

NZX release

5 August 2009

Mid Year result Announcement

Cynotech Holdings Limited reports a net profit after tax for the half year to 30th June 2009 of \$1.263 million compared to the profit for the same period last year of \$1.227 million.

Total assets employed at June 2009 were \$31.721 million compared to June 2008 of \$31.614 million.

Total shareholder's funds at \$14.168 million as at June 2009 have increased from the last annual balance date December 2008 \$13.057 million. This has led to a satisfactory increase in the Equity percentage of the Cynotech Group which now stands at 45%.

Cynotech Directors intend to continue with this high level of equity funding of the asset base of the group and the low level of gearing for the foreseeable future while the finance industry continues to go through its difficult times.

The Directors are recommending an interim dividend of 0.5 cents per share and this continues on from the 0.75 cents per share final dividend which was paid to shareholders in May giving total dividends at the rate of 1.25 cents per share. The interim dividend will be paid on 30th September 2009 to those shareholders on the register at 5pm on 25th September. This is a further return to shareholders following the bonus issue of Cynotech Capital Securities made to shareholders in June.

We continue to approach the finance part of our business with caution. Unlike some others in our industry, bad debts have been minimal in this half year brought about by our policy of having fully provided for possible impaired accounts in previous accounting periods.

Our accounting and credit policies are and have been robust.

- We generally provide for bad debts on loan accounts which become more than 90 days overdue.
- We do not bring interest revenue or collection costs on overdue accounts to income until they are actually collected from the clients.
- Fair Value loans purchased from the Receiver of National Finance and the Western Bay impaired loans carry a nil or nominal value until such time as the debtor is found and brought to account through the court process. Once the debtor starts paying the loan is discounted due to the term of the loan repayment period and the continued repayment pattern.
- The maximum credit exposure on any one loan in the finance sector of our business is \$300,000 and we only have 5 loans in our books over \$100,000.

Any other higher exposures which we may have had have been fully provided for in previous accounting periods.

- We continue with our policy of having high equity levels and we do not have deposits from the public.

A number of other finance companies have had to provide substantially higher bad debt provisions in the latest reporting periods. It is apparent that there are still massive difficulties to be overcome in the finance sector and in some cases where companies have yet to provide aggressively for the impaired loans in their property development and property speculation loan books it can be expected that their results will be compromised. We simply believe that the arithmetic does not work out in some cases and this will lead to the non fulfilment of conditions in some finance companies which are under a debenture holder's moratorium.

The Cynotech Group non finance, trading activities have not performed with credit over this half year period (with the exception of our satellite phone business) and we are ensuring that every operation is being continuously reviewed on a line by line basis to ensure that we lift our performance levels.

Allan Hawkins
Chairman