

# MEDIA TECHNOLOGY

DIGITAL MEDIA SOLUTIONS, REPLICATION, DESIGN PACKAGING AND e-FULFILMENT

## Chairman's Report to Annual General Meeting held on 31 July 2008

As previously reported, the Company restructured in December 2007 with the divestment of its Australian subsidiary, Media Technology Pty Limited, to enable it to re-focus as a fully integrated digital media and print business within the New Zealand market.

The Company's financial position also benefited from an injection of capital of \$900,000 (\$400,000 in cash and \$500,000 in settlement of shareholder loans) in conjunction with that restructuring.

In April 2008 the Company purchased the assets and business of Geerlings Offset Print Limited for approximately \$1.1million.

This acquisition strengthens the Company's earnings and cash flow, as it brings in house approx \$1 million of previously outsourced print business.

Adding printing capability to the business, with capacity over and above that servicing the digital media sales, provides additional revenue opportunities, both from existing and new customers; albeit that the print industry is very competitive and it will take time to build revenues. In the current business environment, revenue from the Company's media business is contracting, as our entertainment clients servicing the retail market are experiencing a decline in CD/DVD volumes which is affecting our revenue. It is expected that additional print revenue will offset this decline and achieve further growth in the future.

Since restructuring last December Group business operating costs have been further streamlined to achieve greater efficiency and profitability.

Supply arrangements for DVDs, USB memory sticks, packaging and blank media have also been improved. The Company is now importing these items in container loads directly from the manufactures. This results in significant cost savings.

The net profit after tax of \$700,000 for the Company for the year ended 31 March 2008 includes \$811,000 profit realised on sale of the Australian subsidiary, and a net operating loss of \$65,000 from continuing operations which is a significant improvement over last years operating deficit of \$585,000.

The continuing NZ operations produced an EBITDA of \$200,000 on revenue of \$2.5 million for the 2<sup>nd</sup> half year to March 2008, a significant improvement over the first half and over same period last year.

Although general market conditions over the next 12 – 24 months will be challenging, the outlook for the Company is encouraging and the directors are forecasting revenue of close to \$5 million and an improved EBITDA performance for the Year to March 2009.

The directors will continue to look for further opportunities to extend the Company's skill base in print and pre-print design.

The Company is reducing the number of shareholders from approximately 2,600 to less than 500, by exercising the provisions of the NXZ listing rules and the Company's constitution for the compulsory sale of shares under the minimum holding of 2000 shares. This will reduce compliance costs and should improve share trading liquidity as most of these smaller shareholders have been inactive.



Chris Due  
Chairman

**A** Media Technology Group Ltd  
17 – 21 Maidstone St.  
Ponsonby  
Auckland,  
New Zealand  
**P** +64 9 376 8848  
**F** +61 2 378 9494  
**W** [www.mediatechnology.co.nz](http://www.mediatechnology.co.nz)