



Manaccomm Corporation Limited
 ABN 66 009 189 128
 ASX: MNL

Level One, 601 Coronation Drive
 PO Box 824
 TOOWONG BC QLD 4066 AUSTRALIA
 Voice: +61 (0)7 3831 3705
 Fax: +61 (0)7 3369 7844
 www.manaccomm.com

ASX RELEASE – Wednesday 24 February 2010

HALF YEAR REPORT



- NET PROFIT AFTER TAX UP 12%
- INTERIM DIVIDEND DECLARED
- SUCCESSFUL LAUNCH OF THE ONLINE LOTTERY PLATFORM

Leading Australian online lottery company Manaccomm Corporation Limited, today announced a 12% increase in Net Profit after tax to \$1.15 million for the half year to December 2009. A 0.5 cents (half cent) per share fully-franked interim dividend has been declared which is the Company’s fifth consecutive half year dividend.

The result was a combination of a \$2.7 million net profit before tax from the online lottery division and a \$480,000 net loss before tax from the software distribution division.

The net loss in the distribution division was due mainly to the change-over from Trend Micro to McAfee following the signing of a 3 year contract with McAfee in May 2009.

The \$2.7 million half year net profit in the online lottery division represents a 202% growth over the previous corresponding period from revenue up 98% to \$32.5 million, driven particularly by strong growth in new customer signups to www.ozlotteries.com as well as the successful 5 year exclusive agreement with NSW Lotteries signed in December 2008.

| <u>COMPANY SNAPSHOT</u> | |
|--|------------------|
| ASX Code: | MNL |
| Shares on Issue: | 43 mil |
| Options on Issue: | 3 mil |
| Share price (23 Feb 2010) | 41c |
| Market Cap: | \$17 mil |
| PE (HY Dec09 NPAT) | 7.7 |
| Projected share price based on HY Dec09 NPAT \$1.15 mil | |
| PE of 10 | 53c |
| PE of 15 | 80c |
| EPS (HY Dec 09 NPAT) | 2.5c (HY) |
| HY Dec09 Div per share | 0.5c (HY) |



Manaccomm Corporation Limited
ABN 66 009 189 128
ASX: MNL

Level One, 601 Coronation Drive
PO Box 824
TOOWONG BC QLD 4066 AUSTRALIA
Voice: +61 (0)7 3831 3705
Fax: +61 (0)7 3369 7844
www.manaccomm.com

“The excellent result from the online lottery business proves our online lottery platform can be used by a major lottery operator such as NSW Lotteries to achieve growth via an internet channel”, said Mr Mike Veverka

Performance of the online lottery business

The performance of the online lottery business for the half year was primarily due to:

1. Record website traffic.
2. Improved customer acquisition methods.
3. Improved customer retention methods.
4. Operation of the NSW Lotteries internet channel.

In June 2009 an Australian record \$90 million jackpot substantially increased the size of the player database which translated into higher sales during the following lower jackpot months. This effect can be seen by a 26% increase in sales from the June 2009 half year to the December 2009 half year despite the absence of record jackpot in the December 2009 half.

The business has had a good start in 2010 with a record January result 58% higher than in January 2009. This was as a result of the much larger customer database and two large jackpots (\$30 million Saturday Lotto and \$30 million Oz Lotto).

The privatisation of NSW Lotteries is expected in the second half year with the new owner contractually required to continue the exclusive 5 year relationship with Manaccomm until December 2013.

“We will be working closely with the new owner to demonstrate the advantages of our online lottery model with the aim of securing further agreements beyond December 2013 to ensure continuing benefits for both parties”, Mr Veverka said.



Manaccomm Corporation Limited
ABN 66 009 189 128
ASX: MNL

Level One, 601 Coronation Drive
PO Box 824
TOOWONG BC QLD 4066 AUSTRALIA
Voice: +61 (0)7 3831 3705
Fax: +61 (0)7 3369 7844
www.manaccomm.com

Performance of the software distribution and publishing business

In May 2009, Manaccomm signed a 3 year exclusive agreement with McAfee to distribute their products through key mass merchant retailers in Australia and New Zealand. Being a new brand to Manaccomm this meant a period of change. Not only did the stock need to be changed over in the channel but also the mindset in the market. The Manaccomm model is now behind McAfee, the largest dedicated internet security company in the world.

During the change over period a drop in revenue was anticipated with an increase expected over the duration of the agreement.

The division also underwent a change in management in November 2009 including the resignation of Mr Ian Mackay who served as manager of the division and also deputy chairman of the group. The group CEO, Mr Mike Veverka has stepped into this role and has begun the task of improving the division.

"While industry reports show that the McAfee market share has increased, it has not increased as fast as we would have liked", said Mr Mike Veverka.

"We are close to an agreement with McAfee on a new plan designed to accelerate the growth of McAfee's market share. With the support of McAfee, our key retail partners and the major release of McAfee 2011 later this year, we will be able to improve the performance of the division", he said.



Manaccomm Corporation Limited
ABN 66 009 189 128
ASX: MNL

Level One, 601 Coronation Drive
PO Box 824
TOOWONG BC QLD 4066 AUSTRALIA
Voice: +61 (0)7 3831 3705
Fax: +61 (0)7 3369 7844
www.manaccomm.com

Future Growth

The bulk of future growth is expected to come from the online lottery business, both domestically and internationally. Plans are being put into place for longer term growth from the online lottery business with expansion plans into USA, Canada and Europe. Discussions are progressing with a number of major lottery operators.

“We have been investigating the US market which we believe to be close to allowing online sales of US lotteries. This is a huge opportunity for Manaccomm as very few companies worldwide can match our experience, marketing and software as a platform for online lotteries”, said Mr Mike Veverka.

“The European online lottery market is another huge opportunity we are investigating for long term growth”, he said.

About Manaccomm

Manaccomm began selling lotteries online in 2000 with state based charity lotteries in Queensland. In 2005 the Company acquired TMS Global Services Pty Ltd which gave the company access to the national lotteries via agreements with NSW Lotteries and Tattersals. 2009 was a breakthrough year following the signing of a 5 year exclusive agreement with NSW Lotteries in December 2008. The Company has developed the popular www.ozlotteries.com website from which it sells games such as OzLotto and Powerball. This website has been developed in a way that can also be used by major lottery operators, such as NSW Lotteries, as their internet channel.

In 2007 the Company acquired a software distribution and publishing business that markets popular software titles such as McAfee through large retailers and independent resellers in Australia and New Zealand.



Manaccomm Corporation Limited
ABN 66 009 189 128
ASX: MNL

Level One, 601 Coronation Drive
PO Box 824
TOOWONG BC QLD 4066 AUSTRALIA
Voice: +61 (0)7 3831 3705
Fax: +61 (0)7 3369 7844
www.manaccomm.com

Manaccomm reported a string of record results in the 2009 financial year, including the following:

- Net Profit After Tax grew 78% to \$3.0 million.
- Revenue grew 57% to \$59 million.
- Dividends grew 50% to 1.5c per share.
- EBITDA grew 77% to \$5.1 million.

For further information:

Mike Veverka
CEO and Executive Director
Ph: 07 3831 3705

APPENDIX 4D Half-Year Report

MANACCOM CORPORATION LIMITED
ACN 009 189 128

Reporting period: Half-year ended 31 December 2009

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | Half-Year 31 December 2009 \$ | Half-Year 31 December 2008 \$ | Change \$ | Change % |
|-----------------------------|--|--|--------------|-------------|
| 2009 | | | | |
| Revenue | 36,171,201 | 23,308,607 | 12,862,594 | 55.2 |
| Profit after tax for period | 1,150,225 | 1,023,841 | 126,383 | 12.3 |

DIVIDENDS

A fully franked final dividend of 1 cent per ordinary share for the financial year ended 30 June 2009 was paid on ordinary shares during the half-year ended 31 December 2009 (2008: a fully franked final dividend of 1 cent per ordinary share was paid).

The Directors have declared a fully franked interim dividend of 0.5 cents per ordinary share for the half-year ended 31 December 2009 (2008: 0.5 cents), with a record date of 5 March 2010. The dividend is not subject to a bonus share plan or a dividend reinvestment plan as the company does not operate either of these plans, and no conduit foreign income is attributed to the dividend.

EXPLANATION OF RESULTS

Please refer to the Directors' Report for an explanation of the Result.

MANACCOM CORPORATION LIMITED and its Subsidiaries

Directors' Report

Your directors present their report on the consolidated entity consisting of Manaccomm Corporation Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

Directors

The names of persons who were directors of Manaccomm Corporation Limited during the whole of the half-year and up to the date of this report are:

David Barwick (Chairman)

Mike Veverka (Chief Executive Officer)

Bill Lyne (non-Executive Director) - appointed 30 October 2009

Ian Mackay (Executive Deputy Chairman) - resigned 29 October 2009

Directors have been in office since the start of the financial year to the date of this report unless otherwise as stated.

Review of Operations

A summary of the consolidated revenues and results by significant industry segment is set out below:

| | Segment Revenues | | Segment Results | |
|--|-------------------|-------------------|------------------|------------------|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Online Business Division | 32,525,013 | 16,405,238 | 2,698,057 | 893,599 |
| Distribution and Software Publishing Division | 5,316,395 | 8,295,971 | (479,861) | 1,127,556 |
| Corporate Division | (17,216) | 7,721 | (369,887) | (245,721) |
| Intersegment eliminations | (1,652,991) | (1,400,323) | (405,356) | (438,570) |
| | <u>36,171,201</u> | <u>23,308,607</u> | <u>1,442,953</u> | <u>1,336,864</u> |
| Profit before income tax expense | | | 1,442,953 | 1,336,864 |
| Income tax expense | | | (286,902) | (389,375) |
| Profit from discontinued operations | | | (5,826) | 76,352 |
| Net profit for half-year | | | <u>1,150,225</u> | <u>1,023,841</u> |
| Net profit for the half-year attributable to owners of Manaccomm Corporation Ltd | | | <u>1,150,225</u> | <u>1,023,841</u> |

Comments on the operations and the results of those operations are set out below:

Consolidated Group

The Company had an increase in Revenue and Profit after Tax of 55% and 12% respectively over the corresponding half-year period ended 31 December 2008. This was a result of a significant improvement in the online lottery division and a decline in the distribution and software publishing division due to the change in supplier from Trend Micro to McAfee.

(a) Online Business Division

This division is involved in the sale of Australian lottery tickets to the public from www.ozlotteries.com and from a number of outlets in Pacific countries such as Fiji, Samoa, Cook Islands, Norfolk Island, and Christmas Island. Key relationships include Tattersalls and NSW Lotteries Corporation.

This division had a continued strong improvement in its results with an increase in Revenue and Profits of 98% and 202% respectively.

On 8 December 2008, the company signed a 5 year exclusive agreement with NSW Lotteries Corporation appointing OzLotteries.com as its exclusive online selling agent.

(b) Distribution and Software Publishing Division

This division publishes and markets popular software titles through large retailers and independent resellers. Key relationships include McAfee, Harvey Norman, Officeworks, and JB Hi-Fi.

This division had a 36% reduction in Revenue and a loss of \$479,861 due to the change in supplier from Trend Micro to McAfee. A 3 year exclusive agreement was signed with McAfee in May 2009 and would involve a period where Trend Micro stock was swapped over with McAfee.

The results are expected to improve in the second half of the financial year as the change over is completed and sales increase with the upcoming 2011 major release of McAfee.

The division underwent a change in management in November 2009 following the retirement of Mr Ian Mackay who served as manager of the division and also deputy chairman of the group. The group CEO, Mr Mike Veverka, has assumed the role of managing this division and is working with partners and staff to improve the performance of this division.

Trading from Star System Solutions contributed a net profit before tax of \$43,829 to the results of the distribution and software publishing division. This business develops enterprise software primarily for the USA market.

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 4 to these half-year financial statements.

This report is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:



M VEVERKA

Director

BRISBANE

24-February-2010

HALF-YEAR INDEPENDENCE DECLARATION



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY M R JUST TO THE DIRECTORS OF MANACCOM CORPORATION LIMITED

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

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

This declaration is in respect of Manaccom Corporation Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M R Just', is written over a light blue horizontal line.

M R Just

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 24 February 2010

MANACCOM CORPORATION LIMITED and its Subsidiaries

Consolidated Statement of Comprehensive Income
for the Half-Year Ended 31 December 2009

| | Notes | Consolidated Entity | |
|---|-------|---------------------|--------------|
| | | Half Year | |
| | | 2009 \$ | 2008 \$ |
| Revenue from continuing operations | 2 | 36,171,201 | 23,308,607 |
| Cost of Goods Sold | | (28,247,029) | (17,077,657) |
| Gross Profit | | 7,924,172 | 6,230,950 |
| Borrowing cost expense | | (114,025) | (100,674) |
| Depreciation and amortisation expense | | (537,942) | (488,945) |
| Salaries and employee benefits expense | | (2,509,234) | (1,991,000) |
| Directors remuneration | | (292,725) | (306,127) |
| Consultancy and legal fees | | (308,313) | (134,961) |
| Marketing Cost | | (729,967) | (609,935) |
| Other expenses | | (1,989,013) | (1,262,444) |
| Profit before income tax expense | | 1,442,953 | 1,336,864 |
| Income tax expense | | (286,902) | (389,375) |
| Profit after tax from continuing operations | | 1,156,051 | 947,489 |
| Profit from discontinued operations | 6 | (5,826) | 76,352 |
| Net profit for the half-year | | 1,150,225 | 1,023,841 |
| Other Comprehensive Income | | | |
| Foreign currency translation differences | | (5,217) | 611 |
| Total comprehensive income for the half-year | | 1,145,008 | 1,024,452 |
| | | Cents | Cents |
| Earnings per share for profit from continuing operations attributable to owners of Manaccom Corporation Limited | | | |
| Basic earnings per share | | 2.51 | 2.06 |
| Diluted earnings per share | | 2.30 | 1.94 |
| Earnings per share for profit attributable to owners of Manaccom Corporation Limited | | | |
| Basic earnings per share | | 2.50 | 2.22 |
| Diluted earnings per share | | 2.29 | 2.09 |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

MANACCOM CORPORATION LIMITED and its Subsidiaries

**Consolidated Statement of Financial Position
for the Half-Year Ended 31 December 2009**

Consolidated Entity

| | Notes | 31 December 2009 \$ | 30 June 2009 \$ |
|----------------------------------|-------|---------------------------|--------------------------|
| CURRENT ASSETS | | | |
| Cash assets and cash equivalents | | 8,861,566 | 9,754,757 |
| Trade and Other Receivables | | 3,009,353 | 2,958,238 |
| Inventories | | 1,033,303 | 506,600 |
| Total Current Assets | | <u>12,904,222</u> | <u>13,219,595</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,018,869 | 680,359 |
| Intangible assets | | 13,093,987 | 12,303,277 |
| Deferred tax assets | | 796,564 | 822,466 |
| Total Non-Current Assets | | <u>14,909,420</u> | <u>13,806,102</u> |
| TOTAL ASSETS | | <u><u>27,813,642</u></u> | <u><u>27,025,697</u></u> |
| CURRENT LIABILITIES | | | |
| Trade & Other payables | | 8,173,765 | 7,605,324 |
| Interest bearing liabilities | | 528,935 | 581,986 |
| Current tax liabilities | | 232,184 | 791,960 |
| Provisions | | 74,739 | - |
| Total Current Liabilities | | <u>9,009,623</u> | <u>8,979,270</u> |
| NON-CURRENT LIABILITIES | | | |
| Interest bearing liabilities | | 3,390,402 | 3,444,488 |
| Provisions | | 171,105 | 164,014 |
| Deferred tax liabilities | | 229,606 | 200,789 |
| Total Non-Current Liabilities | | <u>3,791,113</u> | <u>3,809,291</u> |
| TOTAL LIABILITIES | | <u><u>12,800,736</u></u> | <u><u>12,788,561</u></u> |
| NET ASSETS | | <u><u>15,012,906</u></u> | <u><u>14,237,136</u></u> |
| EQUITY | | | |
| Contributed Equity | | 28,155,664 | 28,155,664 |
| Retained earnings/ (losses) | | (13,359,584) | (14,079,494) |
| Reserves | | 216,826 | 160,966 |
| TOTAL EQUITY | | <u><u>15,012,906</u></u> | <u><u>14,237,136</u></u> |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

MANACCOM CORPORATION LIMITED and its Subsidiaries

Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2009

| | | Consolidated Entity | |
|--|-------|---------------------|--------------------|
| | Notes | Half-year 2009 | 2008 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 37,403,069 | 23,313,132 |
| Payments to suppliers and employees | | (36,304,870) | (21,854,650) |
| Interest received | | 104,597 | 109,818 |
| Interest and other costs of finance paid | | (90,777) | (79,385) |
| Income tax paid | | (232,185) | (216,501) |
| Net cash inflow from operating activities | | <u>879,834</u> | <u>1,272,414</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment & intangibles | | (1,235,573) | (743,206) |
| Decrease/ (Increase) Funds on Deposit | | - | 34,032 |
| Purchase of Investments | 5 | - | (1,500,000) |
| Net cash (outflow)/inflow from operating activities | | <u>(1,235,573)</u> | <u>(2,209,174)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | - | 617,500 |
| Repayment of borrowings | | (107,137) | - |
| Dividends paid | | (430,315) | (430,315) |
| Net cash (outflow)/inflow from financing activities | | <u>(537,452)</u> | <u>187,185</u> |
| NET INCREASE IN CASH HELD | | (893,191) | (749,575) |
| Net cash at beginning of period | | 9,754,757 | 5,570,842 |
| NET CASH AT END OF PERIOD | | <u>8,861,566</u> | <u>4,821,267</u> |

The above Statement of Cash Flows should read in conjunction with the accompanying notes.

MANACCOM CORPORATION LIMITED and its Subsidiaries

Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2009

| | Contributed Equity \$ | Retained earnings \$ | Option reserve \$ | Foreign currency translation reserve \$ | Total equity \$ |
|---|-----------------------------|-------------------------|-------------------------|---|--------------------|
| At 1 July 2008 | 28,155,664 | (16,391,355) | 105,501 | (18,434) | 11,851,376 |
| Total comprehensive income for the half-year | | | | | |
| Profit for the half-year | - | 1,023,841 | - | - | 1,023,841 |
| <i>Other comprehensive income</i> | | | | | |
| Foreign currency translation differences | - | - | - | 611 | 611 |
| Total comprehensive income for the half-year | - | 1,023,841 | - | 611 | 1,024,452 |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Dividends paid | | (430,315) | - | - | (430,315) |
| Share based payment expenses | | - | 9,103 | - | 9,103 |
| | - | (430,315) | 9,103 | - | (421,212) |
| At 31 December 2008 | 28,155,664 | (15,797,829) | 114,604 | (17,823) | 12,454,616 |
| Total comprehensive income for the half-year | | | | | |
| Profit for the half-year | - | 1,933,494 | - | - | 1,933,494 |
| <i>Other comprehensive income</i> | | | | | |
| Foreign currency translation differences | - | - | - | (4,740) | (4,740) |
| Total comprehensive income for the half-year | - | 1,933,494 | - | (4,740) | 1,928,754 |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Dividends paid | - | (215,159) | - | - | (215,159) |
| Share based payment expenses | - | - | 68,925 | - | 68,925 |
| | - | (215,159) | 68,925 | - | (146,234) |
| At 30 June 2009 | 28,155,664 | (14,079,494) | 183,529 | (22,563) | 14,237,136 |
| Total comprehensive income for the half-year | | | | | |
| Profit for the half-year | - | 1,150,225 | - | - | 1,150,225 |
| <i>Other comprehensive income</i> | | | | | |
| Foreign currency translation differences | - | - | - | (5,217) | (5,217) |
| Total comprehensive income for the half-year | - | 1,150,225 | - | (5,217) | 1,145,008 |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Dividends paid | - | (430,315) | - | - | (430,315) |
| Share based payment expenses | - | - | 61,077 | - | 61,077 |
| | - | (430,315) | 61,077 | - | (369,238) |
| At 31 December 2009 | 28,155,664 | (13,359,584) | 244,606 | (27,780) | 15,012,906 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

MANACCOM CORPORATION LIMITED and its Subsidiaries

**Notes To The Consolidated Financial Statements
for the Half-Year Ended 31 December 2009**

Note 1. Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year reporting period ended 31 December 2009 have been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The historical cost basis has been used, except for land and buildings, and available-for-sale financial assets which have been measured at fair value.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2009 and any public announcements made by Manaccom Corporation Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

Note 2. Segment Information

The group has adopted AASB 8 *Operating Segments* from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (executive management committee that makes strategic decisions).

Description of Segments

Management has determined the operating segments based on reports reviewed by the executive management committee for making strategic decision. The executive management committee comprises the chief executive officer, chief financial officer and directors. The committee monitors the business based on product and geographic factors and have identified 3 reportable segments.

Online Business Division

This division is principally involved in the sale of popular Australian lotteries to the public online via www.ozlotteries.com

Distribution and Software Publishing Division

The principal activities of this division is the publishing and marketing of popular software titles through large retailers and independent resellers in Australia and New Zealand. It also designs, develops, sells and maintains enterprise software for accounting systems which are distributed through independent resellers mainly in the USA, Canada, Australia and New Zealand.

Corporate Division

This division comprises the Group's corporate activities

Segmentation information

Segmentation information provided to the executive management committee for the half-year ended 31 December 2009 is as follows:

| Half-year ended 31 December 2009 | Online Business Division | Distribution and Software Publishing Division | Corporate Division | Intersegment eliminations | Consolidated |
|--|---|--|-------------------------------|--------------------------------------|---------------------|
| Total segment revenue | 30,777,886 | 5,306,326 | (17,608) | - | 36,066,604 |
| Intersegment revenue | 1,648,191 | 4,800 | - | (1,652,991) | - |
| Other revenue | 98,936 | 5,269 | 392 | - | 104,597 |
| Revenue from external customers | <u>32,525,013</u> | <u>5,316,395</u> | <u>(17,216)</u> | <u>(1,652,991)</u> | <u>36,171,201</u> |
| Profit before tax from continuing operations | <u>2,698,057</u> | <u>(479,861)</u> | <u>(369,887)</u> | <u>(405,356)</u> | <u>1,442,953</u> |
| Profit from discontinued operations | (5,826) | - | - | - | (5,826) |
| Total profit before tax | <u>2,692,231</u> | <u>(479,861)</u> | <u>(369,887)</u> | <u>(405,356)</u> | <u>1,437,127</u> |

MANACCOM CORPORATION LIMITED and its Subsidiaries

Notes To The Consolidated Financial Statements
for the Half-Year Ended 31 December 2009

Note 2. cont'd

| Half-year ended 31 December 2008 | Online Business Division | Distribution and Software Publishing Division | Corporate Division | Intersegment eliminations | Consolidated |
|--|--------------------------------|--|-----------------------|------------------------------|-------------------|
| Total segment revenue | 14,916,468 | 8,276,907 | - | - | 23,193,375 |
| Intersegment revenue | 1,395,523 | 4,800 | - | (1,400,323) | - |
| Other revenue | 93,247 | 14,264 | 7,721 | - | 115,232 |
| Revenue from external customers | <u>16,405,238</u> | <u>8,295,971</u> | <u>7,721</u> | <u>(1,400,323)</u> | <u>23,308,607</u> |
| Profit before tax from continuing operations | <u>893,599</u> | <u>1,127,556</u> | <u>(245,721)</u> | <u>(438,570)</u> | <u>1,336,864</u> |
| Profit from discontinued operations | 76,352 | - | - | - | 76,352 |
| Total profit before tax | <u>969,951</u> | <u>1,127,556</u> | <u>(245,721)</u> | <u>(438,570)</u> | <u>1,413,216</u> |
| Total segment assets | | | | | |
| 31 December 2009 | 16,261,737 | 13,729,113 | 10,648,652 | (12,825,859) | 27,813,643 |
| 30 June 2009 | 14,029,615 | 13,315,642 | 11,592,514 | (11,982,924) | 26,954,847 |

The executive management committee monitors segment performance on profit before tax.

Note 3. Dividends

| | Half Year | |
|---|----------------|----------------|
| Ordinary Shares | 2009 | 2008 |
| Dividends paid for during the half-year | \$ | \$ |
| | <u>430,315</u> | <u>430,315</u> |

Note 4. Contingent Liabilities

There have been no changes in contingent assets since the end of the previous period annual reporting date, 30 June 2009. Contingent liabilities have increased by \$160,763 since the end of the previous annual reporting period, 30 June 2009 in respect of the Group's bankers providing guarantees to third parties in relation to premises leased by group companies. No other changes in contingent liabilities has arisen.

Note 5. Business Combinations

Manaccomm Corporation Ltd acquired the business of a successful software business, Star System Solutions Pty Ltd, 14 November 2008 for \$3,450,000. Acquisition costs of \$260,651 were paid out of operating cash flow. The purchase price was allocated as follows:

| | Half-year ended 31 December 2009 | | |
|---|----------------------------------|---------------------------|------------------|
| | Recognised on acquisition | Fair Value Adjustments | Carrying Value |
| | \$ | \$ | \$ |
| Property, plant and equipment | 15,000 | - | 15,000 |
| Intangible Assets | 3,435,000 | (280,471) | 3,154,529 |
| Net identifiable assets and liabilities | <u>3,450,000</u> | <u>(280,471)</u> | <u>3,169,529</u> |
| Goodwill on acquisition | - | - | - |
| Consideration paid, satisfied in cash | 1,500,000 | - | 1,500,000 |
| Deferred consideration | 1,950,000 | (280,471) | 1,669,529 |
| Total | <u>3,450,000</u> | | |

| | Half-year ended 31 December 2009 | | |
|---|----------------------------------|---------------------------|------------------|
| | Recognised on acquisition | Fair Value Adjustments | Carrying Value |
| | \$ | \$ | \$ |
| Property, plant and equipment | 15,000 | - | 15,000 |
| Intangible Assets | 3,435,000 | (374,097) | 3,060,903 |
| Net identifiable assets and liabilities | <u>3,450,000</u> | <u>(374,097)</u> | <u>3,075,903</u> |
| Goodwill on acquisition | - | - | - |
| Consideration paid, satisfied in cash | 1,500,000 | - | 1,500,000 |
| Deferred consideration | 1,950,000 | (374,097) | 1,575,903 |
| Total | <u>3,450,000</u> | | |

MANACCOM CORPORATION LIMITED and its Subsidiaries

**Notes To The Consolidated Financial Statements
for the Half-Year Ended 31 December 2009**

Note 5. cont'd

In terms of the sale and purchase agreement, payment of the deferred consideration is based on the level of future sales. The fair value of the deferred component of the business combination cost is determined by discounting the estimated amounts payable to their present value, at the acquisition date, being the date that control is obtained, and at each future reporting period.

With respect to sales projections, growth rates of between 5% and 25% have been factored into the valuation model over the next 5 years on the basis of management's expectations of a general improvement in economic conditions and the business' ability to capture market share from competitors, and a discount rate of 5.41% p.a has been used in the model.

The fair value adjustment has increased based on management's current sales projections and an expected longer term of repayment of the deferred consideration.

Note 6. Discontinued operations

With effect from 1 February 2009, the company no longer provided gaming monitoring services in Papua New Guinea. No obsolescence or impairment of assets is expected and net assets will be transferred back to Australia once liquidated.

Financial information relating to the gaming monitoring services included in the On-Line Lottery Division results for the half-year ended 31 December 2009 is set out below:

| | Half-Year ended 31 December 2009 | Half-Year ended 31 December 2008 |
|---|---|---|
| | \$ | \$ |
| Revenue | 0 | 200,839 |
| Total expenses from ordinary activities | <u>(5,826)</u> | <u>(124,487)</u> |
| Net Profit before tax | <u>(5,826)</u> | <u>76,352</u> |
| Income tax expense | - | - |
| Net profit attributable to discontinued operations | <u><u>(5,826)</u></u> | <u><u>76,352</u></u> |

| | Half-Year ended 31 December 2009 | From annual financial statements 30 June 2009 |
|---|---|--|
| | \$ | \$ |
| Carrying amounts of assets and liabilities | | |
| Inter-company loan | 24,925 | 31,584 |
| Prepayments & provisions | 60,231 | 67,387 |
| Cash | 148 | 3,463 |
| Total Assets | <u>85,304</u> | <u>102,434</u> |
| Trade creditors | 3,973 | 0 |
| Other payables | 8,338 | 13,773 |
| GST receivable | <u>(3,073)</u> | <u>(3,007)</u> |
| Total Liabilities | <u>9,238</u> | <u>10,766</u> |
| Net Assets | <u><u>76,066</u></u> | <u><u>91,668</u></u> |

The net cash flows of the discontinued operation which have been incorporated into the statement of cash flows is are as follows:

| | Half-Year ended 31 December 2009 | From annual financial statements 30 June 2009 |
|--|---|--|
| | \$ | \$ |
| Net cash inflow/ (outflow) from operating activities | 251 | (26,721) |
| Net cash inflow/ (outflow) from investing activities | 0 | 3,847 |
| Net cash inflow/ (outflow) from financing activities | <u>(3,566)</u> | <u>(37,459)</u> |
| Net increase/ (decrease) in cash generated by the discontinued operation | <u><u>(3,315)</u></u> | <u><u>(60,333)</u></u> |

Note 7. Events Subsequent to the End of the Reporting Period

There are no material events after the end of the half-year reporting period.

MANACCOM CORPORATION LIMITED and its Subsidiaries

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying Notes, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:



M VEVERKA

Director

BRISBANE

24-February-2010



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Manaccom Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Manaccom Corporation Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Manaccomm Corporation Limited is not in accordance with the Corporations Act 2001 including:

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

BDO Audit (QLD) Pty Ltd



M R Just

Director

Brisbane, 24 February 2010