

**Chairman's comments to the Annual General Meeting held on 22<sup>nd</sup> April 2009.**

It's obvious to everyone that the financial year we are reviewing has been a period of unprecedented financial markets turmoil and our shareholders are well aware that we have largely escaped the effects of the economic devastation all around us.

In particular the effects of the collapse of the Finance Company sector in this country have largely passed us by. Aside from good management practices our success this year has been due to the fact that we secured three of the devastated company's loan books. We have worked them hard to obtain a good and increasing cashflow.

We do still have cash reserves but not really as much as we would like. However I can say that we are paying down the bank facilities which we have, so that we are sure to maintain our independence and of course we have doubled our dividend payments to shareholders for the 2008 year, another indication of our financial strength in cash terms.

One of the things that has materially impacted us this year is the increasing amount of internal and external surveillance of the Cynotech Group and all other public companies as all regulatory bodies lift their game to make sure that Companies which are survivors are working within the rules.

This year we have heard (one way or another), or have had interaction with the Takeovers Panel, the Stock exchange, the Securities Commission, and the Commerce Commission not to mention our own Auditors who have incidentally been the subject of an auditing standards peer review. If we continue, as we have indicated, in putting in place a prospectus for a public debenture issue we would add a Trustee and the Reserve Bank to our list of monitoring organisations, all of whom come with associated costs.

We have no complaints about the level of external surveillance. We best explain the effects of this on our Company in terms of the difficulties we face in trying to turn ourselves from a small listed public company into a medium sized public company.

There is a significant dollar cost in answering the queries and of course the time cost is also major, especially given the fact that we only have four senior group executives.

We are spending high time and money costs which are rather disproportionate for a small company.

I should also mention that just after we got our audit sign off this year the NZX relaxed the rules on related party transactions and some other things to assist with Companies raising capital and the International Financial Accounting Standards Board relaxed its "mark to market" value rule for the valuation of financial assets.

In terms of the results we produced for the year to December 2008, we were able to report a satisfactory increase in net profit after tax and our pretax profit actually increased by more than 100%.

We continued with our policy of carefully reviewing the quality of the loan books under our control and made the appropriate bad debt provisions. The collections from the National Finance loan book continued at a stable level. Collections from the Western Bay loan book, which we purchased in April 2008, have really started to improve as we move clients through our collection and legal program. We are achieving around one hundred new attachment orders every month.

Our non finance businesses, Snowdon, manufacturing ice cream cones and the Cynotech Satellite phone business are producing positive although not spectacular results.

Our associate companies are Seating Systems Limited and Findata Limited. Seating Systems has just successfully completed the installation of 25,000 seats and 7,500 square metres of corporate hospitality platforms for the Hamilton V8's. Findata has successfully completed the programming for entry to the USA and the US web site is operational and can be viewed at [www.portfoliosharing.com](http://www.portfoliosharing.com).

This year will not be easy but we do plan to start lending again through Cynotech Finance Group and Budget Loans from around mid 2009 and of course we will continue to diligently pursue our collections program in the distressed loan books which we have purchased.

To effect our growth program going forward we are looking at various funding alternatives which are practical for us, provide investor security, are easy to understand and operate in the market, while minimizing compliance costs. We may need to come-back to shareholders for your approval.

We are investing further funds into Snowdon plant upgrades this year to improve efficiency and to reduce wastage.

Until we get a better feel of the way this year is tracking and until we see what else is going to hit us economically we do not want to predict massive increases in performance for 2009. We believe that times are too uncertain for us to be able to be aggressive in our forecasts.

I have told you before that we have got the Group well and truly battened down and we will continue to proceed with caution.

As previously advised we have suspended the program whereby shareholders could take new ordinary shares in lieu of a cash dividend. The dividend is now all payable in cash and the final dividend of .75 cents per share is payable on 1<sup>st</sup> May. The total final dividend amounts to a total cash payment of around \$1 million.

Allan Hawkins  
Chairman