Executive Chairman's Report

For the 12 months ended 31 March 2007 the company achieved revenue of $17.1million, which was 4% down on the previous year ($17.8million). This resulted in a net deficit for the year of $585,000 compared to the previous year deficit of $659,000.

The deficit for the period was after depreciation charge of $191,000, finance costs of $148,000 and non-recurring restructuring costs of $750,000 including loss on disposal of property plant & equipment of $210,000. EBITDA for the full year was negative $246,000 which was affected by lower than expected revenue in the 4th quarter, and the costs of restructuring the business.

The company has accumulated tax losses in NZ and Australia but the directors have elected not to recognise the future tax benefit of approximately $681,000 in the financial statements as at 31 March 2007.

Restructure

In the second half year the business was radically restructured to reduce costs. This has been a painful but necessary undertaking. One-off restructuring costs of approximately $750,000 were incurred in this process but it has achieved a 21% reduction in monthly operating costs.

The restructuring work is essentially completed in New Zealand with more work to do in Australia before it delivers the planned results.

Revenues and Margins

Globally DVD and CD media pricing is continually under threat from low cost Asian capacity and more sophisticated marketing and distribution. This is particularly apparent in the entertainment industry. While this damages revenues in the short term it creates incentive for the company to focus back into the value added digital media solutions space on which the business was founded.

The Australian business has had less reliance on in-house manufacturing capability and thereby has benefited somewhat from these media pricing changes.

For the coming year we expect similar market conditions to prevail. However the results of our radical 2nd half restructure will flow through to the bottom line.

Marketing & Promotion of New Solutions

During the 1st half year we released the first version of the Broadband-by-POST™ promotion in Australia. Despite the distractions of restructuring the business we achieved some good quality new business.

There is good evidence of the power of post delivered disc based direct marketing so the program continues into the current year.

Sale of Australian Business

On 18 July 2007 the company entered into a heads of agreement with its two major shareholders. Under that arrangement the Australian business will be sold to the Group's majority shareholder, SAM Holdings (Aust) Pty Ltd, in consideration for the cancellation of the shares held by SAM Holdings (Aust) Pty Ltd in Media Technology Group and the assumption by SAM Holdings (Aust) Pty Ltd of certain indebtedness of the group. In addition, interest totalling $297,000 accrued on loans provided by shareholders is to be written off and $750,000 in further capital introduced; $250,000 for cash & $500,000 in settlement of a shareholder loan The directors are of the view that these arrangements will have a significant positive benefit on the group. The transactions are conditional on final legally binding agreements being entered into by the respective parties and gaining the approval of shareholders in accordance with all regulatory requirements.

Allan Morton
Managing Director & Chief Executive

Corporate Governance

The objective of the Company is to enhance shareholder value. The Board considers there is a strong link between good corporate governance policies and practices and the achievement of this objective. The board has adopted a corporate governance policy, which is available on the company's web site at www.mediatechnology.co.nz

The directors are responsible for reviewing and maintaining the corporate governance principles of the company and consider that they do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

Board of Directors

The business and affairs of the Company are managed directly by the Board of Directors or by the Chief Executive under the direction of the Board. In particular the board:

- establishes the long term goals of the company and strategic plans to achieve those goals;
- reviews and adopts the annual budgets for the financial performance of the company and monitors results on a monthly basis;
- ensures preparation of the annual and half-yearly financial statements;
- manages risk by ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- works with management to create shareholder value.

The board consists of two non-executive directors and one executive director who is the executive chairman. The board and its individual members are subject to regular evaluation.

The board meets regularly on a formally scheduled basis. All available information relating to items to be discussed at a meeting of the board is provided to each non-conflicted director prior to that meeting.

One third, or the whole number nearest one third, of the directors retire by rotation at each Annual General Meeting. The directors to retire are those who have been longest in office since the last election. Directors retiring by rotation may, if eligible, stand for re-election. Ron Ackroyd and Bridget Daldy were both appointed following the last Annual General Meeting on 28 September 2006. Allan Morton is an executive director and is not required to retire and seek re-election. A director appointed since the previous Annual General Meeting holds office only until the next Annual General Meeting but is eligible for re-election at that meeting. Accordingly Ron Ackroyd and Bridget Daldy offer themselves for election at the next Annual General Meeting.

Each director has the right to seek independent legal and other professional advice, at the company's expense with the prior approval of the chairman, concerning any aspect of the company's operations or undertakings to assist in fulfilling their duties and responsibilities as directors.

The board has two standing committees, namely audit and remuneration. Other committees are formed for specific purposes and disbanded as required.

Audit committee

The audit committee consists of one director and the company's independent financial advisor. The current members of the committee are:

- Allan Morton (from 28 September 2006 previously Chris Due)
- Murray Willis

The audit committee provides a forum for the effective communication between the board and external auditors. The committee reviews the annual and half-yearly financial statements prior to their approval by the board, the effectiveness of management information systems and systems of internal control and the efficiency and effectiveness of the audit functions.

The committee generally invites the chief financial officer, and the auditors to attend audit committee meetings. The committee also meets with and receives regular reports from the auditors concerning any matters that arise in connection with the performance of their respective roles, including the adequacy of internal controls.

Remuneration Committee

The current members of the remuneration committee, both of whom are non executive directors, are:

- Mr Ron Ackroyd
- Mrs Bridget Daldy

The committee reviews the remuneration packages of all directors and the senior management team annually and makes recommendations to the board. The packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses) and share options, are reviewed with due regard to performance and other relevant factors.

In order to attract and retain executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the committee seeks assistance from external advisers in connection with the structure of remuneration packages.

Nomination Committee

The board as a whole undertakes the role of nomination committee given the small size of the board. The board reviews the composition of the board annually to ensure that the board comprises a majority of non-executive directors, with an appropriate mix of skills and experience. Where necessary, the board seeks assistance from external advisers in connection with the suitability of applicants for board membership.

The terms and conditions of the appointment of directors are set out in a formal letter of appointment that deals with the following matters:

- duration of appointment; role of the board; timing and location of board meetings, and expected time commitment; remuneration including timing of reviews; committee involvement; board and individual evaluation processes;
- outside interests including other directorships; dealing in company shares;
- induction and development processes; access to independent professional advice; availability of liability insurance; and confidentiality of company information.

Code of Ethics

As part of the board's commitment to the highest standards of behaviour and accountability, the company adopts a code of ethics to guide executives, management and employees in carrying out their duties and responsibilities. The code covers such matters as:

- responsibilities to shareholders;
- relations with customers and suppliers;
- product / services quality;
- protection of company assets;
- employment practices; and
- responsibilities to the community.

An interests' register is maintained for the Company in which the particulars of certain transactions and matters involving the directors must be recorded. The interests' register is available for inspection at its registered office. When a director has declared an interest in a particular entity, as a shareholder or director, the declaration serves as notice that the director may benefit from any transaction between the Company and the identified entity.

The Board has adopted a specific policy for directors, senior staff and other insiders for trading in the Company's securities. Compliance with this policy is actively managed and a director must declare to the Board any interest in a transaction with the Company, any relationship that might compromise his or her ability to act independently from management and any conflicts of interest that are potentially detrimental to the Company. While a director has inside information on the Company he or she must not trade in, or advise others to trade in, the securities of the Company.

Directors' Responsibility Statement

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2007 and their financial performance and cash flows for the period ended on that date.

The directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting principles, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements, set out on pages 6 to 27, of Media Technology Group Limited for the period ended 31 March 2007.

The Board of Directors of Media Technology Group Limited authorised these financial statements for issue on 18 July 2007.

For and on behalf of the Board

Allan Morton,

Chairman

BDO Spicers
Chartered Accountants & Advisers

AUDIT REPORT
TO THE SHAREHOLDERS OF
MEDIA TECHNOLOGY GROUP LIMITED

We have audited the financial report on pages 6 to 27. The financial report provides information about the past financial performance and financial position of the Company and Group as at 31 March 2007. This information is stated in accordance with the accounting policies set out on Note 1 of the financial report.

Board of Director's Responsibilities
The Board of Directors' are responsible for the preparation of a financial report which gives a true and fair view of the financial position of the Company and Group as at 31 March 2007 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities
It is our responsibility to express an independent opinion on the financial report presented by the Directors and report our opinion to you.

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial report, and
- whether the accounting policies are appropriate to the Company and Group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in our capacity as auditor we have no other relationship with or interests in the Company or any of its subsidiaries.

Fundamental Uncertainty
In forming our unqualified opinion we have considered the adequacy of the disclosures made in the financial statements regarding the Group's proposed restructuring. As detailed in note 28, the Board have signed a heads of agreement to sell the Group's Australian operation to the major shareholder. In addition to the sale, the agreement provides for additional capital to be introduced and interest on shareholder loans to be cancelled. The agreement is subject to shareholder approval. The financial statements do not include any adjustments that would result from a failure to obtain shareholder approval for the sale and restructuring. Details of the circumstances relating to this fundamental uncertainty are described in Notes 28 and 29.

In forming our unqualified opinion, we have also considered the assessment by the Directors of the need for impairment of goodwill. The Board of Directors have approved cash flow forecasts for Media Technology Limited the New Zealand trading subsidiary which support the carrying value of goodwill. Goodwill in respect of the Australian trading subsidiary is supported by the sale of that business subsequent to year end which is subject to shareholder approval. If these forecasts and the sale of the Australian operations are not achieved the value of goodwill may be overstated. The financial statements do not include any adjustments that might be required should the goodwill be further impaired. The validity of the going concern assumption on which the financial report is prepared depends on the successful conclusion of these matters. Details of the circumstances relating to this fundamental uncertainty are described in Note 18.

Unqualified Opinion
We have obtained all of the information and explanations we have required.

In our opinion;

- Proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- The financial report on pages 6 to 27;
  - complies with generally accepted accounting practice;
  - gives a true and fair view of the financial position of the Company and Group as at 31 March 2007 and the results of operations and cash flows for the year ended on that date.

Our audit was completed on 18 July 2007 and our unqualified opinion is expressed as at that date.

BDO Spicers

BDO SPICERS
CHARTERED ACCOUNTANTS
AUCKLAND NZ

Income Statement
for the year ended 31 March 2007

	Notes	GROUP 2007 $000s	GROUP 2006 $000s	PARENT 2007 $000s	PARENT 2006 $000s
Operating revenue		17,133	17,814	-	-
Cost of sales		(10,849)	(11,190)	-	-
Gross Profit		6,284	6,624	-	-
Other operating income	**4**	5	24	-	-
Expenses	**5**				
- Distribution		(305)	(446)	-	-
- Finance		(148)	(370)	(1)	(1)
- Sales & marketing		(4,179)	(4,622)	-	-
- Administrative		(1,841)	(1,908)	(173)	-
- Other		(401)	(311)	-	-
Operating deficit before taxation		(585)	(1,009)	(174)	(1)
Income tax expense/(benefit)	**6**	-	(350)	-	-
Operating deficit after taxation		(585)	(659)	(174)	(1)
Net deficit for the period		(585)	(659)	(174)	(1)
Basic earnings per share (cents)		(0.67)	(0.76)		

Statement of Changes in Equity
for the year ended 31 March 2007

	Notes	GROUP 2007 $000s	GROUP 2006 $000s	PARENT 2007 $000s	PARENT 2006 $000s
Equity at beginning of the year		(880)	(521)	160	(89)
Movement in foreign currency translation reserve	**8**	(30)	50	-	-
Net deficit		(585)	(659)	(174)	(1)
Total recognised income and expenses for the year		(615)	(609)	(174)	(1)
Contributions from owners					
Issue of shares	**7**	-	250	-	250
Equity at end of the year		(1,495)	(880)	(14)	160

The accompanying notes on pages 9 to 27 form part of these financial statements

Balance Sheet
as at 31 March 2007

		GROUP		PARENT	
	Notes	2007 $000s	2006 $000s	2007 $000s	2006 $000s
Equity					
Share capital	7	5,140	5,140	18,623	18,623
Foreign currency translation reserve	8	(209)	(179)	-	-
Accumulated deficit	9	(6,426)	(5,841)	(18,637)	(18,463)
Total equity		(1,495)	(880)	(14)	160
Current liabilities					
Payables and accruals	10	3,369	3,671	19	19
Borrowings	11	1,559	2,080	-	-
Total current liabilities		4,928	5,751	19	19
Term Liabilities					
Borrowings	11	950	600	-	-
Total liabilities		5,878	6,351	19	19
Total equity and liabilities		4,383	5,471	5	179
Assets					
Current assets					
Cash and bank balances	12	117	438	4	5
Accounts receivable	13	2,259	2,575	1	1
Inter-company receivables		-	-	-	173
Inventory	14	362	419	-	-
Total current assets		2,738	3,432	5	179
Non-current assets					
Investments	15	-	-	-	-
Property plant and equipment	17	545	939	-	-
Intangibles	18	1,100	1,100	-	-
Total non-current assets		1,645	2,039	-	-
Total assets		4,383	5,471	5	179

For and on behalf of the Board

Director

AL Morton
18/7/2007

Director

R Ackroyd
18/7/2007

The accompanying notes on pages 9 to 27 form part of these financial statements.

Statements of Cash Flows
for the year ended 31 March 2007

		GROUP		PARENT	
	Notes	2007 $000s	2006 $000s	2007 $000s	2006 $000s
Operating activities					
Cash was provided from:					
Receipts from customers		18,477	19,208	-	-
Cash was applied to:					
Payments to suppliers		(13,937)	(14,748)	(1)	-
Payments to employees		(3,736)	(3,811)	-	-
Interest paid		(269)	(260)	-	-
Rent paid		(679)	(670)	-	-
Net cash applied to operating activities	**19**	(144)	(281)	(1)	-
Investing activities					
Cash was provided from:					
Sale of property, plant and equipment		24	-	-	-
Cash was applied to:					
Purchase of property, plant and equipment		(53)	(27)	-	-
Advances to subsidiaries		-	-	-	(252)
Net cash provided from/(applied to) investing activities		(29)	(27)	-	(252)
Financing activities					
Cash was provided from:					
Issue of ordinary shares		-	250	-	250
Proceeds from borrowing			200	-	-
Cash was applied to:					
Repayment of borrowings		(148)	-	-	-
Net cash provided from financing activities		(148)	450	-	250
Net increase/(decrease) in cash held		(321)	142	(1)	(2)
Cash at beginning of period		438	296	5	7
Cash acquired with acquisition of subsidiaries		-	-	-	-
Foreign exchange gain on conversion of cash balance		-	-	-	-
Cash at end of period		117	438	4	5
Composition of cash:					
Cash and bank balances		117	438	4	5

The accompanying notes on pages 9 to 27 form part of these financial statements.

Notes to the Financial Statements
for the year ended 31 March 2007

1. STATEMENT OF ACCOUNTING POLICIES

Introduction

Media Technology Group Limited is a company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange.

Financial statements for Media Technology Group Limited (the "Company") and consolidated financial statements are presented. The consolidated financial statements comprise the Company and its subsidiaries (the "Group").

Media Technology Group Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of the Company and Group have been prepared in accordance with the Financial Reporting Act 1993.

The following principal accounting policies have been applied in the preparation of the financial report.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statement for Media Technology Group Limited as an individual entity and the Group consisting of Media Technology Group Limited and its subsidiaries.

1.1 Basis of preparation

This general purpose financial report has been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS's), and its interpretations adopted by the Accounting Standards Review Board (ASRB).

Compliance with IFRS

New Zealand Accounting Standards include New Zealand equivalents to International Financial Reporting Standards. Compliance with NZIFRS ensures that the consolidated financial statements and notes of Media Technology Group Limited comply with International Financial Reporting Standards (IFRS's). The parent entity financial statements and notes also comply with IFRS's. The Group has elected to apply the relief from the disclosure requirements contained in NZIFRS 3 *Business Combinations: Business combinations arising before the adoption of NZIFRS*.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with NZIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Notes to the Financial Statements
for the year ended 31 March 2007

1.2 Basis of consolidation

Reverse Acquisition

The consolidated financial statements have been prepared using reverse acquisition accounting. As a consequence of applying reverse acquisition accounting, the results comprise the results of Media Technology Group Limited and its subsidiaries. As set out in note 18, goodwill amounting to $1,100,000 arose on the difference between the fair value of the net assets of Media Technology Group Limited at the date of acquisition and the fair value of the portion of Digital Disc Holdings Limited shares deemed to be issued to Media Technology Group shareholders to complete the acquisition.

In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by legal subsidiary Digital Disc Holdings Limited (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, Media Technology Group Limited (the acquiree for accounting purposes).

Subsequent Acquisitions

All subsequent acquisitions of subsidiaries are accounted for using the purchase method.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the polices adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the asset given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 19). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under the comparable terms and conditions.

1.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Interest and rental income is recognised in the income statement as it accrues.

1.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill of the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

1.5 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Category	**Estimated useful life (years)**
Plant and equipment	5 - 11
Leased plant and equipment	5 - 11
Office furniture and fittings	3 - 20
Software	4
Leasehold improvements	10 – 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

1.6 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services with a particular economic environment and it is subject to risks and returns that are different from those of segments operating in other economic environments.

1.7 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities use the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in New Zealand dollars, which is Media Technology Group Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities, denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Group Companies

The results and financial position of all of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- assets and liabilities for each balance sheet presented are translated at the closing rate of the date of that balance sheet;
- income and expenses for each income statement are translated at average all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss in sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

1.9 Cash and cash equivalents

Cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowing in current liabilities on the balance sheet.

1.10 Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax liabilities are recognised for temporary differences at the tax rates expected to apply when the liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the differed tax liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are not recognised for deductible temporary differences and unused tax losses. .

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount of tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to the Financial Statements
for the year ended 31 March 2007

1.11 Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

1.12 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

The collection of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1.13 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

1.14 Inventories

Inventories are recognised at the lower of cost, determined on a first-in first-out basis and net realisable value. The cost of work in progress and finished goods includes the cost of direct material, direct labour, and a proportion of manufacturing overhead, based on normal capacity of the facilities expended in putting the inventories in their present location and condition.

1.15 Provision

Provision for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.16 Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1.17 Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Notes to the Financial Statements

for the year ended 31 March 2007

1.18 Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1.19 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leases property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element on the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

1.20 Borrowings

Borrowings are recognised at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed.

1.21 Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Debt instruments issued which carry a right to convert to equity that is dependent on the outcome of uncertainties beyond the control of both the Group and the holder are classified as liabilities except where the possibility of non conversion is remote.

1.22 Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

1.23 Goods and Services Tax (GST)

The statement of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

2. FINANCIAL RISK MANAGEMENT

Business risks are controlled within tolerance levels and targets set by senior management and approved by the Board.

The underlying risk framework and operational control environment consists of:

- Skilled and competent staff with well-defined roles and responsibilities organised appropriately to control the Company's key activities.
- Guidance for all staff on expected standards of behaviour that is fundamental to the Group culture and values as provided in the Code of Ethics.
- Clear formal policy and procedures covering all key areas of risk.
- Clearly defined responsibilities and appropriate levels of delegated authority (and complementary escalation processes).
- Timely, complete and accurate financial and operational management information. Continuous adherence to sound risk management practices.

Management is responsible for the development of a control framework, the monitoring and administration of risk, and the active promotion of a management culture that accords a high value to disciplined and effective risk management. Each business manager is responsible for managing risk associated with his/her respective business activities including:

- continuous identification and assessment of the particular risks to which each unit is exposed;
- implementation of appropriate procedures to control the risks; and
- monitoring their effectiveness and administration, including reporting.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.4 and 1.8. The recoverable amounts of cash generated units have been determined based on value-in-use calculations. These calculations require the use of assumptions on the forecast profitability and cash flows of the various parts of the Group to which goodwill had been assigned. The outcome of these assessments is detailed in note 18.

ii. Income taxes

The Group is subject to income taxes in New Zealand and Australia where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. See note 6 for details of losses not recognised.

iii. Deferred taxes

The Directors are of the view there is not a reasonable probability that the tax losses will be utilised in the foreseeable future. The deferred tax benefit of those losses has therefore not been recognised in the Balance Sheet. See note 6.

Notes to the Financial Statements
for the year ended 31 March 2007

	GROUP 2007 $000s	GROUP 2006 $000s	PARENT 2007 $000s	PARENT 2006 $000s

4. OTHER OPERATING REVENUE

	GROUP 2007 $000s	GROUP 2006 $000s	PARENT 2007 $000s	PARENT 2006 $000s
Foreign currency gain	5	24	-	-

5. EXPENSES

	GROUP 2007 $000s	GROUP 2006 $000s	PARENT 2007 $000s	PARENT 2006 $000s
Audit fees	43	30	-	-
Bad debts	(7)	7	-	-
Depreciation	191	310	-	-
Directors' fees	38	83	-	-
Interest	67	-	352	-
Loss on sale of property plant & equipment	210	-	-	-
Rental and operating leases	779	792	-	-
Restructuring costs	750	-	-	-
Wages & salaries	3,489	3,811	-	-
Write down Intercompany receivable	-	-	173	174

6. INCOME TAX

Income tax Expense

	GROUP 2007 $000s	GROUP 2006 $000s	PARENT 2007 $000s	PARENT 2006 $000s
Current tax	-	(350)	-	-
	=====	=====	=====	=====
Reconciliation of income tax expense to prima facie tax payable				
Operating deficit before tax:	(585)	(1,009)	(174)	(1)
	=====	=====	=====	=====
Taxation expense/(benefit) at the rate of:				
33% on New Zealand income/(deficit)	(275)	(584)	(57)	-
30% on Australian income/(deficit)	75	233	-	-
Taxation effect of permanent differences:				
Non-deductible expenses	14	18	57	-
Taxation effect of timing differences not recognised	-	(350)	-	-
Tax losses not brought to account	186	333	-	-
	----------	----------	----------	----------
Income tax expense/(benefit)	-	(350)	-	-
	=====	=====	=====	=====

The Group has tax losses in the New Zealand companies of $1,427,000 (2006: $1,015,000) and Australian companies of $701,000 (2006: $977,000) available to be carried forward to reduce future income tax liabilities in the New Zealand and Australian companies respectively. Utilisation of these losses is subject to compliance with income tax legislation and future operating results. The Group has not recognised deferred tax assets arising from these losses and other temporary differences of $681,000 (2006: $638,000). The tax losses in New Zealand will no longer be available if the shareholding change detailed in note 28 occurrs.

Notes to the Financial Statements
for the year ended 31 March 2007

7. SHARE CAPITAL
Issued and paid up capital

All shares issued are ordinary shares and rank equally with one vote attached to each fully paid share.

	GROUP		PARENT	
	2007	2006	2007	2006
	$000s	$000s	$000s	$000s
Balance at beginning of period	5,860	5,610	19,343	19,093
Issue of shares to others	-	250	-	250
	5,860	5,860	19,343	19,343
Less shares held by Digital Disc Employee Share Trust	(720)	(720)	(720)	(720)
Balance at end of period	5,140	5,140	18,623	18,623

Movement in Ordinary Share Capital

Parent

	Number of shares	Issue Price	$000s
Balance 31 March 2005	85,031,485		18,373
2,500,000 shares issued at 10cents each on 29 September 2005	2,500,000	$0.10	250
Balance 31 March 2006	87,531,485		18,623
Movements during the year	-		-
Balance 31 March 2007	87,531,485		18,623

Group

Under reverse acquisition accounting, Digital Disc Holdings Limited is deemed to be the parent company. The reconciliation below shows the composition of Group share capital.

	Group $000s
Balance 31 March 2005	4,890
2,500,000 shares issued at 10cents each on 29 September 2005	250
Balance 31 March 2006	5,140
Movements during the year	-
Balance 31 March 2007	5,140

8. FOREIGN CURRENCY TRANSLATION RESERVE

	GROUP		PARENT	
	2007	2006	2007	2006
	$000s	$000s	$000s	$000s
Balance at beginning of period	(179)	(229)	-	-
Movement for period	(30)	50	-	-
Balance at end of period	(209)	(179)	-	-

Notes to the Financial Statements
for the year ended 31 March 2007

	GROUP		PARENT	
	2007	2006	2007	2006
	$000s	$000s	$000s	$000s

9. ACCUMULATED DEFICIT

Balance at beginning of period	(5,841)	(5,182)	(18,463)	(18,462)
Net deficit for period	(585)	(659)	(174)	(1)
Balance at end of period	(6,426)	(5,841)	(18,637)	(18,463)

10. PAYABLES AND ACCRUALS

Trade payables	2,708	2,754	-	-
Employee entitlements and arrears	348	351	-	-
GST payable	98	123	-	-
Sundry payables and accruals	136	380	19	19
Taxation	79	63	-	-
	3,369	3,671	19	19

11. BORROWINGS

Current				
Unsecured shareholder loan - weighted average interest rate 12% pa (2006: n/a).	50	-	-	-
Secured loan – weighted average interest rate 14.54% pa (2006: 15.63%).	1,299	1,858	-	-
Secured shareholders loans – weighted average interest rate 12.00% pa (2006: 12%)	210	222	-	-
	1,559	2,080	-	-
Term				
Secured loan – weighted average interest rate 15.81% pa (2006: n/a)	350	-	-	-
Secured shareholders loans – weighted average interest rate 12.00% pa (2006: 12%)	600	600	-	-
	950	600	-	-

Secured loans

The secured loans comprise:

- A trade finance facility granted to Media Technology Ltd with a limit of $1,115,000. It is subject to annual review. It is secured by registered first Security Deed over Digital Disc Holdings Limited, Media Technology Limited and Media Technology Group Limited, a cross deed of guarantee and indemnity against all trading companies in the Group and personal guarantees of A & S Morton and C Due.
- A debtor finance facility granted to Media Technology Pty Limited with a limit of A$1,500,000 secured by a first registered debenture charge over Media Technology Pty Limited and SAM Holdings (Aust) Pty Limited, personal guarantees of A & S Morton and corporate guarantees of Software Images Pty Limited and SAM (Holdings) Pty Limited.

Secured shareholders loans

The secured shareholders loans are secured by registered second Security Deed over Digital Disc Holdings Limited. Refer to note 28 for subsequent events impacting on these loans.

Notes to the Financial Statements
for the year ended 31 March 2007

	GROUP		PARENT	
	2007	2006	2007	2006
	$000s	$000s	$000s	$000s

12. CASH AND BANK BALANCES

Cash on hand and at bank	117	438	4	5
	====	====	====	====

13. ACCOUNTS RECEIVABLE

Trade receivables	2,186	2,471	-	-
Less provision for doubtful debts	(100)	(133)	-	-
GST receivable	-	-	-	-
Other receivables	10	10	1	1
Deposits and prepayments	163	227	-	-
	-------	-------	---------	---------
	2,259	2,575	1	1
	====	====	=====	=====

14. INVENTORIES

Raw materials	362	419	-	-
	====	====	====	====

15. INVESTMENTS

	GROUP		PARENT	
	2007	2006	2007	2006
	$000s	$000s	$000s	$000s
Investment in subsidiaries				
Cost	-	-	5,642	5,642
Less Provision	-	-	(5,642)	(5,642)
	--------	--------	---------	---------
	-	-	-	-
	====	====	====	====

16. INVESTMENT IN SUBSIDIARIES

The Parent's investments in subsidiaries are stated at cost. All subsidiaries have 31 March balance dates. Other details are:

Name of entity	Principal activities	Incorporated	Group Interest 2007	Group Interest 2006
Digital Disc Holdings Limited	NZ holding company	NZ	100%	100%
Media Technology Limited	Digital media, replication, design, packaging and on-line fulfilment	NZ	100%	100%
Media Technology Pty Limited	Digital media, replication, design, packaging and on-line fulfilment	Australia	100%	100%
Software Images Pty Limited	Australian holding company	Australia	100%	100%
Digital Disc Trustee Limited	Trustee of employee share ownership plan	NZ	100%	100%
Software Images Limited	Not trading	NZ	100%	100%

Notes to the Financial Statements
for the year ended 31 March 2007

17. PROPERTY PLANT AND EQUIPMENT

Group

	Plant and equipment $000's	Office furniture and fittings $000's	Leasehold alterations $000's	Software $000's	Total 000's
At 1 April 2005					
Cost	4,251	325	618	280	5,474
Accumulated depreciation	(3,623)	(182)	(243)	(204)	(4,252)
Net book value	628	143	375	76	1,222
Year ended 31 March 2006					
Opening net book amount	628	143	375	76	1,222
Additions	17	8	-	2	27
Disposals	-	-	-	-	-
Depreciation charge	(174)	(69)	(29)	(38)	(310)
Closing net book amount	471	82	346	40	939
At 31 March 2006					
Cost	4,268	333	618	282	5,501
Accumulated depreciation	(3,797)	(251)	(272)	(242)	(4,562)
Net book value	471	82	346	40	939
Year ended 31 March 2007					
Opening net book amount	471	82	346	40	939
Additions	47	3	3	-	53
Disposals	(71)	(14)	(171)	(1)	(257)
Depreciation charge	(119)	(12)	(24)	(35)	(190)
Closing net book amount	328	59	154	4	545
At 31 March 2007					
Cost	3,606	224	385	283	4,498
Accumulated depreciation	(3,278)	(165)	(231)	(279)	(3,953)
Net book value	328	59	154	4	545

	GROUP		PARENT	
	2007	2006	2007	2006
	$000s	$000s	$000s	$000s

18. INTANGIBLES

Goodwill				
Cost at beginning of period	1,100	1,100	-	-
Impairment charged at beginning of period	-	-	-	-
Net book value at beginning of period	1,100	1,100	-	-
Additions	-	-	-	-
Impairment charge	-	-	-	-
Cost at end of year	1,100	1,100	-	-
Impairment as at end of year	-	-	-	-
Closing net book value	1,100	1,100	-	-

Goodwill arose on the reverse acquisition of Media Technology Group Limited by Digital Disc Holdings Limited.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGU) which are considered to be the New Zealand and Australian trading subsidiaries. The aggregate carrying amount of goodwill allocated to each subsidiary is as follows:

New Zealand – Media Technology Limited	800	800	-	-
Australia – Media Technology Pty Limited	300	300	-	-
	1,100	1,100	-	-

The recoverable amount of the CGUs is based on the following:
New Zealand - value in use
Australia - fair value less costs to sell, as there is an agreement for the sale of the Australian operations. See note 28.

Discounted Cashflows - New Zealand

Value in use was calculated using discounted cash flow projections based on financial budgets covering the year to 30 June 2008. The discounted cash flow projections are based on the following:

i. The key assumptions adopted in the 2008 budget included:
   - Sales achieved at prior year levels adjusted for changes in specific significant customers.
   - Improved margins are a reflection of projected cost savings from improved productivity and changes in product mix.
   - Cost savings achieved from staff redundancies and restructuring of the Group completed in the year ended 31 March 2007.

ii. Cash flows from 30 June 2008 to 2012 were extrapolated using an estimated growth rate of 5% per annum. A terminal value for years after this was determined using a multiple of 5 times the 2012 projected EBITDA. The Directors believe these growth rates do not exceed the long term average growth rate for the industry.

iii. Gross Margin improvement of 2.7% over 2007.

iv. Discount rate of 20%. The discount rate used is pre-tax and reflects specific risks relating to the business.

Impact of Possible Changes in Key Assumptions

Based on the discounted cash flows the recoverable amount of goodwill and related fixed assets of the New Zealand trading subsidiary is $1,695,000 which exceeds their carrying value of $1,050,000 by $645,000.

The Directors have considered sensitivities to the cash flow assumptions adopted for the purposes of goodwill impairment as follows:

- If growth rates beyond 2008 were nil, no impairment would result.
- If the pre tax discount rate used was 25% then no impairment would result.
- If the forecast 2008 gross margin fell to the actual level of 2007, goodwill would be impaired by $131,000.

19. RECONCILIATION OF OPERATING CASH FLOWS

Reported operating deficit after tax	(585)	(659)	(174)	(1)
Add non - cash items and investment activities:				
- Depreciation	191	310	-	-
- Write down of intercompany receivable	-	-	173	-
- Unrealised foreign exchange loss	-	15	-	-
- Loss on disposal of property plant & equipment	210	-	-	-
	401	325	173	-
Add/(Less) movements in working capital:				
- Receivables prepayments and deposits	1,442	1,558	-	-
- Inventory	56	133	-	-
- Creditors, accruals and taxation	(1,458)	(1,638)	-	1
	40	53	-	1
Net cash flow from operating activities	(144)	(281)	(1)	-

20. IMPUTATION CREDIT ACCOUNT

Balance at beginning of period	586	830	-	-
Income tax paid	-	10	-	-
Tax options cancelled	-	(254)	-	-
Imputation credits in subsidiaries acquired during the period	-	-	-	-
Balance at end of period	586	586	-	-
At balance date the imputation credits available to the shareholders of the Company were:				
- Through direct shareholding in the Parent	-	-	-	-
- Through indirect interests in subsidiaries	586	586	-	-
	586	586	-	-

It is expected that these imputation credits will be lost once the shareholding changes detailed in note 28 occur.

Notes to the Financial Statements
for the year ended 31 March 2007

21. COMMITMENTS

The following amounts have been committed to, but not recognised in the financial statements.

	GROUP		PARENT	
	2007	2006	2007	2006
	$000s	$000s	$000s	$000s
Non-cancellable operating lease commitments:				
Within one year	347	445	-	-
One to five years	536	1,093	-	-
	----------	----------	----------	----------
Total operating lease commitments	883	1,538	-	-
	=====	=====	=====	=====

The Group leases premises, plant and equipment. Operating leases held over premises give the Group the right to renew the lease subject to a re-determination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases.

At 31 March 2007 neither the Group nor the Parent had material outstanding capital expenditure commitments (2006: nil).

22. CONTINGENT GAINS AND LOSSES

The Parent has given a bond in favour of New Zealand Exchange Limited for $75,000 (2006: $75,000).

No company in the Group is involved in any litigation, accordingly there are no claims outstanding, and there are no contingent liabilities at period end (2006: nil).

23. EARNINGS PER SHARE

The deficit for the period represented a return of (0.67) cents per share (2006: (0.76) cents per share) based on weighted average ordinary shares on issue during the period of 87,531,485 (2006: 86,281,485).

24. FINANCIAL INSTRUMENTS

(a) The Group is subject to a number of financial risks which arise as a result of its debt portfolio and investment activities.

(i) Interest rate risk

Interest rates on secured borrowings ranged from 12% to 15.9% p.a. (2006: 12% to 15.63% p.a.).

(ii) Credit risk

In the normal course of business the Group incurs credit risk from transactions. The Group has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. The Group does not require any collateral or security to support financial instruments. The directors consider there are no significant concentrations of credit risk, beyond the Group's exposure to registered banks.

(iii) Currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. The foreign currency in which the Group primarily transacts is Australian dollars. The Group does not use forward foreign exchange contracts to hedge its exposures to foreign currency risks.

(iv) Liquidity risk

Liquidity risk would arise where the Group encounters difficulties in raising funds at short notice to meet its financial commitments as they fall due. The Group has internal controls in place in order to reduce the exposure to liquidity risk.

(b) Fair Values

The carrying value of receivables, creditors, borrowings, cash at bank and bank call deposits is their approximate fair value. Unlisted shares are valued by the directors based on the lesser of:

(i) the cost price, less any amortisation of goodwill; or

(ii) fair values after taking into account financial and other factors.

Fair values of investments are disclosed in Note 15.

(c) Effective interest rates and repricing analysis

In respect of interest bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they reprice.

		2007					**2006**				
	Note	**Effective interest rate**	**Total $000's**	**6 months or less $000's**	**7 – 12 months $000's**	**12+ months**	**Effective interest rate**	**Total $000's**	**6 months or less $000's**	**7 – 12 months $000's**	**12+ months**
Secured Loan	11	15.1%	886	536	-	350	15.6%	1,858	1,858	-	-
Secured Loan	11	10.35%	763	763	-	-	-	-	-	-	-
Secured shareholder loan	11	12%	810	-	210	600	12%	822	-	822	600
Unsecured shareholder loan	11	12%	50	50	-	-		-		-	-

25. EMPLOYEE SHARE OWNERSHIP PLAN

The Company has an employee share ownership plan (ESOP). The directors have absolute discretion to determine which employees may participate in the ESOP and the price they pay for the shares allocated to them.

The Digital Disc Employee Share Trust has a non-beneficial interest in all shares allocated to employees, and a beneficial interest in shares which have not been allocated. Dividends paid on shares held by the Digital Disc Employee Share Trust are used to service the ESOP's debt. Until employees have paid the full purchase price, all dividends on the shares are beneficially received by the Digital Disc Employee Share Trust. The trustee of the Digital Disc Employee Share Trust is appointed by the directors of the Company. The shares held by the Digital Disc Employee Share Trust carry the same voting rights as other issued ordinary shares. Any shares held by the Trust which are not allocated to an employee may be repurchased by the Company or otherwise dealt with in such manner as the Trustees and the Company determine.

Notes to the Financial Statements
for the year ended 31 March 2007

26. SEGMENT INFORMATION

The Group operates in New Zealand and Australia in the provision of digital media, replication, design, packaging and on-line fulfilment services. During the previous period it ceased providing venture capital services to information technology, telephony and Internet companies.

Industry Segments

The company operates solely in the Digital Media industry.

Geographic Segments

	New Zealand		Australia		Unallocated		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Revenue								
Total sales	5,679	6,179	11,562	11,091	-	-	17,241	17,270
Intersegment	(100)	551	(8)	(7)	-	-	(108)	544
Sales to external customers	5,579	6,730	11,554	11,084	-	-	17,133	17,814
Result								
Profit/(Loss)	(804)	(1,771)	219	762		-	(585)	(1,009)
Income tax expense/(benefit)	-	(350)	-	-	-	-	-	(350)
Net profit/(Loss) for the period	(804)	(1,421)	219	762		-	(585)	(659)
Other information								
Assets	1,089	1,388	2,194	2,983	1,100	1,100	4.383	5,471
Liabilities	2,948	2,783	2,930	3,568	-	-	5,878	6,351
Purchase of property, plant & equipment	36	10	17	17	-	-	53	27
Depreciation	69	98	122	212	-	-	191	310

27. RELATED PARTY INFORMATION

General

All members of the Group are considered to be related parties of Media Technology Group Limited. This includes the subsidiaries identified in Notes 16.

Shareholder loans

Digital Disc Holdings Limited had loans from SAM Holdings (Aust) Pty Limited and Cadre Investments Limited, companies which are owned directly or indirectly by directors and shareholders of the Parent. As at 31 March 2007 the balances of the loans were SAM Holdings (Aust) Pty Limited, $352,280 (2006: $314,280) and Cadre Investments Limited $507,510 (2006: $507,509). The interest rate on these loans is 12%.

Other related parties

The Parent received no dividends from subsidiaries as set out in Note 3 (2006: nil).

Notes to the Financial Statements
for the year ended 31 March 2007

28. SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 18 July 2007, the Company entered into a heads of agreement, subject to shareholders approval, to sell the Group's Australian business to SAM Holdings (Aust) Pty Limited its major shareholder. In consideration for the purchase, shares in the Company held by SAM Holdings (Aust) Pty Limited will cancelled at 2cents per share and by SAM Holdings (Aust) Pty Limited will assume the liability for the indebtedness of Media Technology Ltd to Media Technology Pty Ltd of approximately $820,000.

In addition to the sale of the Australia business, the agreement also involves the following transactions:

- the cancellation of interest of $297,678 owing on SAM Holdings (Aust) Pty Limited and Cadre Investments Limited shareholder loans
- capitalisation of $500,000 shareholder loan from Cadre Investments Limited
- Agreement by Cadre Investments Limited to underwrite the subscription of additional shares in the Company to the value of $250,000

On the basis of this agreement, the Directors have adjusted the financial statements to reflect the cancellation of interest on the shareholder loans, revised the classification and terms of loans, assessed the impairment of the goodwill associated with the Australian business on the selling price above and prepared the financial statements on a going concern basis.

Subject to the successful conclusion of the above transactions the Groups financiers have agreed to continue to finance the remaining Group entities.

The projected impact of the sale of the Australian operations on the financial position of the Group is to remove the folloing items;

	$000s
Property plant & equipment	295
Inventory	271
Trade & other receivables	1,563
Goodwill	300
Cash	66
Trade & other payables	(2,168)
Borrowings	(763)

Net identified liabilities	(436)
	=====
Consideration received	
Cancellation of shares	1,160
Transfer of loan liabilities	820

Total Consideration	1,980

Gain on disposal	2,416
	=====

Note

i The figures above are projected as the settlement date had not been reached at the date these financial statements were prepared.

ii The fair value of the cancellation of the $58,001,905 shares held by SAM Holdings (Aust) Pty Limited is considered to be 2 cents per share. This is the price that additional shares will be issued to Cadre Investments Limited. The Directors consider this is a better indicator of market value as the shares are thinly traded on the NZAX.

iii The trading results of the Australian operation are detailed in note 26 Segment Information.

Notes to the Financial Statements
for the year ended 31 March 2007

29. GOING CONCERN

After consideration and making appropriate inquiries, the Directors have a reasonable expectation that the Group has and will have sufficient resources to continue its operations for the foreseeable future. This conclusion is based on the subsequent events detailed above, the restructuring of the New Zealand business since balance date and the projected budgeted performance and cash flows for the Group.

The Directors have reached this conclusion having regard to the circumstances which they consider likely to affect the Group during the period of one year from the date of signing these financial statements and to circumstances which they know will occur after that date which could affect the validity of the going concern assumption.

Additional Information

1. PRINCIPAL ACTIVITIES

The Company provides digital media, replication, design, packaging and on-line fulfilment services.

2. SHAREHOLDER STATISTICS

Spread of security holdings (at 30 April 2007)

	Shareholders		Ordinary Shares	
	Number	**%**	**Number**	**%**
1 - 4,999	2,523	95.64	1,187,115	1.36
5,000 - 9,999	47	1.78	307,620	0.35
10,000 - 49,999	50	1.90	938,087	1.07
50,000 - 99,999	4	0.15	221,720	0.25
100,000 - 499,999	9	0.34	1,657,373	1.89
500,000 - 999,999	-	-	-	-
1,000,000 plus	5	0.19	83,219,570	95.08
	2,638	100	87,531,485	100

Domicile of Shareholders (at 30 April 2007)

	Number of shareholders	Percentage of shareholders	Number of shares
New Zealand	2,521	95.6	29,327,382
Australia	69	2.6	58,139,193
Other	48	1.8	64,910
	2,638	100	87,531,485

3. MAJOR SHAREHOLDERS

The top twenty holders of ordinary issued fully paid shares at *30 April 2007* were:

	Name	Number of shares held	Percentage of issued shares
1.	SAM Holdings (Aust) Pty Limited	58,001,905	66.26
2.	Cadre Investments Limited	10,700,998	12.23
3.	Digital Disc Trustee Limited	6,000,000	6.86
4.	Software Images Holdings Limited	5,416,667	6.19
5.	Hamish Edward Elliot Brown	3,100,000	3.54
6.	Godan Investments	430,015	0.49
7.	Custodial Nominee Company Limited	309,425	0.35
8.	Philip John Norman, Wendy Joy Norman & Murray Gordon Wells	234,029	0.27
9.	Carl Nicholas Bann	175,000	0.20
10.	Laddara Pty Limited	105,187	0.12
11.	Mark Butcher	103,717	0.12
12.	Sean Anthony Dennehy	100,000	0.11
13.	Nicklas William Patrick Willemse	100,000	0.11
14.	Laurence George Coon	100,000	0.11
15.	Meryn Peter Davies	60,000	0.07
16.	Dino Focus	58,709	0.07
17.	Portfolio Custodian Limited	53,011	0.06
18.	ASB Nominees Limiterd	50,000	0.06
19.	John Peter Nooijen	42,500	0.05
20.	Moon Ha Hwang	41,460	0.05
		85,182,623	97.32

4. INTERESTS' REGISTER

Each company in the Group is required to maintain an interests' register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests' registers for Media Technology Group Limited and its subsidiaries are available for inspection at its registered office. When a director has declared an interest in a particular entity, as a shareholder or director, the declaration serves as notice that the director may benefit from any transaction between the Company and the identified entity.

5. DIRECTORS' DISCLOSURES

The Boards of the Group's subsidiaries are comprised of members from the Board of the Parent. Where appropriate for jurisdictional or operational issues, outside directors may be introduced. There are no independent directors on the subsidiary Boards. No director of any subsidiary company received any director's fees or other benefits as a director.

Company	**Directors**
Digital Disc Holdings Limited	AL Morton
Media Technology Limited	AL Morton
Media Technology Pty Limited	AL Morton, SD Morton
Software Images Pty Limited	AL Morton, SD Morton
Digital Disc Trustee Limited	AL Morton, SD Morton
Software Images Limited	AL Morton

Entries in the Interests' Register

During the period no matters were recorded in the Interests' Register.

Directors' loans

There were no loans to directors.

Information used by Directors

No member of the Board of Media Technology Group Limited or any subsidiary, issued a notice requesting to use information received in their capacity as directors which would not otherwise have been available to them.

Directors' Shareholdings

Details of directors' shareholdings as at 31 March 2007 are set out below:

		Beneficially	**Associated Persons**
AL Morton	Shares	-	58,001,905

No existing directors sold shares during the period.

5. DIRECTORS' DISCLOSURES (continued)

Directors' remuneration

During the period, the Board approved the following remuneration, including all termination payments, for the directors:

	2007		2006	
	Fees	**Remuneration**	**Fees**	**Remuneration**
	$000s	**$000s**	**$000s**	**$000s**
Directors of Media Technology Group Limited				
AL Morton	-	308	-	291
CP Due**	24	-	48	-
S Gilmour**	10	-	20	-
GN Lee*	-	-	15	-
RF Ackroyd***	2		-	-
BM Daldy***	2		-	-

*Resigned 14 December 2005 ** Resigned 28 September 2006 ***Appointed 6 October 2007

Directors' and Officers' indemnification and insurance

Media Technology Group Limited indemnifies all current directors and officers of the Group against all liabilities (other than to the Company or a subsidiary) which arise out of the performance of their normal duties as directors or officers, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Company has indemnity insurance. The total cost of the insurance during the financial period was $23,046 (2006: $22,612) plus GST.

6. NEW ZEALAND STOCK EXCHANGE WAIVERS

The Company has not sought any waivers during the year.

7. EXECUTIVE REMUNERATION

During the period employees, including executive directors, within the Group received remuneration, termination payments and benefits which exceeded $100,000 as follows:

Number of employees	Band
1	$100,000 – 110,000
2	$120,000 – 130,000
1	$130,000 – 140,000
2	$140,000 – 150,000
1	$170,000 - 180,000
1	$300,000 – 310,000

8. 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	66.26
CP Due	11,131,263	12.71
Digital Disc Trustee Limited	6,000,000	6.86
Software Images Holdings Limited	5,416,667	6.19

Directory

Business Office	**Board of Directors**
PO Box 47 254 Ponsonby Auckland Ph +64 9 376 8846 Fax +64 9 378 9494 www.mediatechnology.co.nz	Chris Due – Non executive chairman (resigned 28 September 2006) Allan Morton – Executive Chairman (from 28 September 2006) Scott Gilmour - Non executive director (resigned 28 September 2006) Ronald Ackroyd - Non executive director (appointed 6 October 2006) Bridget Daldy - Non executive director (appointed 6 October 2006)

Share Register:	**Registered Office**:
Computershare Investor Services Limited Private Bag 92119 Auckland Ph +64 9 488 8700 Fax +64 9 488 8787	17 Maidstone Street Ponsonby Auckland Ph +64 9 376 8846 Fax +64 9 378 9494 www.mediatechnology.co.nz

Auditors:

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Solicitors:

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