

Directors' Report

For the 6 months ended 30 September the group achieved revenues of \$8,312,000 (same period last year \$9,350,000) with an EBITDA of \$(33,000) (same period last year \$(93,000)). The net result for the period was a deficit of \$241,000 (same period last year \$(430,000)) after allowing for depreciation of \$78,000 and finance charges of \$183,000. No tax was charged for the period as the group has tax losses carried forward from prior periods.

The sale of the Australian business was approved by shareholders at a special meeting held on 5 December. It is anticipated that settlement will be completed by 12 December. The company will then focus initially on its existing New Zealand operations and will be seeking to grow from that base.

Chris Due, Murray Willis & Paul Dennis were elected as directors at the special meeting on 5 December to replace myself, Bridget Daldy and Ron Ackroyd who resign once the sale of the Australian business is settled.

Allan Morton

Executive Chairman

5 December 2007

Consolidated Income Statement (unaudited)

	Six months ended	
	2007	2006
	\$000s	\$000s
Revenue		
Sales	8,312	9,350
Cost of sales	5,175	5,936
Gross profit	3,137	3,414
Expenses	3,378	3,844
Operating deficit before taxation	(241)	(430)
Less taxation expense	-	-
Operating deficit after taxation	(241)	(430)
Net deficit	\$(241)	\$(430)
Earnings per share (cents/share)	(0.28)	(0.50)

Consolidated Statement of Changes in Equity (unaudited)

	Six months ended	
	2007	2006
	\$000s	\$000s
Equity at beginning of the period	(1,495)	(880)
Movement in foreign currency translation reserve	16	(24)
Net deficit	(241)	(430)
Total recognised income & expenses for the period	(225)	(454)
Issue of shares	-	-
Equity at end of the period	\$(1,720)	\$(1,334)

Consolidated Balance Sheet (unaudited)

	As at 30.9.07	As at 30.9.06
	\$000s	\$000s
Equity		
87,531,485 fully paid ordinary shares	5,140	5,140
Retained earnings/ (Accumulated deficit)	(6,667)	(6,260)
Foreign currency translation reserve	(193)	(214)
Total Equity	(1,720)	(1,334)
Current Liabilities		
Payables and accruals	3,525	4,322
Borrowings	2,389	2,038
Total current liabilities	5,914	6,360
Non-current Liabilities		
Borrowings	1,339	600
Total equity and liabilities	\$5,533	\$5,626
Current Assets		
Cash, call, & term deposits	90	199
Receivables	3,025	3,318
Inventory	335	388
Total current assets	3,450	3,905
Non Current Assets		
Property, plant & equipment	983	621
Intangibles	1,100	1,100
Total non-current assets	2,083	1,721
Total assets	\$5,533	\$5,626

Consolidated Statement of Cash Flows
(unaudited)

	Six months ended	
	30 September 2007	2006
	\$000s	\$000s
Operating activities:		
Gross cash received from customers, interest & dividends	7,733	9,149
Payments to suppliers, employees, interest & tax	(8,407)	(9,346)
Net cash flow from operating activities	(674)	(197)
Investing activities:		
Purchase of property, plant & equipment	(506)	-
Net cash flow from investing activities	(506)	-
Financing activities:		
Issue of ordinary shares	-	-
Proceeds from borrowing	1,153	-
Repayment of borrowings	-	(42)
Net cash flow from financing activities	1,153	(42)
Net in/(de)crease in cash	(27)	(239)
Cash at beginning of the period	117	438
Cash at end of the period	\$90	\$199

Notes to the financial Statements
(unaudited)

These general purpose financial statements for the interim six months reporting period ended 30 September 2007 have been prepared in accordance with Accounting Standard NZ IAS 34 *Interim Financial Reporting*. They do not include all the notes included in the full annual financial statements and are to be read in conjunction with the Annual Report for the year ended 31 March 2007.

There have been no changes in accounting policies during the period. The same accounting policies and methods of computation have been followed in the preparation of these financial statements and the financial statements for the previous year.

Reconciliation of Operating Cash Flows
(unaudited)

	Six months ended	
	30 September 2007	2006
	\$000s	\$000s
Reported operating deficit after tax	(241)	(430)
<i>Add non cash items:</i>		
Depreciation	78	136
Loss on disposal of property plant & equipment	-	172
Other non-cash items	172	(4)
<i>Add/(Less) working capital movements:</i>		
Receivables	(631)	(154)
Inventory	27	30
Payables	(79)	53
Net cash flow from operating activities	\$(674)	\$(197)

Segmental Results

The only industry segment the company operates in is Digital Media

	Geographic Segments							
	New Zealand		Australia		Unallocated		Total	
	30.9.07	30.9.06	30.9.07	30.9.06	30.9.07	30.9.06	30.9.07	30.9.06
Revenue								
Total Sales	2,321	2,948	6,091	6,432	-	-	8,412	9,380
Intersegment	(100)	(28)	-	(2)	-	-	(100)	(30)
Sales to external customers	2,221	2,920	6,091	6,430	-	-	8,312	9,350
Result (6 months)								
Profit/(loss)	(180)	(789)	(61)	443	-	(84)	(241)	(430)
Income tax expense	-	-	-	-	-	-	-	-
Net profit for the period	(180)	(789)	(61)	443	-	(84)	(241)	(430)
Other Information as at 30 September								
Assets	1,969	2,100	3,564	3,526	-	-	5,533	5,626
Liabilities	3,009	3,577	4,244	3,383	-	-	7,253	6,960
Purchase of property plant & equipment	19	-	487	-	-	-	506	-
Depreciation	29	42	49	94	-	-	78	136

MEDIA TECHNOLOGY GROUP LIMITED

Interim Report

30 September 2007