

MEDIA TECHNOLOGY GROUP LIMITED

Directors' Report

Media Technology Group Limited is a digital media, data logistics and online fulfilment business which operates in both New Zealand and Australia.

During the six months ended 30 September 2004, the Company generated Revenues of \$9,863,000. EBITDA was \$573,000.

After allowing for Interest of \$147,000, Taxation of \$206,000, Depreciation of \$215,000 and Amortisation of Goodwill of \$342,000, the Net Deficit for the period was \$337,000. The Goodwill arose on the acquisition by the Company of Digital Disc Holdings Limited on 20 January 2004 and is being written off over ten years.

Following the acquisition of Digital Disc Holdings Limited, the Company changed its balance date from 31 July to 31 March. Accordingly, the results for the Half Year are for six months, whereas the results for the comparative period are for the previous eight months.

Overall, revenues achieved during the first Half Year were marginally below the Company's forecast. A shortfall was incurred in Australia where strong competition, particularly in New South Wales, continues to challenge the Company. The New Zealand business performed well during the first half and over-achieved against its budget, which partially offset the shortfall in Australia.

The budget shortfall in sales in Australia, and the associated product mix issues, negatively impacted margins in the Australian business giving rise to a lower than expected EBITDA for the period. Management is currently according priority attention to addressing these revenue and margin issues in Australia.

Looking forward, the Directors anticipate the Company is likely to achieve revenues of approximately \$20 million for the year ended 31 March 2005. EBITDA is expected to be around \$1.3 million.



Phil Norman
Chairman

MEDIA TECHNOLOGY GROUP LIMITED

Consolidated Statement of Financial Performance

	Six months ended 30 September (Unaudited)	8 Months ended 31 March (Audited)
	2004 \$000s	2004 \$000s
Revenue		
Sales	9,863	3,350
Interest income	-	1
Total revenue	\$9,863	\$3,351
Surplus/(Deficit) before taxation	(131)	(2,476)
Less taxation expense	206	19
Surplus/(Deficit) after taxation	(337)	(2,495)
Operating Deficit	(\$337)	(\$2,495)

Consolidated Statement of Movement in Equity

	Six months ended 30 September (Unaudited)	8 Months ended 31 March (Audited)
	2004 \$000s	2004 \$000s
Equity at beginning of the period	5,393	(849)
Net surplus/(deficit)	(337)	(2,495)
Movement in foreign currency translation reserve	(42)	(174)
Issue of shares		8,911
Equity at end of the period	\$5,014	\$5,393

There has been no change in accounting policies, which have been applied on the bases consistent with the previous year.

MEDIA TECHNOLOGY GROUP LIMITED

Consolidated Statement of Financial Position

	As at 30 September (Unaudited) 2004 \$000s	As at 31 March (Audited) 2004 \$000s
Equity		
85,031,485 fully paid ordinary shares	17,371	17,371
Retained earnings/ (Accumulated deficit)	(12,141)	(11,804)
Foreign currency translation reserve	(216)	(174)
Total equity	5,014	5,393
Current Liabilities		
Payables and accruals	3,971	3,886
Borrowings	2,454	2,410
Total current liabilities	6,425	6,296
Total equity and liabilities	\$11,439	\$11,689
Non Current Assets		
Property, plant & equipment	1,357	1,500
Intangibles	6,361	6,732
Total non-current assets	7,718	8,232
Current Assets		
Cash, call, & term deposits	312	370
Receivables	2,986	2,677
Inventory	423	410
Total current assets	3,721	3,457
Total assets	\$11,439	\$11,689

*The half year accounts have **not** been audited.*

MEDIA TECHNOLOGY GROUP LIMITED

Consolidated Statement of Cash Flows

	Six months ended 30 September (Unaudited)	8 Months ended 31 March (Audited)
	2004 \$000s	2004 \$000s
Operating activities:		
Gross cash received from customers, interest & dividends	9,980	2,851
Payments to suppliers, employees, interest & tax	(9,993)	(3,344)
Net cash flow from operating activities	(13)	(493)
Investing activities:		
Repayment of loans to other entities	-	30
Purchase of property, plant & equipment	(89)	(66)
Net cash flow from investing activities	(89)	(36)
Financing activities:		
Issue of ordinary shares	-	650
Proceeds from borrowing	44	165
Repayment of borrowings		(93)
Net cash flow from financing activities	44	722
Net in/(de)crease in cash	(58)	193
Cash at beginning of the period	370	(101)
Cash acquired with acquisition of subsidiaries		278
Cash at end of the period	\$312	\$370

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Reconciliation of Operating Cash Flows

	Six months ended 30 September (Unaudited)	8 Months ended 31 March (Audited)
	2004 \$000s	2004 \$000s
Reported operating surplus after tax	(337)	(2,495)
<i>Add non cash items:</i>		
Depreciation	215	72
Amortisation of goodwill	342	114
Other non-cash items	19	32
Write-off of goodwill	-	2,243
Write-down of advance to 3 rd party	-	30
Provision for reduction in carrying value of investments		
Accrued interest & finance fees		
<i>Add/(Less) working capital movements:</i>		
Receivables	(70)	(529)
Inventory	(13)	(98)
Payables	(169)	136
Net cash flow from operating activities	(\$13)	(\$495)

The half year accounts have **not** been audited.

MEDIA TECHNOLOGY GROUP LIMITED

SHAREHOLDER STATISTICS

Spread of security holdings
(at 4 November 2004)

From	To	Shareholders		Ordinary Shares	
		No.	%	No.	%
1	4,999	2,650	95.7	1,286,836	1.5
5,000	9,999	52	1.9	339,294	0.4
10,000	49,999	51	1.8	957,105	1.1
50,000	99,999	5	0.2	291,741	0.3
100,000	499,999	5	0.2	972,848	1.2
500,000	999,999	-	-	-	-
1,000,000 +		5	0.2	81,183,661	95.5
Total		2,768	100	85,031,485	100

Domicile of Shareholders
(at 4 November 2004)

	Shareholders		Number of shares
	No.	%	
New Zealand	2,666	96.3	84,822,870
Australia	59	2.1	139,301
Other	43	1.6	69,314
Total	2,768	100	85,031,485

SUBSTANTIAL SECURITY HOLDERS

Details of the latest Substantial Security Holders in terms of Section 25 of the Securities Amendment Act 1988 which have been provided are as follows:

	Shares	Interest
SAM Holdings (Aust) Pty Limited	58,001,905	68.21%
Cadre Investments Limited	11,131,763	13.09%
Digital Disc Trustee Limited	6,000,000	7.06%
Software Images Holdings Limited	5,416,667	6.37%

MEDIA TECHNOLOGY GROUP LIMITED

MAJOR SHAREHOLDERS

The top twenty holders of ordinary issued fully paid shares at 4 November 2004 were:

	Name	No. of shares held	%
1.	SAM Holdings(Aust) Pty Limited	58,001,905	68.21
2.	Cadre Investments Limited	10,700,998	12.59
3.	Digital Disc Trustee Limited	6,000,000	7.06
4.	Software Images Holdings Limited	5,416,667	6.37
5.	Custodian Nominee Company Ltd	1,064,091	1.25
6.	Godan Investments Ltd	430,015	0.51
7.	Philip John Norman, Wendy Joy Norman, Murray Gordon Wells	234,029	0.28
8.	Laddara Pty Ltd	105,187	0.12
9.	Mark Butcher	103,617	0.12
10.	Nicklas William Patrick Willemse	100,000	0.12
11.	Paul Thomas Elden	79,468	0.09
12.	Dino Focus	58,709	0.07
13.	Portfolio Custodian Limited	53,011	0.06
14.	First NZ Capital Custodians Limited	50,553	0.06
15.	Lorne Anthony Crowley	50,000	0.06
16.	John Peter Nooijen	42,500	0.05
17.	Moon Ha Hwang	41,460	0.05
18.	Philip John Norman	39,335	0.05
19.	Castle Drive Securities Limited	36,264	0.04
20.	Phillip Gilbert Boyd Kirk	34,936	0.04
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		82,642,745	97.20

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Interim Report

30 September 2004