.

14. Non-Current Assets – Intangible Assets and Goodwill

CONSOLIDATED

	Brand names &		Capitalised website		
			costs/		
		trade marks	s of tware	Total	
	\$	\$	\$	\$	
Year ended 30 June 2012					
At 1 July 2011 net of accumulated amortisation and					
impairment	1,510,835	59,725	280,861	1,851,421	
Additions	-	-	37,404	37,404	
Amortisation for the period	-	(52,220)	(88,692)	(140,912)	
At 30 June 2012 net of accumulated amortisation					
and impairment	1,510,835	7,505	229,573	1,747,913	
At 30 June 2012					
Cost	1,510,835	350,000	817,408	2,678,243	
Accumulated amortisation	-	(342,495)	(587,835)	(930,330)	
Net carrying amount	1,510,835	7,505	229,573	1,747,913	
Year ended 30 June 2011					
At 1 July 2010, net of accumulated amortisation and					
impairment	1,510,835	111,945	293,016	1,915,796	
Additions in the period	-	-	223,894	223,894	
Amortisation for the period	-	(52,220)	(236,049)	(288,269)	
At 30 June 2011, net of accumulated amortisation					
and impairment	1,510,835	59,725	280,861	1,851,421	
At 30 June 2011					
Cost	1,510,835	350,000	871,013	2,731,848	
Accumulated amortisation		(290,275)	(590,152)	(880,427)	
Not carrying amount	1,510,835	59,725	280,861	1,851,421	
Net carrying amount	1,510,035	33,123	200,001	1,001,721	

The net carrying value of software held under finance lease contracts at 30 June 2012 is \$Nil. (June 2011 is \$5,714). 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 Goodwill and Intangibles

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.

Furthermore, the group has a third cash generating unit, Movideo which paid for an international patent to protect the Camify software.

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.

The impairment testing undertaken includes consideration of the carrying value of goodwill, intangibles and plant and equipment in the relevant cash generating units.

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 and a terminal value.

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 12.00% (2011: 15.00%).

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 3.0% (2011: 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 3.00% (2011: 3.50%).

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 and a termination value.

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 15.00% (2011: 15.00%).

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 term strategy for the unit. The average growth rate used is 5.00% (2011: 7.50%).

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 4.00% (2011: 3.00%).

In relation to the assessment of the value in use of the Igloo Digital 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.

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 and terminal value.

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 20.00% (2011: 20.00%).

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 10.00% (2011: 2.50%).

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 5.00% (2011: 2.00%).

In respect of the Movideo cash generating unit should the objectives developed in the business plan fail to be achieved the maximum potential impact is the value of the patents, totaling \$107,941.

The carrying amounts of goodwill and patents are depicted below:

	MCM MEDIA UNIT		IGLOO DIGIT	AL UNIT	MOVIDEO UNIT	
	30 June	30 June	30 June	30 June	30 June	30 June
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Carrying amount of goodwill	553,946	553,946	956,933	956,933	-	-
Carrying amount of patents	-	-	-	-	107,941	107,941

16. Current Liabilities - Trade and Other Payables

	CONSOLIDATED		
	30 June	30 June	
	2012	2011	
	\$	\$	
Trade payables, third parties	691,836	515,192	
Total trade payables	691,836	515,192	
Accrued expenses, third parties	1,607,332	1,599,712	
Accrued annual leave	503,216	509,645	
Total other payables	2,110,548	2,109,357	
Total trade and other payables	2,802,384	2,624,549	

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.

17. Provisions

	CONSOLIDA	ATED
	30 June	30 June
	2012	2011
	\$	\$
Current		
Long service leave	383,534	305,720
Total current	383,534	305,720
Non-current		
Long service leave	113,075	89,165
Provision for makegood	112,500	87,500
Total non-current	225,575	176,665
Total provisions	609,109	482,385

Movements in Provisions

Movements in each class of provision during the financial year are set out below:

	Provision for		
	Long Service	Provision for	
	Leave	Makegood	Total
	\$	\$	\$
At 1 July 2011	394,885	87,500	482,385
Increase in provision	101,724	25,000	126,724
As at 30 June 2012	496,609	112,500	609,109
Current - 2012	383,534	-	383,534
Non-Current - 2012	113,075	112,500	225,575
As at 30 June 2012	496,609	112,500	609,109
Current - 2011	305,720	-	305,720
Non-Current - 2011	89,165	87,500	176,665
As at 30 June 2011	394,885	87,500	482,385

The make good provision increased by \$25,000 during the year 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 \$112,500. 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

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

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

	CONSOLIDATED		
	30 June	30 June	
	2012	2011	
	\$	\$	
Current			
Bank overdraft	540,731	1,348,014	
Finance lease liability	42,657	64,238	
Interest bearing liabilities (current)	583,388	1,412,252	
Non-current			
Finance lease liability	-	42,657	
Interest bearing liabilities (non-current)	-	42,657	
Total interest bearing liabilities	583,388	1,454,909	

Financing Facilities Available

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

	CONSOLID	ATED
	30 Jun	30 Jun
	2012	2011
	\$	\$
Total facilities		
Bank overdraft	2,050,543	3,000,000
Lease facilities	42,657	106,895
	2,093,200	3,106,895
Facilities used at reporting date		
Bank overdraft	540,731	1,348,014
Lease facilities	42,657	106,895
	583,388	1,454,909
Facilities unused at reporting date		
Bank overdraft	1,509,812	1,651,986
Lease facilities	-	-
	1,509,812	1,651,986

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 Jun	30 Jun	
	2012	2011	
	\$	\$	
Ordinary shares			
Ordinary shares at start of period	4,940,113	4,940,113	
Shares gifted to employees	62,000	-	
Balance at end of period	5,002,113	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	2012	2011	
Opening balance	71,846,685	71,846,685	
Shares gifted to employees	652,612	-	
Closing balance	72,499,297	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 2012 financial year.

Management monitors capital through the gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2012 and 30 June 2011 were as follows:

	CONSOLIDATED		
	30 June	30 June	
	2012	2011	
	\$	\$	
Total borrowings	583,388	1,454,909	
Less cash and cash equivalents	(318,687)	(110,467)	
Net debt	264,701	1,344,442	
Total equity	4,018,999	3,181,899	
Total capital	4,283,700	4,526,341	
Gearing Ratio	6%	30%	

21. Retained Earnings/(Accumulated Losses) and Reserves

Movements in Retained Earnings/(Accumulated Losses) as follows:

	CONSOLIDATED	
	30 Jun	30 Jun
	2012	2011
	\$	\$
Retained earnings/(accumulated losses)		
Retained earnings/(accumulated losses) at the beginning of the period	(1,877,507)	253,839
Profit/(loss) attributable to the members of the group	674,799	(2,131,346)
Accumulated losses at end of the period	(1,202,708)	(1,877,507)

Movements in the Share Based Payments Reserve as Follows:

	CONSOLIDATED	
	30 Jun	30 Jun 2011
	2012	
	\$	\$
Share based payments reserve		
Share based payments reserve at start of period	122,123	106,100
Shares to be issued as remuneration	68,175	-
ESOP attributable to members of the group	27,627	16,023
Share based payments reserve at end of period	217,925	122,123

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 24 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 Ptv Ltd:
- Igloo Digital Pty Ltd;
- Movideo Pty Ltd;
- MCM Entertainment Pty Ltd;
- Movideo Digital Networking Technology Services (Beijing) Ltd; and
- Movideo Singapore Pte 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).

	Sales to related parties	Purchases from related parties
	\$	\$
2011	-	7,099
2012	-	3,185
2011	6,000	-
2012	-	-
2011	-	10,000
2012	-	10,000
	2012 2011 2012 2011	to related parties \$ 2011 - 2012 - 2011 6,000 2012 - 2011

The following table provides the total outstanding balances on receivables and payables at the relevant financial year end:

	Payables to related parties	
CONSOLIDATED	\$	\$
Transactions with director related entities		
Liberation Music - Copyright Fees 2011	1,071	-
2012	1,452	-
KOALA Foundation - Cost Recoveries 2011	-	3,618
2012	-	646

23. Key Management Personnel

Compensation for Key Management Personnel

	CONSOLIDATED	
	30 June	30 June
	2012	2011
	\$	\$
Short-term employee benefits	1,577,917	1,688,074
Post-employment benefits	75,494	81,969
Other-long term benefits	105,885	31,045
Share based payments	39,874	7,440
Total compensation	1,799,170	1,808,528

Option Holdings of Key Management Personnel (Consolidated)

	Balance at		Balance at	Vested at 30 June 2012)12
	Beginning of Period 1 July 2011	Granted/ (forfeited)	End of Period 30 June 2012	Total	Exercisable	Not Exercisable
Directors						
P. Jacobsen ¹	-	-	-	-	-	-
M. Gudinski ¹	-	-	-	-	-	-
J. Playoust ²	-	-	-	-	-	-
G. Smith ²	-	-	-	-	-	-
V. Donato ²	-	-	-	-	-	-
Executive Directors						
S. Joyce ³	200,000	1,610,000	1,810,000	200,000	200,000	-
A. McGinn	300,000	-	300,000	300,000	300,000	-
M. Burgess ^{2, 4}	200,000	(200,000)	-	-	-	-
Executives						
C. Moore	50,000	1,000,000	1,050,000	50,000	50,000	-
B. Keep ⁵	50,000	360,000	410,000	50,000	50,000	-
	800,000	2,770,000	3,570,000	600,000	600,000	-

¹ appointed as a Director 19 October 2011

² resigned as a Director 19 October 2011

³ appointed as a Director 1 July 2011

⁴ resigned as Chief Operating Officer 27 January 2012

⁵ appointed as Chief Financial Officer 24 January 2012

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 1 July 2011	Granted as Remuneration	On Exercise of Options	Disposed	Balance 30 June 2012
	Ord	Ord	Ord	Ord	Ord
Directors					
P. Jacobsen ¹	-	-	-	-	-
M. Gudinski ¹	15,562,600	-	-	-	15,562,600
J. Playoust ^{2, 6}	4,696,015	-	-	(4,696,015)	-
G. Smith ²	50,000	-	-	-	50,000
V. Donato ²	-	-	-	-	-
Executive Directors					
S. Joyce ³	25,000	-	-	-	25,000
A. McGinn	23,573,866	-	-	-	23,573,866
M. Burgess ^{2, 4}	16,605	-	-	-	16,605
Executives					
C. Moore	68,000	-	-	-	68,000
B. Keep ⁵	-	-	-	-	-
	43,992,086	-	-	(4,696,015)	39,296,071

¹ appointed as a Director 19 October 2011

Loans to Key Management Personnel

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

² resigned as a Director 19 October 2011

³ appointed as a Director 1 July 2011

⁴ resigned as Chief Operating Officer 27 January 2012

⁵ appointed as Chief Financial Officer 24 January 2012

⁶ J. Playoust is the Managing Director of and has a minority interest in Australian Enterprise Holdings Pty Ltd.

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 Jun	30 June
	2012	2011
	\$	\$
Expense arising from equity settled share-based payment transactions	157,802	16,023

The Group has two option plans, the Employee Share Option Plan (Option Plan) and the Executive Option and Share Plan (Executive Option and Share Plan).

The share-based payment plans are described below. There have been no cancellations or modifications to the Option Plan 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.

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. 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.

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	-	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	200,000	20 cents
10 December 2007	Other Management and Key Talent	31 December 2008/ 22 November 2012	425,000	20 cents
Total			925,000	

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 2012:

	30 June
	2012
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.

h) Summary of Movements in Options Granted under the Employee Share Option Plan during the Year

The following table illustrates the number, and movements in, share options issued during the year:

Outstanding at the beginning of the year 1,275,000

Granted during the year Nil

Forfeited during the year 350,000

Exercised during the year Nil Expired during the year Nil

Outstanding at the end of the year 925,000 Exercisable at the end of the year 925,000

i) Range of Exercise Price

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

Executive Option and Share Plan

a) General

The MCM Entertainment Group Limited senior Executive Option and Share Plan is the Company's long term incentive scheme for Directors and Executives.

Under the Executive Option and Share 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. Under the Executive Option and Share 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.

b) Eligibility

Under the Executive Option and Share Plan, the Board may offer Options to any persons determined by the Board to be eligible to participate in the Executive Option and Share Plan. The Board, exercising its absolute discretion, will determine the eligibility of persons, their entitlement and the consideration payable for the Options.

c) Executives Currently Eligible for Options

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 to which participants are eligible under the Executive Option and Share Plan is set out below:

Commencement Date	Holder	Vesting date/expiration date	Number of options	Exercise price
01 January 2011	Senior Executives	01 January 2014/ 01 January 2017	1,490,000	20 cents
01 January 2012	Senior Executives	01 January 2015/ 01 January 2018	1,490,000	20 cents
01 January 2011	Executives	01 January 2014/ 01 January 2016	1,283,520	20 cents
01 January 2011	Executives	01 January 2014/ 01 January 2016	1,681,245	20 cents
Total			5,944,765	

These options will be granted to the participants on the formal establishment of the Executive Option and Share Plan.

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 2012:

	30 June
	2012
Dividend yield (%)	0.00
Expected volatility (%)	40.00
Risk-free interest rate (%)	5.00
Expected life of options (years)	3-5
Option exercise price (\$)	0.20
Weighted average share price at measurement date (\$)	0.06-0.15

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 7 years after the commencement date.

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 Executive Option and Share 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 Executive Option and Share 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.

h) Summary of Movements in Options Granted under the Executive and Share Option Plan during the Year

The following table illustrates the number, and movements in, share options issued during the year:

Granted during the year 6,194,765
Forfeited during the year 250,000
Exercised during the year Nil

Expired during the year Nil

Outstanding at the end of the year 5,944,765

Exercisable at the end of the year Nil

i) 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 (wrong comparison):

	CONSOLIDATED	
	30 June	30 June 2011
	2012	
	\$	\$
Minimum lease payments		
Less than one year	663,650	493,416
Later than one year and no later than five years	2,147,075	1,444,083
More than five years	604,056	
Total minimum lease commitments	3,414,781	1,937,499
Total operating lease commitments	3,414,781	1,937,499
Operating lease expenses recognised as an		
expense during the period:	717,069	654,013

Finance Lease Commitments

The Group has finance leases for 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	
	30 June	30 June
	2012	2011
	\$	\$
Minimum lease commitments		
Less than one year	44,569	73,561
Later than one year and not later than five years	-	44,569
		_
Total minimum lease commitments	44,569	118,130
Less amounts representing finance charges	(1,912)	(11,235)
		400.00
Present value of minimum lease payments	42,657	106,895
Finance liability		
Current liability	42,657	64,238
Non-current liability	-	42,657
Total finance lease liability	42,657	106,895

The weighted average interest rate impact in the leases for the Group is 7.70% at 30 June 2012 (30 June 2011: 7.70%).

Capital Commitments

The Group has no material capital commitments as at 30 June 2012.

Contingent Liabilities and Contingent Assets

At the date of this report, the Company was in negotiations with Mr. Cameron Moore for the purchase of his share of the Intellectual Property of the Camify® product, a business intelligence tool which is utilised by the Movideo product. The Company has also commenced negotiations with Mr. Anthony McGinn in respect of finalising his Executive Services Agreement. The potential impact cannot be quantified at this stage due to uncertainty surrounding commercial terms. No contractual arrangements were concluded prior to the signing of the financial report.

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.

26. Deferred Lease Incentive

On 18 June 2012 MCM Media commenced a seven year lease for office space at Suite 103, 355 Crown Street, Surry Hills, NSW. A lease incentive of \$382,500 was provided by the lessor to facilitate the fit out of the office. As at 30 June 2012, \$357,558 of the incentive had been utilised.

27. Events after the Reporting Date

On 16 August 2012, the Company made an application to the Australian Securities Exchange Limited (ASX) to seek a de-register of its securities from the main board of the ASX. The ASX advised on 29 August 2012 that the company's application has been accepted subject to shareholder approval, to be sought at the Company's Annual General Meeting (AGM).

On 17 August 2012, Andrew Darbyshire AM was appointed a Non-Executive Director.

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.

28. Parent Entity Information

	PARENT	
	30 June	30 June
	2012	2011
	\$	\$
Current assets	4,930,283	3,877,414
Non-current assets	1,468,188	1,238,487
Total assets	6,398,471	5,115,901
Current liabilities	2,064,880	1,365,452
Non-current liabilities	19,718	80,853
Total liabilities	2,084,598	1,446,305
Ordinary shares	5,002,113	4,927,199
Share based payments reserve	217,925	122,123
Accumulated losses	(1,379,725)	(907,904)
Total equity	3,840,313	4,141,418
Profit/(loss) of the parent entity	473,560	(471,822)
Total comprehensive income of the parent entity	473,560	(471,822)

Property, plant and equipment commitments

The parent entity and the Group had no contractual obligations to purchase plant and equipment at 30 June 2012.

29. Auditor's Remuneration

The auditor of MCM Entertainment Group Limited is Ernst & Young.

	CONSOLIDATED	
	30 June 2012	30 June 2011
	\$	\$
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	114,500	105,000
Other services in relation to the entity and any other entity in the consolidated group	-	35,825
	114,500	140,825

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 2012 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
 - 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 2012.

On behalf of the Board

Simon Joyce Chief Executive Officer

Melbourne, 30 August 2012

Independent Auditor's Report



Ernst & Young Building 8 Exhibition Street Melbourne VIC 3000 Australia GPO Box 67 Melbourne VIC 3001

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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 consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 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



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Opinion

In our opinion:

- a. 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 as at 30 June 2012 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 18 to 25 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of MCM Entertainment Group Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Ernst & Young

David Shewring Partner Melbourne 30 August 2012

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 2012.

Distribution of Equity Securities

Ordinary Share Capital

72,499,297 fully paid ordinary shares are held by 251 individual shareholders. All issued ordinary shares carry one vote per share and carry full rights to dividends declared by the Company.

Options

6,869,765 options are held by 18 individual option holders. Options do not carry a right to vote. During the financial year ended 30 June 2012, no options were converted into shares. The number of Security investors holding less than a marketable parcel of 7,693 securities (\$0.0650 on 31 July 2012) is 27.

Distribution of Shareholders

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

As at 31 July 2012	Fully Paid Ordinary Shares	
	Holders	Units
1 – 1,000	1	1
1,001 – 5,000	21	98,204
5,001 – 10,000	48	457,525
10,001 – 100,000	149	3,733,571
100,001 and over	32	68,209,996
TOTAL	251	72,499,297

Substantial Shareholders and Twenty Largest Holders of Quoted Equity Securities

As at 31 July 2012		Fully Paid	
Rank	Ordinary Shareholders	Number	Percentage
1	Mr Michael Gudinski	15,402,121	21.24
2	ABN Amro Clearing <next custodian=""></next>	10.680.662	14.73
3	Mr Anthony James McGinn	10,649,373	14.69
4	Maitland Superannuation Investments Pty Ltd	8,077,076	11.14
5	Pacific Electronics Superfund Account	7,580,660	10.46
6	Milford Cove Pty Ltd	4,485,597	6.19
7	Ms Rosemary McGinn	1,618,643	2.23
8	Mrs Annie Mollison	1,269,842	1.75
9	D K McGinn Super Fund Account	1,052,521	1.45
10	ABN Amro Clearing < Custodian A/C>	808,490	1.12
11	Mr Graham Porter & Mrs Meredith Porter	700,000	0.97
12	Muzio Cantarella Superfund A/C	680,000	0.94
13	Gary Hardwick	603,333	0.83
14	Mr Don McGinn	553,730	0.76
15	Mr Kenneth Robert Bignill	436,216	0.60
16	Miss Anne Terese Mollison	409,641	0.57
17	Maitland Super Fund A/C	361,820	0.50
18	C&B Superannuation Fund A/C	270,000	0.37
19	Charles Scarf S/F A/C	270,000	0.38
20	Jeremy Peters	270,000	0.38
	TOTAL	66,179,725	91.28

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