

MEDIA TECHNOLOGY GROUP LIMITED

**Interim Report**

**30 September 2009**

## Directors' Report

Revenue of \$2,710,000 for the six months ended 30 September 2009 was up 32% on \$2,053,000 revenue for the same period last year. This reflects the addition of both the Printing and Design Services businesses acquired in 2008. However, revenue for the 2<sup>nd</sup> half of the year to March 2010 is expected to be similar to the same period as last year (\$2.8 million) with projected revenue of approximately \$5.5million for the full year to March 2010, which would be only 13% up on the previous year. Even though the Company has recently won a satisfactory number of new customers in Print and Design Services, the order levels from those customers will not build significantly for some months so is not yet generating enough additional revenue. Likewise, order levels from existing customers have been lower in the current environment. Consequently, despite a concerted effort, the Company has not achieved the growth that was forecast and this is reflected in the contribution.

The net trading deficit of \$238,000 for the six months ended 30 September 2009 compares to a trading deficit of \$176,000 for the same period last year, but on a pre-tax basis it is a \$238,000 deficit compared to a \$240,000 deficit last year. In the March 2009 annual report the Company decided not to reflect the availability of future tax losses in its result and this policy is applied to the current period.

The deficit is disappointing but reflects the additional costs associated with the new business activities without the increase in revenue that was expected at this stage. The Company is confident the growth will come when conditions improve and the revenue flows through from new customers and with it an improvement in earnings. However, the deficit for the year to March 2010 is forecast to be slightly worse than the 2009 year.

In view of the lower revenue and contribution from the Design Services Business ("EBD") the Directors have reviewed the amount of consideration payable to the Vendor of that business under the earn out provisions of the Purchase Agreement and have reduced the effective purchase price and Goodwill attributed to the acquisition by \$79,000 (being the present value of the reduction in the consideration payable at future dates). This reduction in Goodwill and corresponding liability has been made in the September 2009 Balance Sheet. There is no impact on the Income statement.

The Directors have undertaken an impairment review of the adjusted Goodwill of \$157,000 and are of the view that there is no impairment required.

As with most businesses in the current environment, management has trimmed costs in the Company where it can and will continue to actively pursue revenue growth, competing strongly for market share in Printing and seeking more customers in Design Services - not an easy task, but building on the efforts to date should bring rewards in 2010.



Chris Due  
Chairman  
7 December 2009

## Consolidated Income Statement

(unaudited)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$000s</b>	<b>\$000s</b>
<b>Continuing operations</b>		
Revenue	2,710	2,053
Cost of sales	1,612	1,209
Gross profit	1,098	844
Expenses	1,336	1,084
Operating loss before taxation	(238)	(240)
Less taxation expense	-	(64)
<b>Net loss attributable to shareholders</b>	<b>\$(238)</b>	<b>\$(176)</b>

### Earnings per share (cents/share)

Basic loss per share	(0.31)	(0.24)
Diluted loss per share	(0.31)	(0.24)
<b>Continuing operations</b>		
Basic loss per share	(0.31)	(0.24)
Diluted loss per share	(0.31)	(0.24)

## Consolidated Statement of Changes in Equity

(unaudited)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$000s</b>	<b>\$000s</b>
<b>Equity at beginning of the period</b>	625	213
Movement in foreign currency translation reserve	-	-
Net loss	(238)	(176)
Total recognised income & expenses for the period	(238)	(176)
Issue of shares	-	200
<b>Equity at end of the period</b>	<b>\$(863)</b>	<b>\$237</b>

## Consolidated Balance Sheet

(unaudited)

	<b>As at 30.9.09 \$000s</b>	<b>As at 31.3.09 \$000s</b>
<b>Equity</b>		
76,446,247 fully paid ordinary shares	6,170	6,170
Retained earnings/(Accumulated loss)	(7,051)	(6,813)
Share options reserve	18	18
<b>Total Equity</b>	<u>(863)</u>	<u>(625)</u>
<b>Current Liabilities</b>		
Bank	4	-
Trade & other payables	1,061	884
Borrowings	1,186	1,144
<b>Total current liabilities</b>	<u>2,251</u>	<u>2,028</u>
<b>Non-current Liabilities</b>		
Borrowings	925	928
<b>Total Liabilities</b>	<u>3,176</u>	<u>2,956</u>
<b>Total equity and liabilities</b>	<u>\$2,313</u>	<u>\$2,331</u>
<b>Current Assets</b>		
Bank Balances	-	13
Trade & other receivables	765	641
Inventory	165	147
<b>Total current assets</b>	<u>930</u>	<u>801</u>
<b>Non Current Assets</b>		
Property, plant & equipment	1,226	1,294
Intangibles	157	236
<b>Total non-current assets</b>	<u>1,383</u>	<u>1,530</u>
<b>Total assets</b>	<u>\$2,313</u>	<u>\$2,331</u>

For and on behalf of the Board



C P Due  
Director  
7 December 2009



M J Willis  
Director  
7 December 2009

## Consolidated Statement of Cash Flows

(unaudited)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$000s</b>	<b>\$000s</b>
<b>Operating activities:</b>		
Cash was received from:		
Receipts from customers	2,583	2,127
Cash was applied to:		
Payments to suppliers & employees	(2,423)	(2,046)
Interest paid	(126)	(112)
Rent paid	(156)	(138)
Net cash applied to operating activities	<u>(122)</u>	<u>(169)</u>
<b>Investing activities:</b>		
Purchase of property, plant & equipment	<u>(13)</u>	<u>(1,173)</u>
Net cash flow from investing activities	<u>(13)</u>	<u>(1,173)</u>
<b>Financing activities:</b>		
Issue of ordinary shares	-	200
Proceeds from borrowing	165	1,299
Repayment of borrowings	(47)	(138)
Net cash flow from financing activities	<u>118</u>	<u>1,361</u>
<b>Net in/(de)crease in cash</b>	<b>(17)</b>	<b>19</b>
Cash at beginning of the period	<u>13</u>	<u>12</u>
<b>Cash at end of the period</b>	<b><u>\$(4)</u></b>	<b><u>\$31</u></b>

## Notes to the financial Statements

### 1. Accounting entity

Media Technology Group Limited is a company incorporated in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange Alternative Board and is the ultimate parent. Media Technology Group Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of the Group have been prepared in accordance with the Financial Reporting Act 1993.

### 2. Accounting policies

The financial statements are consolidated financial statements for Media Technology Group Limited and its subsidiaries. These general purpose financial statements for the interim six months reporting period ended 30 September 2009 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 2009.

The principal activities of the Group are the manufacture and supply of digital media, print production and management, and marketing services and brand design.

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 comparative period.

### 3. Capital and reserves

	Shares	Share options reserve	Retained earnings	Total
	\$000's	\$000's	\$000's	\$000's
Balance as at 1 April 2008	5,920	18	(5,725)	213
Recognised income for the period			(176)	(176)
Shares issued	200			200
Balance as at 30 September 2008	6,120	18	(5,901)	237
Recognised income for the period			(912)	(912)
Shares issued	50			50
Balance as at 31 March 2009	6,170	18	(6,813)	(625)
Recognised income for the period			(238)	(238)
Balance as at 30 September 2009	6,170	18	(7,051)	(863)

## Notes to the financial Statements

On 15 May 2008 6,666,667 shares were issued to Geerlings Offset Printing Ltd for \$200,000 (3 cents per share) in part settlement of the purchase price of the business acquired from that company.

On 1 December 2008, 1,250,000 shares were issued to EDB Limited for \$50,000 (4cents per share) in part settlement of the business acquired from that company

### 4. Intangibles

Goodwill arose on the purchase of the business of EBD based on the directors' assessment of most likely amount of consideration payable for the business under the performance targets set in the purchase agreement. The directors have reassessed the amount likely to be payable and concluded that it is now \$78,823 less than was originally allowed. The Goodwill arising on the purchase has been reduced accordingly.

	<b>6 months to 30 Sep 2009</b>	<b>6 months to 30 Sep 2008</b>	<b>12 months to 31 Mar 2009</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Balance at beginning of period	236	-	236
Reduction in goodwill on EBD acquisition	(79)	-	-
Balance at end of period	157	-	236

### 5. Events subsequent to balance date

There have been no events subsequent to balance date which are outside of the normal operations of the Group.

### 6. Capital commitments

At 30 September 2009 the Group had no material outstanding capital expenditure commitments

## Notes to the financial Statements

### 7. Segmental Results

The only geographic segment the company operates in is New Zealand

#### Industry Segments

	Media		Design		Unallocated				
	2009	2008	2009	2008	2009	2008	2009	2008	
								(6 months ending 30 September)	\$000s
<b>Revenue</b>									
Total Sales	1,998	2,053	712	-	-	-	2,710	2,053	
Intersegment	-	-	-	-	-	-	-	-	
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Sales to external customers	1,998	2,053	712	-	-	-	2,710	2,053	
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<b>Result (6 months)</b>									
Profit/(loss)	(218)	(240)	43	-	(63)	-	(238)	(240)	
Income tax expense	-	(64)	-	-	-	-	-	(64)	
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Net profit for the period	(218)	(176)	43	-	(63)	-	(238)	(176)	
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Assets	2,056	2,993	336	-	-	-	2,392	2,993	
Liabilities	2,893	2,756	362	-	-	-	3,255	2,756	
Purchase of property plant & equipment	13	1,173	-	-	-	-	13	1,173	
Depreciation	81	96	-	-	-	-	81	96	

### 8. Property plant and equipment

	6 months to 30 Sep 2009	6 months to 30 Sep 2008	12 months to 31 Mar 2009
	\$000's	\$000's	\$000's
Acquisitions	13	1,173	1,239
Disposals	-	-	-

### 9. Audit

These financial statements are not required to be audited.