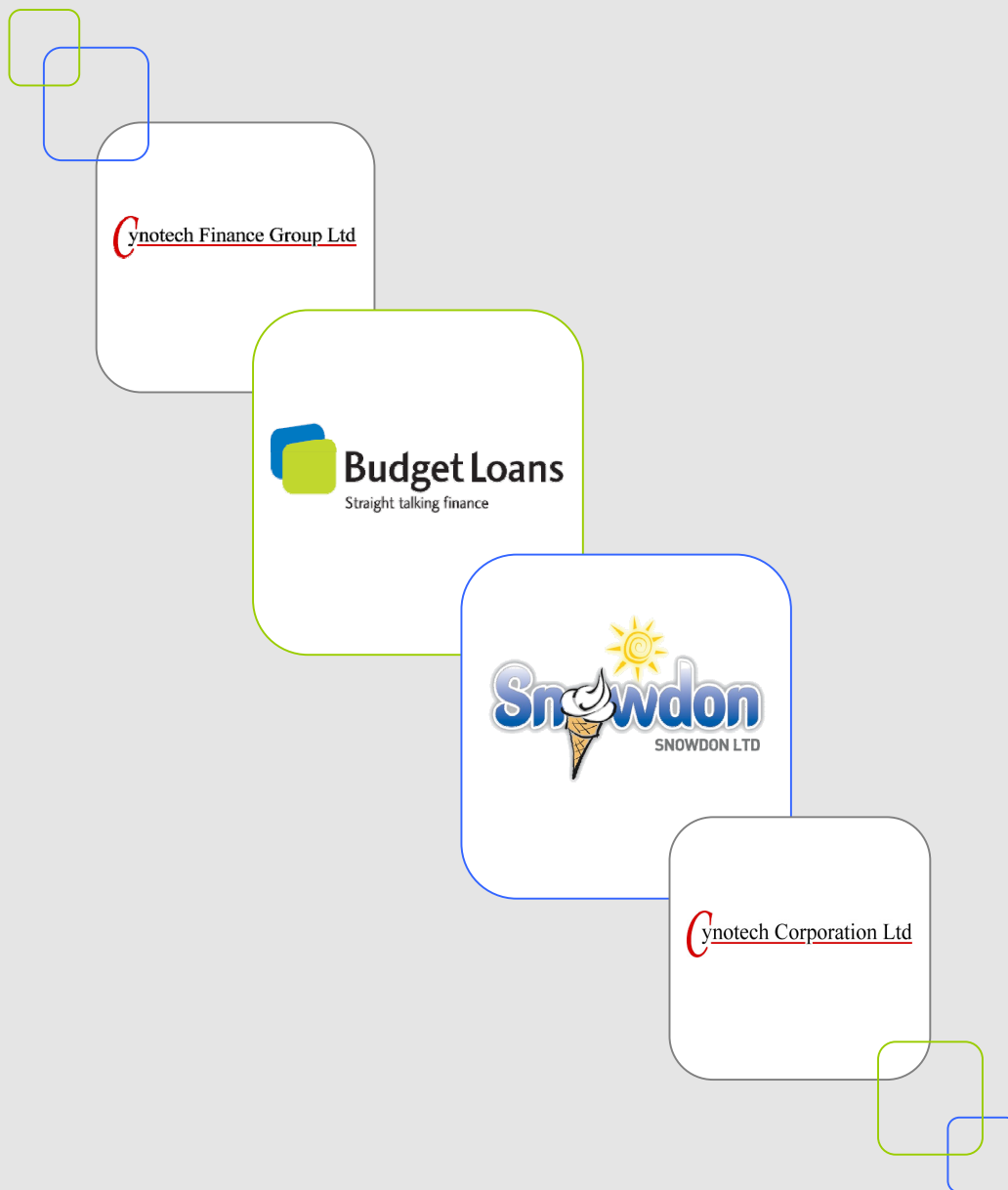


Cynotech Holdings Ltd



**Mid Year Report
2007**

Corporate Information

Cynotech Holdings Limited

Level 4, National Bank Building
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187 Broadway
Newmarket
Auckland
Ph: (09) 520 6073
Fax: (09) 912 2142
Email: finance@cynotech.co.nz
Web: www.cynotech.co.nz

Registered Office

Level 4, National Bank Building
187 Broadway
Newmarket
Auckland

Financial Calendar

Year end	31 December 2007
NZX year end announcement	15 February 2008
Annual report mailed	22 February 2008
Dividend reinvestment statement mailed	22 February 2008
Notice of AGM mailed	22 February 2008
Annual meeting	26 March 2008
Share Register closed for dividend	28 March 2008
Dividend payment	4 April 2008
Notice of exercise of warrants mailed	16 May 2008
Final date for warrant exercise	27 June 2008
Half yearly results announcement	Mid July 2008

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Highlights

382%

Increase in operating profit compared to the same period last year

\$20.8 million

Total assets increased 113% from \$9.78 million at June 2006

\$12.8 million

Loan receivables increased 225% an increase of \$8.66 million over the total at June 2006

\$15.58 million

Market capitalisation of Cynotech Group based on a share price of 19cps

65 million

Number of ice cream cones produced by Snowdon in the last 12 months

Directory

Directors

A.R. Hawkins

Chairman

Allan has over 40 years experience in the finance industry at all levels of accounting and management roles. Over this period he has been involved at senior management, CEO, CFO and Director level. Allan has an intimate knowledge of all aspects of finance company management and an extensive background in all aspects of finance company administration, credit control and finance company funding. He provides a solid platform and wealth of experience and knowledge to the strategic management of the Cynotech Holdings Group businesses.

N.B. Tawse

Managing Director

Brett has business experience in over 40 countries, including negotiating contracts and achieving settlements in such places as the Middle East, Africa, Europe and the Americas. He is well versed in being able to reach a positive outcome in varied scenarios. He has been General Manager of 5 different companies, (two in the UK with experience of UK banking requirements). Brett has prior Directorship and senior management experience and brings a disciplined, corporate approach to our senior management team.

P.J. Hutchinson

Director

Paul has been in the banking/finance industry for over 40 years and has held senior management positions in several finance companies over the past 35 years. He has considerable experience in finance company operations, particularly in the credit assessment/lending field and is currently the Managing Director of two successful, privately owned finance companies.

K.P. McDonald

Director

Kevin is a solicitor with approximately 30 years experience as a principal in a law firm. He is a Director of a number of private companies, and a trustee of a number of trusts. He has wide general experience in the legal field. He is currently the principal of a law firm with three staff solicitors and four other staff members. He is experienced in legal issues relating to lending, enforcement of securities, and property transactions.

Auditors

BDO Spicers
Level 8
120 Albert Street
Auckland

Solicitor

Lowndes Associates
Level 5
18 Shortland Street
Auckland

Bankers

ASB Bank Ltd
ANZ National Bank of New Zealand Ltd

Share Registry

Link Market Services
P O Box 314
Ashburton
Ph: (03) 308 8887
Fax: (03) 308 1311

Directors' Review

Operating profit

Your Directors are pleased to be able to report on a successful half year to 30 June 2007. The result produced for this half builds successfully on the result that was reported for the full year to 31 December 2006.

The Cynotech Finance Group has performed very positively and has carried the Group result. We have had another not very successful half year in manufacturing operations and the causes for this are detailed later in this report.

Net surplus after tax for the six months ended June 2007 was \$1,039,339. This compares to the profit of \$215,409 for the 2006 reporting half year, an increase of 382%.

Revenue

Fees earned are \$520,773, a commendable result, given that our receivables level did not reach our own budget figures.

Sales at \$2,343,797 are steady compared to a year ago. In the next half year we expect there will be an increase, as our recent 10% price increase at Snowdon takes effect.

Expense levels

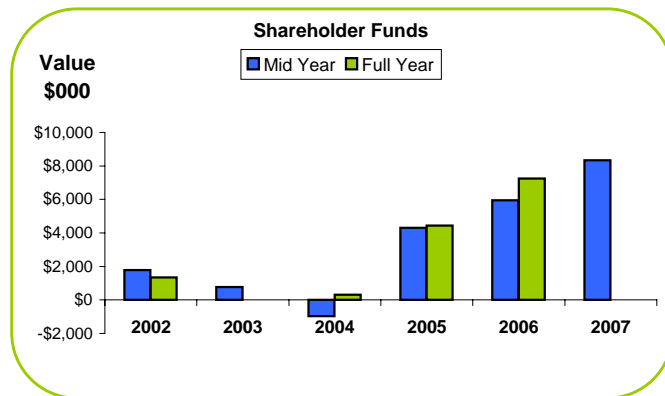
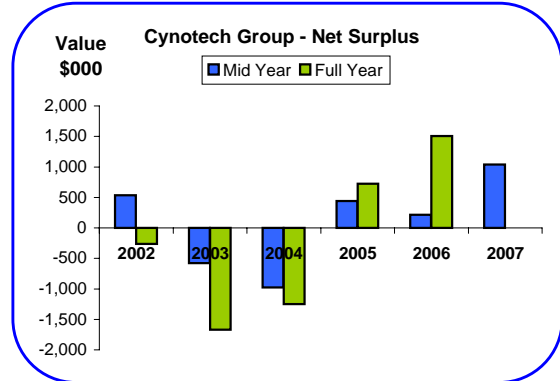
Total Finance Group operating and money cost expenses increased significantly, principally reflecting the costs of employing up to 24 new staff and the cost of interest on our increasing levels of deposits.

Manufacturing costs, including both the cost of goods and expenses have increased for the half year. Increases have arisen due to increased holiday pay provisions, freight (due to fuel price increases) and a sugar cost increase.

We should report that the cost of the 4 week holiday pay provision came into effect this half year, and this will cost the Group \$30,000 annually.

Group equity

A number of warrant holders took the opportunity on 27th June 2007 to pay up the shares attaching to the warrants. 1,572,550 new shares were issued and capital increased by \$314,510.



Cynotech now has 82,013,275 shares and 5,000,000 convertible notes on issue and 17,293,689 warrants, remaining to be converted.

The increases in capital and additions to Group reserves have led to a situation where our equity levels at \$8,345,029 are 40% of gross assets. With total liabilities of \$12,454,824 - 60% of gross assets we are operating in a very conservatively financed structure. This will allow us to grow the finance operations and our level of receivables at planned levels for the remainder of this financial year without the need for further equity raising by way of a cash issue or a rights issue to our shareholders.

Our ratio of shareholders equity to total liabilities as at 30th June 2007 is 1:1.5.

Our borrowings are made up as follows

Deposits in the Cynotech Finance Group	\$8,699,942
Bank loans and bank mortgages	\$2,944,582
Trade creditors and other liabilities	\$810,300

We have now reached agreement on the terms of a Trust Deed and a Debt Prospectus for the Cynotech Finance Group and our Prospectus and Trust Deeds are now in the advanced stages of preparation. It is not our intention to aggressively advertise our Prospectus in the public arena. We feel that the debenture funding area for finance company debentures is fairly crowded at present and it is our intention to present special offers to our shareholders and other close contacts where we can offer a higher rate of interest because of the fact that we will be without a wide ranging advertising program with its associated costs. We would rather reward our depositors with an attractive interest rate rather than paying excessive advertising costs.

With interest rates increasing because of increases in the Reserve Bank cash rate and because of Government fiscal policy we will be paying higher interest rates in the foreseeable future than we would like.

Directors' Review

continued

It is anticipated new legislation will be passed accrediting companies as part of an Approved Deposit Takers regime. This will likely set criteria about how and where funds are held, and standards of governance and reporting regarding use of those funds. It is expected Cynotech will be able to comply with regulations, which are still being formulated.

The cost effects of holiday pay provisions have been reported - but we should also advise the costs of a 'Mother Nation' are also a concern. The need to terminate staff employment through what can be a protracted process, the costs of ACC, next year KiwiSaver and IRD requirements for reporting along with our justified business reporting to shareholders, our Trustee, and the Companies Office, makes business increasingly administratively costly. Fortunately some of this will be offset by lower Company tax - but we would prefer less administration as well.

Earnings yields (annualized) in the 6 month period

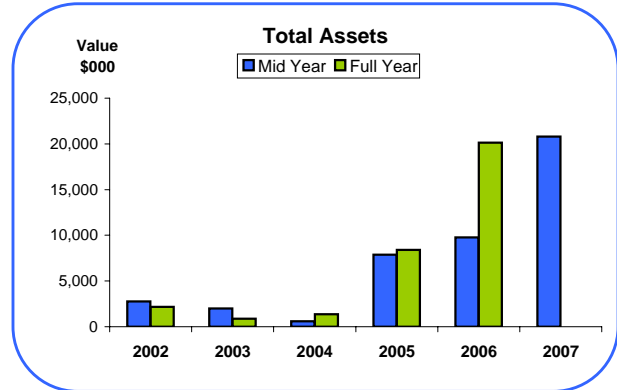
Earning rate on average total equity	26.67%
Earning rate on average total assets	10.61%

Group total assets

Total Group Assets are \$20,799,853.

The principal growth has been in our receivables total.

Our Liabilities grow with deposits. It is estimated that when receivables peak out at over \$25 million we will we need additional shareholders funds to keep our gearing in a conservative balance. This will allow receivables to double from current levels.



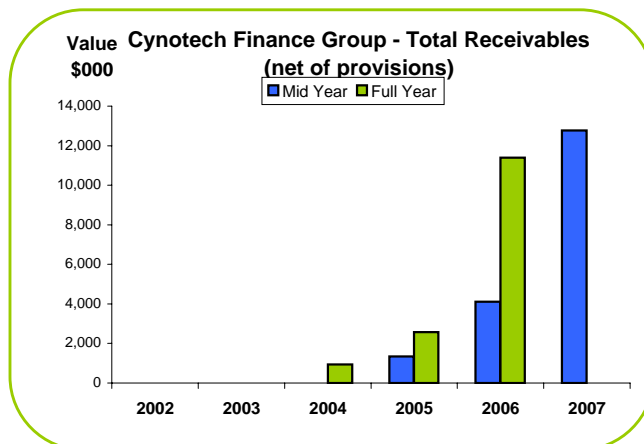
Finance Group operations

With the demise of four finance companies within the last year and the concern the Government is continuing to express regarding investment into property and increasing house prices, we expect some focus will come on finance companies and the role we play in financing property development and consumer borrowing. Firstly shareholders need to know, as shown by our conservative financial parameters, our conservative approach to lending. We have not grown our loan book as fast as planned, due in part to the quality of loans we have been presented with. Secondly, we limit the size of our exposure to any one deal to around \$200,000. Finally all loans over \$100,000 are presented to all Directors for review and approval.

There are differences between the company failures we have seen, and our own operations. In addition to the points noted above we have a diversified portfolio of clients between commercial lending and consumer lending. We have not focused in one area, whether that be solely property, or solely cars. We have a mix of car loans from National Finance, other personal lending principally secured against property, business loans and property lending.

The car loans we purchased from National Finance 2000 Ltd (In Receivership) have been a real gain to our company - as can be seen from our half year results. Our management of the loan book has involved the aggressive pursuit of those borrowers who have not paid their loan. This includes finding missing borrowers, following all legal avenues diligently and then reaching a payment arrangement before any Court hearing, or where we can't make an arrangement, proceeding to Court.

We have reached a size where we are now running the latest Finance Company software programs which we are finding are giving us very good coverage of our activities in managing loans and depositor transactions. Our staffing is well managed with the addition of three experienced managers who have come from other finance companies to add to our existing complement of experienced people at General Manager level.



Finance receivables

Our Total Finance receivables now stand at \$12,778,943 an increase of 225% since June 2006. We fully expect there to be further growth as we identify recalcitrant National Finance borrowers and bring them to account. In addition we continue to grow our new lending client base. We are expanding our commercial lending, while maintaining growth in our consumer lending portfolio.

To aid these plans we do need better marketing. Accordingly we are soon to launch a radio advertising program, to enhance our current hard copy advertising. We could have done better in the promotions area. The addition of an experienced Lending Manager is expected to assist.

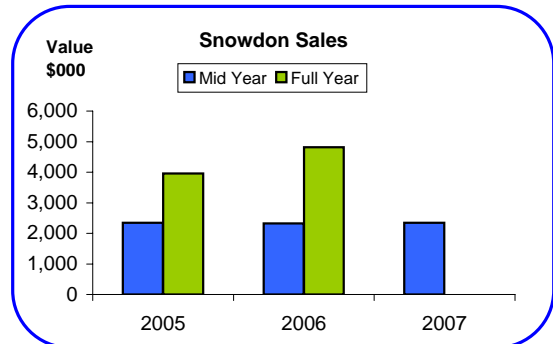
Overall the finance market is very competitive. With the growth rate we have reported we are comfortable with the share we have achieved. There is however no room for complacency.

Directors' Review

continued

Snowdon - manufacturing operations

Snowdon's results are well below expectation, despite improved sales over the same period a year ago. Sales are significantly affected by summer so as we reach half year, we normally expect a small profit but instead Snowdon is reporting a loss. There have been stock write-off's included, but the real picture has been a lack of profitability due to not increasing prices on an annual basis, and losing confectionary business. Having increased prices, and addressing the confectionary loss we are now implementing systems to increase efficiency in the factory. In addition there have been input cost increases in transport, sugar and gas, not to mention holiday pay provisions.



We are also considering capital structure options, or if need be, production off-shore.

Satellite phones

We continue to manage this business for an outside investor. The business continues to report steady profits, from which the Group recovers both a management fee and a variable rate of interest. This is not a long term scenario.

Our people

We continue with an in house training program to enhance our relevant staff skills and to identify key players for further promotion where possible. The team we have at the moment is stable and we are seeing the rewards from this in our results. It has been a difficult employment period with the economy reporting the highest levels of employment for several years.

The senior and mid level management team are competent, and in the most part hard working, and are prepared to work extra hours as required. There are no concerns in this regard, and The Board thanks all staff for their contribution to date, and looks forward to it continuing.

Shareholders

There has been a change in our top 20 shareholders and in shareholder numbers over the period. The business needs a diverse shareholder base, whereas we currently have a small loyal group of shareholders who we trust see continuing value in our activities. We are looking to take our business out into the wider community through a sharebroker marketing program to grow our shareholder numbers, which now stands at 871.

There has been consolidation throughout the top 20 and more accumulation by some key shareholders. Top 20 shareholders own 69% of the shares on issue.

Warrant Holders of which there are 514, have also changed.

The top 20 warrant holders hold 76% of the 17,293,689 warrants. Warrant holders are reminded they have only next year to cash their warrants.

Forward outlook

Our company has completed another successful first half. We expect this to continue through the remainder of the year. We do however need to fix our manufacturing results.

We now have a sound base of earning assets. Our target will be to grow our finance receivables, notably in the commercial area, but also in personal lending. In addition we will be focusing on sales, systems and efficiencies at Snowdon. In time we will be looking for further suitably valued deals where we can extract or add value.

We remain confident of the long term sustainable growth prospects for the Group, always mindful of any new possible regulations which will have an impact on both of our Finance borrowing and lending activities.

Allan Hawkins - Chairman

Brett Tawse - Managing Director

Income Statement *for the 6 months ended 30 June 2007*

	Notes	GROUP		
		Unaudited 6 mths 30 Jun 2007	2006	
Revenue		\$	\$	\$
Fees received		520,773	309,427	690,913
Gain on sale of assets		-	436,915	436,915
Gain on recovery of loan receivables acquired		1,251,748	-	1,605,216
Interest received	Loan receivables	1,305,844	368,033	1,001,471
	Bank interest	11,581	9,070	48,194
Management fee		21,000	-	24,000
Net foreign exchange gain		-	244	-
Sales of goods		2,343,797	2,325,323	4,817,210
Sales of services		5,917	291,224	291,224
Total operating revenue		5,460,660	3,740,236	8,915,143
Operating expenses				
Audit fees		59,063	27,000	69,000
Cost of goods sold		1,539,653	1,450,238	2,936,283
Cost of services sold		-	190,261	190,191
Depreciation	11	125,989	87,724	200,710
Directors fees		8,000	6,000	13,000
Distribution costs		373,620	386,803	775,390
Employee remuneration		869,861	560,209	1,213,025
Fixed assets impairment	11	-	10,782	10,782
Interest and borrowing cost	Unsecured deposits	557,766	79,499	376,836
	Interest bearing loans and borrowings	163,009	77,900	183,857
Manufacturing costs		45,997	9,097	51,518
Office and administration		290,124	333,913	638,659
Other expenses		102,870	74,457	177,251
Receivables impairment loss	7	112,256	41,033	188,907
Rental and operating lease costs	31	173,113	189,911	381,513
Total operating expenses		4,421,321	3,524,827	7,406,922
Operating surplus/(deficit) before taxation		1,039,339	215,409	1,508,221
Income tax expense	29	-	-	-
Net surplus/(deficit) for the year		1,039,339	215,409	1,508,221
Total recognised income and expense for the period		1,039,339	215,409	1,508,221
Basic earnings per share (cents) (annualised)	20	2.59	0.71	2.15
Diluted earnings per share (cents) (annualised)	20	2.44	0.63	1.97

Balance Sheet *as at 30 June 2007*

	Notes	GROUP		
		Unaudited 6 mths 30 Jun 2007	2006	
Current assets		\$	\$	\$
Cash and cash equivalents		920,338	1,190,214	1,381,242
Trade and other receivables	4&7	992,520	373,050	1,340,945
Finance receivables	5&7	3,125,338	1,893,392	5,624,062
Loan receivables acquired - at fair value	6&7	1,444,093	-	577,129
Inventories	8	330,910	348,344	378,110
Property held for resale	9	1,741,344	-	1,617,692
Total current assets		8,554,543	3,805,000	10,919,180
Non current assets				
Finance receivables	5&7	6,358,429	2,226,013	4,489,338
Loan receivables acquired - at fair value	6&7	1,851,083	-	705,227
Goodwill	10	1,531,758	1,531,758	1,531,758
Fixed assets	11	2,504,040	2,215,364	2,481,244
Total non current assets		12,245,310	5,973,135	9,207,567
Total assets		20,799,853	9,778,135	20,126,747
Current liabilities				
Deposits	12	2,697,398	1,497,221	1,921,594
Interest bearing loans and borrowings	13	271,850	586,368	3,201,624
Trade and other payables	14	810,300	398,904	1,552,304
Provisions	15	-	-	-
Total current liabilities		3,779,548	2,482,493	6,675,522
Non current liabilities				
Deposits	12	6,002,544	221,000	6,037,420
Interest bearing loans and borrowings	13	2,672,732	1,125,271	171,471
Trade and other payables	14	-	-	-
Total term liabilities		8,675,276	1,346,271	6,208,891
Total liabilities		12,454,824	3,828,764	12,884,413
Equity				
Issued capital	21	13,418,233	12,963,798	12,963,949
Convertible notes	21	250,000	250,000	250,000
Retained earnings	21	-5,323,204	-7,264,427	-5,971,615
Total equity		8,345,029	5,949,371	7,242,334
Total equity and liabilities		20,799,853	9,778,135	20,126,747

Statement of Changes in Equity *for the 6 months ended 30 June 2007*

	Notes	GROUP		
		Unaudited 6 mths 30 Jun 2007	2006	
Net surplus deficit for the year		\$ 1,039,339	\$ 215,409	\$ 1,508,221
Total recognised revenues and expenses		1,039,339	215,409	1,508,221
Contributions from owners				
Shares issued	21	455,399	1,903,580	1,903,570
Share issue cost	21	-1,115	-13,408	-13,247
Convertible notes issued	21	-	-250,000	-250,000
Total contributions from owners		454,284	1,640,172	1,640,323
Distributions to owners				
Dividends Paid	21	-390,928	-341,304	-341,304
Total distribution to owners		-390,928	-341,304	-341,304
Movements in equity for the period		1,102,695	1,514,277	2,807,240
Equity at beginning of year		7,242,334	4,435,094	4,435,094
Equity at end of the year	21	8,345,029	5,949,371	7,242,334

On behalf of the Directors 12 July 2007


Allan Hawkins - Chairman


Brett Tawse - Managing Director

Statement of Cash Flows *for the 6 months ended 30 June 2007*

	Notes	GROUP		Audited 12 mths 31 Dec 2006
		Unaudited 6 mths 30 Jun 2007	2006	
Net cash from/(used in) operating activities		\$	\$	\$
Cash was provided from:				
Receipts from customers		2,659,425	3,252,868	5,764,181
Fees received		541,773	309,427	714,913
Interest income received		1,317,425	377,103	1,049,310
Cash was applied to:				
Payments to suppliers and employees		-4,242,043	-3,905,874	-6,568,352
Payments to related parties		-	-	-
Interest expense paid		-720,775	-157,399	-560,693
Net cash flows used in operating activities	22	-444,195	-123,875	399,359
Cash flows from/(used in) investing activities				
Cash was provided from:				
Sale of assets		12,434	472,915	488,633
Receipts from related parties		472,366		
Cash was applied to:				
Net increase in finance receivables		-726,716	-1,550,390	-7,137,813
Net increase in other receivables		-	-	-600,000
Net increase in loans by related parties		-	-	-84,398
Acquisition of subsidiary net of cash acquired		-	-	-
Purchase of fixed assets and property		-150,564	-127,834	-2,150,643
Net cash flows used in investing activities		-392,480	-1,205,309	-9,484,221
Cash flows from/(used in) financing activities				
Cash was provided from:				
Proceeds from deposits		740,928	781,027	7,021,820
Group management fees		-	-	-
Proceeds from issue of shares		455,399	1,513,179	1,653,579
Proceeds from convertible notes		-	-	-
Group loans and advances		-	-	-
Interest bearing loans		-	-	1,804,569
Cash was applied to:				
Equity raising costs		-1,115	-13,408	-13,256
Dividend paid		-390,928	-214,148	-341,304
Loan facilities		-428,513	-96,072	-208,124
Net cash flows from financing activities		375,771	1,970,578	9,917,284
Net increase in cash		-460,904	641,394	832,422
Cash balances at beginning of the year		1,381,242	548,820	548,820
Cash and cash equivalents at 30th June 2007		920,338	1,190,214	1,381,242

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

1. Statement of Accounting Policies

Reporting entity

Cynotech Holdings Limited (the Company) is a company incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange. Cynotech Holdings Limited is an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The Company is a profit-oriented entity.

Financial statements for the Company and consolidated financial statements are presented. The consolidated financial statements comprise the Company, its subsidiaries (together referred to as the Group) and the Group's interest in associates and partnerships.

The financial statements comprise statements of the following: Income statement; Statement of changes in equity; Balance sheet; Cash flow statement; and Notes to the financial statements.

Statement of compliance

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB). Where no financial reporting standard exists in New Zealand in relation to a particular issue, the accounting policies and disclosures adopted have been determined with regard to other forms of authoritative support.

Basis of preparation

The reporting currency used in the preparation of these financial statements is New Zealand dollars rounded to the nearest dollar. They are prepared on the historical cost basis except where assets and liabilities are stated at their fair value. The preparation of financial statements in conformity with NZ IFRS requires Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Judgements made by Directors in the application of NZ IFRS that have significant effect on the financial statements and estimates with significant risk of material adjustment in next year are discussed in note 24.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

Basis of preparing consolidated financial statements

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Goodwill

All business combinations are accounted for applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous NZ GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised but is tested annually for impairment.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement. Monetary assets and liabilities at balance date are translated at the exchange rates ruling at balance date.

Goods and services tax

The financial statements have been prepared on a GST exclusive basis except for Trade Debtors and Trade Creditors which are GST inclusive.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that effect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Finance receivables

Finance receivables comprise advances and hire purchase contracts, and represents the gross outstanding balances owed less unearned interest and provisions for doubtful debts and suspended interest.

When the Directors determine that a loan is impaired, the principal amount and accrued interest are written down to estimated net realisable value and interest and charges are no longer included in the income statement until payment is received.

Loan receivables acquired - at fair value

Loan receivables acquired - at fair value comprise loan contracts which have been purchased from third parties and which are under credit and collection action.

The Directors have attributed a value to this category of receivables based on a multiple of the regular payments related to each individual loan account. Loans where a regular payment is not being received are included at nil value.

Financial instruments

Financial instruments include cash balances, receivables and payables. The Group does not use financial instruments with off balance sheet risks.

Property, plant and equipment

Owned assets

All owned items of property, plant and equipment are initially recorded at cost and depreciated. Initial cost includes the purchase consideration, or fair value in the case of a donated asset, and those costs directly attributable in bringing the asset to the location and condition necessary for its intended use.

Disposal of property, plant and equipment

Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the net sale price and the carrying amount of the item of property, plant or equipment.

Depreciation

Depreciation of property, plant and equipment is calculated on a diminishing value basis so as to expense the cost of the assets to their residual values over their useful lives as follows:

Computer equipment and software	40%
Furniture and fittings	20%-25%
Leasehold improvements	3%-25%
Motor vehicles	26%
Factory plant and equipment	10%-20%

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

Investments

Non current investments

Non current investments are stated at cost less impairment losses.

Intra-group amalgamation

Where an intra group reconstruction occurs through a subsidiary amalgamating into the Company or another subsidiary, the assets and liabilities of the amalgamating subsidiaries are recognised in the financial statements of the Company at their previously recorded carrying amounts. The Company's investment in the subsidiary is reduced to zero. Any excess of the carrying amount of the net assets, over the Company's investment in the subsidiary is recognised in the statement of movements in equity. The results of the amalgamated subsidiary are recognised in the net surplus of the amalgamator from the date of the amalgamation.

Convertible notes

The convertible notes' presentation is determined at the time that the note is issued and is disclosed as either debt, equity or a compound financial instrument depending upon the convertible notes' specific terms and conditions. The liability component of the convertible notes is determined by discounting the future interest and principal payments at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the statement of financial performance is calculated using the effective interest rate method. The balance of the amount raised from the issue of the convertible notes is recognised as equity.

Trade and other payables

Trade and other payables are stated at cost.

Operating leases

Payments made under operating leases are recognised in the income statement on a basis representative of the pattern of benefits expected to be derived from the leased asset. Lease incentives received are recognised as an integral part of the total lease payments made.

Discontinued operations

Discontinued operations are clearly distinguishable activities of the Group's business that have been sold or terminated before the earlier of three months after balance date and the date that the financial statements are approved. In order for the activities to be classified as discontinued, they must have a material effect on the nature and focus of the business, and represent a material reduction in either operating facilities or turnover.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash comprises cash balances (net of bank overdrafts) and demand deposits.

Impairment

The carrying amounts of the Group's assets, other than inventories are reviewed at each balance date to determine whether there is any indication of impairment. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventory is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories, bringing them to their existing location and condition and an appropriate share of overheads based on normal operating capacity.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Borrowing and borrowing costs

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Segment Information

A segment is a distinguishable component of the Group that is engaged in providing either products or services within a particular economic environment, which is subject to risks and rewards that are different from those other segments.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

Revenue

Fee income

Fees derived from new loans are a reimbursement for the costs incurred in assessing and establishing the loan and are brought into the income statement at the time of the loan advance.

Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Gain on recovery of loan receivables acquired

Gains are recognised in the income statement when loans with no or partial fair value start to show a history of regular payments. The gain recognised in the income statement is limited to a maximum of a multiple of 3 years of the regular loan payments calculated for each individual loan.

Interest income

Interest income is recognised in the income statement on an actuarial basis to bring income to account by applying the actual interest rate for each loan to the balance of the loan outstanding at each measurement point from the loan's inception up to the end of the current reporting period.

Advisory and management fees

Income is recognised in the income statement when the advisory and management services are performed and when the client is invoiced.

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

Recognition of financial revenue

The basis of the recognition of interest revenue on advances is that where interest is charged to the client on a daily basis, income is brought to account as charged. Advisory and management fees are recognised in accordance with the terms of the loan contracts. Such fees are negotiated on a case by case basis.

Recognition of financial expenses

Interest expense and other costs associated with borrowing are recognised as incurred. Borrowing costs such as origination fees and brokerage are recognised in the period to which they relate.

Impaired and past due assets

Impaired assets include non accrual loans, restructured loans and assets acquired through the enforcement of security. Nonaccrual loans are those loans where the accrual of interest has ceased due to doubt as to full recovery of all amounts owing. Restructured loans are any loans which are not nonaccrual loans and are loans where the original terms of the contract have been modified to grant the counterparty concessional terms.

Past due assets are any loans that have not been operated by the counterparty within its key terms for at least 90 days and which are not impaired assets.

Impaired assets and past due assets are valued at their net realisable values. When the Directors determine that a loan is impaired, the principal amount and accrued interest are written down to estimated net realisable value and interest and charges are no longer included in the statement of financial performance while their payment is considered to be unlikely.

Management of Interest Rate Risk

The Group is exposed to interest rate risk in respect of advances and loans to customers. Interest rates are set by the Board and are subject to market influences.

It is the policy of management to monitor constantly the finance portfolio in order to ensure that the maturity profile of finance borrowings match those of finance receivables and that interest rate margins are maintained. The finance portfolio is further reviewed by the Board of Directors at regular intervals.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

2. Asset Quality

Where there are past due trade receivables, finance receivables or loan receivables acquired - at fair value, they are treated as impaired as disclosed (note 4, 5, 6 & 7).

3. Concentration of Funding

The Group is funded via equity convertible notes and unsecured deposits (see notes 12 and 21 to the financial statements for further details of these deposits), and secured bank loans (see note 13).

4. Trade and Other Receivables

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Trade debtors	332,478	343,073	695,770
Less impairment losses	-10,000	-10,000	-10,000
Other Receivables	600,000	-	600,000
Prepayments	70,042	39,977	55,174
Total trade and other receivables	992,520	373,050	1,340,944

As at 30 June 2007, the amount owed in aggregate by the six largest trade debtors was \$280,431 (2006 \$242,938).

Other receivables are the carrying value of a debt being a deferred payment arrangement granted to a third party in relation to the sale of assets from the satellite operations of the Group.

5. Finance Receivables

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Loans to previous Director (related party) R. Guy, 12% pa int.	-	453,722	472,366
Other gross finance receivables	9,845,431	3,769,422	9,967,207
Less deferred interest	-4,275	-14,652	-5,132
Less impairment losses	-357,389	-89,087	-321,041
Total net receivables	9,483,767	4,119,405	10,113,400
Repayment terms			
Current less than 12 months	3,125,338	1,893,392	5,624,062
Non current over 12 months	6,358,429	2,226,013	4,489,338
Total net receivables	9,483,767	4,119,405	10,113,400

As at 30 June 2007, the amount owed in aggregate by the six largest loans was \$1,151,102 (2006 \$1,073,286).

The loan to previous Director R. Guy has been repaid during January 2007.

As at 30 June 2007, the aggregate amount of Finance receivables where the credit risk and funding amount was shared with Cynotech Securities Ltd (a company associated with A.R. Hawkins) was \$886,912 (Budget Loans Ltd receivable amount) (2006 \$253,270).

6. Loan Receivables Acquired - At fair value

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Total loan receivables acquired - at fair value	3,295,176	-	1,282,356
Repayment terms			
Current less than 12 months	1,444,093	-	577,129
Non current over 12 months	1,851,083	-	705,227
Total loan receivables acquired - at fair value	3,295,176	-	1,282,356

As at 30 June 2007, the amount owed in aggregate by the six largest loans was \$176,598 (2006 Nil).

Loan receivables acquired at fair value represents the value attributed to the loan receivables acquired from the Receivers of National Finance 2000 Ltd (In Receivership).

Loans acquired which were current loans have been included in Finance receivables.

Loans which were overdue and are subject to various stages of credit and collection action have been included at an attributed value calculated on the basis of the actual payments being received on a regular basis accumulated up to a level equivalent to 3 years payments limited to the actual outstanding at 30 June 2007.

Loans where regular payments are not being received and which require more substantial follow up have been included at nil value.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

7. Ageing Analysis of Trade and other Receivables, Finance Receivables and Fair Value Loans

This note explains in more detail the Group's treatment of receivable assets that are past due but not impaired.

		GROUP				
Overdue status		45-60 days	60-75 days	75-90 days	Over 90 days	Total
Trade debtors	2007	32,441	50	1,453	-	33,944
Trade debtors	2006	20,744	549	1,759	-	23,052

The above amounts which are past due at 30 June 2007 are included in the balance of trade receivables. No provision has been made for the carrying amount as there are reasonable grounds to believe that the amounts are still recoverable as there has not been a significant change in credit quality. No collateral is held against the trade receivables balance.

		GROUP 2007			
Overdue status		30-60days	60-90 days	Over 90 days	Total
Other receivables		-	-	-	-
Finance receivables		407,476	64,795	153,877	626,148
Fair value loans		4,823	5,361	876	11,060
Total		<u>412,299</u>	<u>70,156</u>	<u>154,753</u>	<u>637,208</u>

		GROUP 2006			
Overdue status		30-60days	60-90 days	Over 90 days	Total
Other receivables		-	-	-	-
Finance receivables		10,625	12,553	56,665	79,843
Fair value loans		-	-	-	-
Total		<u>10,625</u>	<u>12,553</u>	<u>56,665</u>	<u>79,843</u>

The above amounts which are past due at 30 June 2007 are included in the balances of other receivables, finance receivables and fair value loans. No provision has been made for the carrying amount as there are reasonable grounds to believe that the amounts are still recoverable as there has not been a significant change in credit quality. Collateral is held against finance receivables, fair value and other receivable balances.

Where finance receivables instalments are past due in excess of 90 days an impairment provision is created to provide for any expected loss on recovery. The amount of the impairment provision is reduced by the Directors' estimate of the realisable value of the remaining security held in respect of each overdue receivable.

Where agreed instalments on fair value loans are not received for a period of 90 days, the attributed values are treated as nil and no amount is included in loan receivables acquired - at fair value.

Impairment provision for credit losses

		GROUP 2007				
Reconciliation of Impairment provisions		Trade debtors	Other receivables	Finance receivables	Fair value loans	Total
Balance at beginning of period		10,000	-	321,041	-	331,041
Amounts written off during the year		-	-	36,348	-	36,348
Amounts recovered during the year		-	-	-	-	-
Net change recognised in income statement		<u>-</u>	<u>-</u>	<u>36,348</u>	<u>-</u>	<u>36,348</u>
Balance at end of period		<u>10,000</u>	<u>-</u>	<u>357,389</u>	<u>-</u>	<u>367,389</u>

		GROUP 2006				
Reconciliation of Impairment provisions		Trade debtors	Other receivables	Finance receivables	Fair value loans	Total
Balance at beginning of period		10,000	-	59,532	-	69,532
Amounts written off during the year		-	-	29,555	-	29,555
Amounts recovered during the year		-	-	-	-	-
Net change recognised in income statement		<u>-</u>	<u>-</u>	<u>29,555</u>	<u>-</u>	<u>29,555</u>
Balance at end of period		<u>10,000</u>	<u>-</u>	<u>89,087</u>	<u>-</u>	<u>99,087</u>

8. Inventories

		GROUP		
		Unaudited		Audited
		6 mths 30 Jun		12 mths 31 Dec
		2007	2006	2006
Raw materials - manufacturing		167,012	111,485	153,989
Finished goods - manufacturing		134,733	192,605	176,004
Work in progress - manufacturing		29,165	44,254	48,117
		<u>330,910</u>	<u>348,344</u>	<u>378,110</u>

9. Property Held for Resale

		GROUP		
		Unaudited		Audited
		6 mths 30 Jun		12 mths 31 Dec
		2007	2006	2006
Rental Properties		1,741,344	-	1,617,692

Rental properties is the investment (at independent registered valuation) in three residential apartments which have been acquired by subsidiary company Cynotech Corporation Ltd and which are held for resale.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

10. Goodwill

Acquisitions have had the following effect on the Company's assets and liabilities:

	Goodwill GROUP
Cost	
Balance at 1 January 2006	5,961,789
Acquisitions through business combinations	-
Balance at 31 December 2006	<u>5,961,789</u>
Acquisitions through business combinations	-
Balance at 30 June 2007	<u>5,961,789</u>
Amortisation and impairment losses	
Balance at 1 January 2006	-4,430,031
Impairment charge	-
Balance at 31 December 2006	<u>-4,430,031</u>
Impairment charge	-
Balance at 30 June 2007	<u>-4,430,031</u>
Carrying amounts	
At 1 January 2006	<u>1,531,758</u>
At 31 December 2006	<u>1,531,758</u>
At 1 January 2007	<u>1,531,758</u>
At 30 June 2007	<u>1,531,758</u>
Impairment test for cash generating amounts of goodwill	
The following units have significant carrying amounts of goodwill:	2007
Snowdon Limited	1,531,758

Snowdon Limited impairment test is based on fair value less costs to sell. The sale prices for this unit have been used to derive a price/earnings ratio which has been applied to the earnings of the unit to determine the recoverable amount. This recoverable amount exceeds the carrying amount of the unit including goodwill.

The price earnings ratio used in the assessment of the sale price of the unit has been applied to an earnings figure which is based on an averaging of historical, current and planned 2007 earnings. A pre-tax discount rate of 22% has been used in discounting the projected cashflow. A growth rate of 9% has been applied for 2007 and 0% growth rate has been applied from then on for 6 years.

11. Fixed Assets

	GROUP						Total
Cost	Land & buildings	Factory plant and equipment	Leasehold improvements	Furniture and fittings	Computer equipment & software	Motor vehicles	
Balance at 1 January 2006	-	2,100,488	615,890	203,760	91,026	32,915	3,044,079
Acquisitions through business combinations	-	-	-	-	-	-	-
Other acquisitions	-	474,110	-	-	45,968	-	520,078
Impairment losses	-	-	-10,782	-	-	-	-10,782
Disposals	-	-22,537	-	-	-	-16,000	-38,537
Balance at 31 December 2006	<u>-</u>	<u>2,552,061</u>	<u>605,108</u>	<u>203,760</u>	<u>136,994</u>	<u>16,915</u>	<u>3,514,838</u>
Balance at 1 January 2007	-	2,552,061	605,108	203,760	136,994	16,915	3,514,838
Acquisitions through business combinations	-	-	-	-	-	-	-
Other acquisitions	1,752,000	32,358	2,924	16,688	97,394	1,200	1,902,564
Impairment losses	-	-	-	-	-	-	-
Disposals	-	-5,540	-	-	-6,894	-	-12,434
Balance at 30 June 2007	<u>1,752,000</u>	<u>2,578,879</u>	<u>608,032</u>	<u>220,448</u>	<u>227,494</u>	<u>18,115</u>	<u>5,404,968</u>
Depreciation and impairment losses							
Balance at 1 January 2006	-	148,157	492,730	157,173	31,862	2,963	832,885
Depreciation charge for the year	-	145,626	16,128	10,706	19,890	8,360	200,710
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2006	<u>-</u>	<u>293,783</u>	<u>508,858</u>	<u>167,879</u>	<u>51,752</u>	<u>11,323</u>	<u>1,033,595</u>
Balance at 1 January 2007	-	293,783	508,858	167,879	51,752	11,323	1,033,595
Depreciation charge for the year	10,656	69,074	3,439	8,355	33,645	820	125,989
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2007	<u>10,656</u>	<u>362,857</u>	<u>512,297</u>	<u>176,234</u>	<u>85,397</u>	<u>12,143</u>	<u>1,159,584</u>
Carrying amounts							
At 1 January 2006	-	1,952,331	123,160	46,587	59,164	29,952	2,211,194
At 30 June 2006	<u>-</u>	<u>2,258,278</u>	<u>96,250</u>	<u>35,881</u>	<u>85,242</u>	<u>5,592</u>	<u>2,481,243</u>
At 1 January 2007	-	2,258,278	96,250	35,881	85,242	5,592	2,481,243
At 30 June 2007	<u>1,741,344</u>	<u>2,216,022</u>	<u>95,735</u>	<u>44,214</u>	<u>142,097</u>	<u>5,972</u>	<u>4,245,384</u>
Land & Buildings are classified in current assets as property held for resale (Refer note 9).							<u>-1,741,344</u>
Net fixed assets total							<u>2,504,040</u>

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

12. Secured and Unsecured Deposits

		GROUP		
		Unaudited 6 mths 30 Jun		Audited 12 mths 31 Dec 2006
	Interest rates	2007	2006	
Deposits due within 12 months	Unsecured	2,697,398	1,497,221	1,921,594
Term deposits	Unsecured	2,544	221,000	37,420
Term deposits	Secured	6,000,000	-	6,000,000
Total deposits		8,699,942	1,718,221	7,959,014
Interest rates on deposits:				
	8.50%	87,632	160,272	124,142
	10.00%	50,835	50,836	50,845
	11.00%	35,568	116,361	47,739
	12.00%	1,988,774	898,127	1,221,713
	13.00%	6,043,365	39,109	6,041,199
	13.50%	493,768	453,516	473,376
Total deposits		8,699,942	1,718,221	7,959,014
Related party deposits:				
	Cynotech Securities Ltd	12.00%	2,544	221,000
	P.J. Hutchinson	13.50%	273,863	-
	K.P.McDonald	13.50%	219,905	-
			496,312	221,000
				37,420
				263,013
				210,363
				510,796

The Company has guaranteed the Secured Deposit entered into by its subsidiary for \$6,000,000 (2006 \$nil).

The Company has guaranteed Unsecured Deposits entered into by its subsidiary for \$1,100,000 (2006 \$nil).

13. Interest Bearing Loans and Borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings.

For more information about the Group's exposure to interest rate and foreign currency risk see note 25.

		GROUP		
		Unaudited 6 mths 30 Jun		Audited 12 mths 31 Dec 2006
		2007	2006	
Non-current liabilities				
Secured loans		2,557,930	1,096,950	31,113
Finance liabilities		114,802	28,321	140,358
		2,672,732	1,125,271	171,471
Current liabilities				
Secured loans		231,286	570,375	3,179,041
Finance liabilities		40,564	15,993	22,583
		271,850	586,368	3,201,624

The secured loans are secured as follows

Guarantee	A.R. Hawkins	1,000,000
Guarantee	K.P. McDonald	400,000
Guarantee	P.J. Hutchinson	400,000
Chattels security over Haas TRO 140G cone machine		
Guarantee	Snowdon Limited	700,000
Mortgage Security over Property held for resale		1,389,600
(Guarantee	A.R. Hawkins)	

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payment outstanding	Interest outstanding	Principal outstanding
Less than one year	-	-	14,802
Between one and five years	-	-	14,802
Later than five years	-	-	-
	-	-	29,604

Under the terms of the lease agreements no contingent rents are payable.

The Company has guaranteed the Interest Bearing Loans and Borrowings entered into by its subsidiaries for \$2,944,582 (2006 \$1,667,325).

14. Trade and Other Payables

		GROUP		
		Unaudited 6 mths 30 Jun		Audited 12 mths 31 Dec 2006
		2007	2006	
Current:				
Trade payables		287,055	204,963	635,827
Non trade payables and accrued expenses		523,245	193,941	916,477
		810,300	398,904	1,552,304
Term:				
Trade payables		-	-	-
Total trade and other payables		810,300	398,904	1,552,304

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

15. Provisions

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Lease reinstatement			
Balance 1 January 2007	-	27,693	27,693
Provisions made during the year	-	2,307	-27,693
Lease reinstatement paid	-	-30,000	-
Balance 30 June 2007	-	-	-

Reinstatement of the lease for 12 Viaduct Harbour Ave. This transaction has been completed.

16. Segment Information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The major business segments of the Group are as follows:

Business segments	Products and Services
Finance	Lending to consumers and businesses for motor vehicle and property finance.
Satellite	Management of the sale and rental of satellite phones and providing airtime connections.
Fees	Finance and mortgage broking.
Manufacturing	Manufactures and distributes cone, waffle and confectionary products.

	GROUP						Consolidated
	Manufacturing	Finance	Satellite	Fees	Other	Eliminations	
	2007	2007	2007	2007	2007	2007	2007
Business segments							
Sales to customers outside Group	2,343,797	3,008,490	-	69,875	-	-	5,422,162
Services to customers outside Group	-	-	-	-	-	-	-
Intersegmental revenue	-	-	-	-	560,000	-560,000	-
Unallocated revenue	-	-	-	-	38,498	-	38,498
Total revenue	2,343,797	3,008,490	-	69,875	598,498	-560,000	5,460,660
Segment result	-164,865	1,256,154	-	-55,965	440,128	-	1,475,452
Unallocated expenses							436,113
Total net surplus							1,039,339
						Goodwill	
Segment assets	3,086,222	13,202,218	-	48,283	2,931,372	1,531,758	20,799,853
Segment liabilities	1,975,390	8,945,382	-	40,945	1,493,107	-	12,454,824

	GROUP						Consolidated
	Manufacturing	Finance	Satellite	Fees	Other	Eliminations	
	2006	2006	2006	2006	2006	2006	2006
Business segments							
Sales to customers outside Group	2,147,012	550,290	178,308	127,170	-	-	3,002,780
Services to customers outside Group	-	-	291,224	-	-	-	291,224
Intersegmental revenue	-	-	-	-	183,000	-183,000	-
Unallocated revenue	-	-	-	-	446,232	-	446,232
Total revenue	2,147,012	550,290	469,532	127,170	629,232	-183,000	3,740,236
Segment result	-96,368	166,164	502,323	6,502	77,496	-	656,117
Unallocated expenses							440,708
Total net surplus							215,409
						Goodwill	
Segment assets	2,842,247	3,568,268	-	6,118	1,829,744	1,531,758	9,778,135
Segment liabilities	1,950,615	1,745,441	-	21,836	110,872	-	3,828,764

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

17. Contingent Liabilities

	COMPANY		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
The Group has no contingent liabilities as at 30 June 2007 (2006 nil).			
The Company has guaranteed the obligations entered into by the subsidiaries:			
Secured Deposits	6,000,000	-	6,000,000
Unsecured Deposits	1,100,000	-	-
Interest Bearing Loans and Borrowings	2,944,582	1,667,325	2,645,118
	10,044,582	1,667,325	8,645,118

18. Credit Facilities

There are no unused credit facilities as at 30 June 2007.

19. Investment in Subsidiaries

The Group has the following investments in subsidiaries:

Subsidiaries	Place of Incorporation	Ownership Owned		Balance Date
		2007	2006	
Cynotech Corporation Limited Principal activity - Fee based activities and advisory work.	NZ	100%	100%	31 Dec.
Cynotech Systems Limited Principal activity - Management of the sale and rental of satellite phones and providing airtime connections.	NZ	100%	100%	31 Dec.
Cynotech Finance Group Limited Principal activity - Finance group holding company.	NZ	100%	100%	31 Dec.
Budget Loans Limited Principal activity - Lending to consumers & businesses for motor vehicle and property finance.	NZ	100%	100%	31 Dec.
Snowdon Limited (formerly known as Merlin Foods Ltd) Principal activity - Manufactures and distributes cone, waffle and confectionary products.	NZ	100%	100%	31 Dec.

20. Earnings Per Share

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Basic earnings per share			
The calculation of basic earnings per share based on:			
Net surplus attributable to ordinary shareholders	1,039,339	215,409	1,508,221
Weighted average number of ordinary shares	Number	Number	Number
Issued Ordinary Shares at 1 January	79,488,084	58,260,808	58,260,808
Effect of Convertible notes converted in April 2006	-	1,972,603	3,506,849
Effect of shares in lieu of dividend May 2007	469,796	316,648	643,852
Effect of warrants exercise in June 2007	284,352	250,917	7,820,256
Weighted average number of ordinary shares at 30 June	80,242,232	60,800,976	70,231,765
Basic earnings per share (cents) (annualised)	2.59	0.71	2.15

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Diluted earnings per share			
The calculation is based on diluted earnings per share:			
Net surplus attributable to ordinary shareholders	1,039,339	215,409	1,508,221
Diluted weighted average number of ordinary shares	Number	Number	Number
Weighted average number of ordinary shares at 30 June	80,242,232	60,800,976	70,231,765
Convertible notes on issue at 1 January	5,000,000	10,000,000	10,000,000
Effect of conversion of convertible notes in April 2006	-	-2,082,191	-3,506,849
	85,242,232	68,718,785	76,724,916
Diluted earnings per share (cents) (annualised)	2.44	0.63	1.97

Earnings per share for the mid year have been annualised by multiplying the mid year profits by two.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

21. Equity

Reconciliation of movement in capital and reserves

	GROUP				
	Share capital	Convertible notes	Warrants	Retained earnings	Total equity
Balance at 1 January 2007	12,963,949	250,000	-	-5,965,102	7,248,847
Total recognised income and expenses	-	-	-	1,039,339	1,039,339
Shares issued	-	-	-	-	-
Share issue costs	-1,115	-	-	-	-1,115
Convertible notes converted	-	-	-	-	-
Exercise of warrants	314,510	-	-	-	314,510
Dividend paid	140,889	-	-	-397,441	-256,552
Balance at 30 June 2007	13,418,233	250,000	-	-5,323,204	8,345,029

	COMPANY				
	Share capital	Convertible notes	Warrants	Retained earnings	Total equity
Balance at 1 January 2007	12,963,949	250,000	-	-8,155,232	5,058,717
Total recognised income and expenses	-	-	-	4,707	4,707
Share issue costs	-1,115	-	-	-	-1,115
Convertible notes converted	-	-	-	-	-
Exercise of warrants	314,510	-	-	-	314,510
Dividend Paid	140,889	-	-	-397,441	-256,552
Balance at 30 June 2007	13,418,233	250,000	-	-8,547,966	5,120,267

Number on Issue

	Share capital	Convertible notes	Warrants
Balance at 1 January 2007	79,488,084	5,000,000	1,866,239
Shares issued in lieu of dividend	952,641	-	-
Warrants exercised June 2007	1,572,550	-	-1,572,550
Balance at 30 June 2007	82,013,275	5,000,000	293,689

Share capital

All ordinary shares have equal voting rights and share equally in dividends on winding up.

952,641 shares were issued in May 2007 in lieu of dividend.

1,572,550 shares were issued in June 2007 to warrant holders who exercised their warrants at a price of 20 cents per share.

Warrants

1,572,550 warrants were exercised at 27 June 2007 at an exercise price of 20 cents per warrant.

The terms of the warrants give holders a right to subscribe for new ordinary shares at an exercise price of 30 cents per share on 27 June 2008.

Noteholders - related parties

	GROUP			
	2007 Number	2007 \$	2006 Number	2006 \$
Cynotech Securities Ltd	5,000,000	250,000	5,000,000	250,000
Total convertible notes	5,000,000	250,000	5,000,000	250,000

Noteholders - related parties

	COMPANY			
	2007 Number	2007 \$	2006 Number	2006 \$
Cynotech Securities Ltd	5,000,000	250,000	5,000,000	250,000
Total convertible notes	5,000,000	250,000	5,000,000	250,000

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

22. Reconciliation of Operating Cashflows

The following is a reconciliation between the surplus after income tax shown in the income statement and the net cash flow from/(used in) operating activities.

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Net surplus/(deficit)	1,039,339	215,409	1,508,221
Non cash items and other add backs			
Depreciation	125,989	87,724	200,710
Goodwill impairment loss	-	-	-
Write down of leasehold improvements	-	10,782	10,782
Intercompany receivable impairment loss	-	41,033	-
Receivables impairment loss	112,256	-	188,907
Lease reinstatement		2,308	-10,000
Gain on Loans	-1,251,748	-	-1,605,216
(Gain)/loss on sale of assets		-436,915	-426,132
	-1,013,503	-295,068	-1,640,949
Movement in working capital			
Decrease/(increase) in trade and other receivables	348,425	752,280	384,764
Decrease/(increase) in inventory	-76,452	71,437	41,670
Increase/(decrease) in trade creditors other payables & provisions	-742,004	-867,933	105,653
	-470,031	-44,216	532,087
Net cash inflows/(outflows) from operating activities	-444,195	-123,875	399,359

Cash receipts and payments for finance receivables have been combined to present a net cashflow from finance receivables. A net cashflow from finance receivables has been presented as part of net increase in finance receivables.

23. Related Parties

Identity of related parties:

All of the Directors listed in the Directory are related parties to the Group.

Allan Hawkins is the common Director and shareholder of the Group and Cynotech Securities Ltd.

Allan Hawkins is the common Director of the Group and Newmarket Securities Ltd.

Maree Hawkins, Mark Hawkins, Wayne Hawkins and Glenn Hawkins are shareholders and related to Allan Hawkins.

Laurel Hawkins, wife of Allan Hawkins is a Director and shareholder in Cynotech Securities Ltd.

Paul Hutchinson and Cynotech Securities Ltd are major shareholders of Newmarket Securities Ltd.

Brett Tawse, Wayne Hawkins and Michelle Mitchell are key management personnel and shareholders of the Group.

Paul Hutchinson is a common Director of the Group, Personal Finance Ltd and Bridging Finance Ltd.

Other than the above, there are no additional related parties with whom material transactions have taken place.

Material related party transactions are as follows:

Exercise of warrants - refer note 21.

Convertible notes investment by related parties - refer note 21.

Loans and advances to related parties - refer note 5.

Interest received on loans to related parties - refer note 5.

Deposits from related parties - refer note 12.

Interest paid on deposits from related parties - refer note 12.

The sale of \$1,230,748 loan receivables from Budget Loans Ltd to Personal Finance Ltd (prior period).

The sale of \$251,102 loan receivables from Budget Loans Ltd to Bridging Finance Ltd (prior period).

Budget Loans Ltd provides loan management services to Personal Finance Ltd and Bridging Finance Ltd.

The management service arrangement is related to the sale of receivables by Budget Loans and no fees are charged.

Cynotech Securities Ltd loan to Cynotech Corporation Ltd for \$30,888 for 0%.

The compensation of the key management personnel who are related parties totals \$189,949 for the half year ended 30 June 2007 (2006 \$84,490).

The Group paid management fees of \$110,000 to Cynotech Securities Ltd for the half year ended June 2007 (2006 \$75,000).

Receivables where the credit risk and funding is shared with Cynotech Securities Ltd - refer note 5.

Guarantees given by A.R. Hawkins for interest bearing loans provided to the Group - refer note 13.

Guarantees given by P.J. Hutchinson, K.P. McDonald for interest bearing loans provided to the Group - refer note 13.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

24. Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by policies approved by the Board of Directors. These policies identify and evaluate financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate, credit risks and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar.

US dollar receipts are held as US dollars and payments for US dollar supplies are paid out of these funds. Surplus US dollars are periodically converted to NZ dollars at the market rate of exchange.

(ii) Price risk

The Group is exposed to commodity price risk through its manufacturing operations.

(b) Credit risk

The Group has no significant concentrations of credit risk at balance date. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any one financial institution. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

Refer to note 25 on financial instruments.

25. Financial Instruments

Credit risk

Financial instruments which potentially subject the Company to credit risk principally consist of cash, trade and other receivables and finance receivables.

The Group has a credit policy, which is used to manage this exposure to credit risk as explained in note 24.

The Group performs credit evaluations on all customers requiring loan advances and requires security.

The Group operates a lending policy with various levels of authority depending on the size of the loan.

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Maximum exposures to credit risk at balance date are:			
Cash and cash equivalents	920,338	1,190,214	1,381,242
Trade and other receivables	992,520	373,050	740,944
Finance receivables	9,483,767	4,119,405	10,113,400
Loan receivables acquired - at fair value	3,295,176	-	1,282,356

Credit exposure

As at 30 June 2007 there were no individuals or groups of closely related counter parties to whom the Group has a credit exposure that equals or exceeds 10% of equity.

Concentrations of credit risk

The Group incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

25. Financial Instruments (continued)

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Note	GROUP			
		Carrying amount		Fair value	
		2007	2006	2007	2006
Cash and cash equivalents		920,338	1,190,214	920,338	1,190,214
Trade and other receivables	4	992,520	373,050	992,520	373,050
Finance receivables	5	9,483,767	4,119,405	9,483,767	4,119,405
Loan receivables acquired - at fair value	6	3,295,176	-	3,295,176	-
Deposits	13	8,699,942	1,718,221	8,699,942	1,718,221
Interest bearing loans and borrowings	14	2,944,582	1,711,639	2,944,582	1,711,639
Trade and other payables	15	810,300	398,904	810,300	398,904
Convertible notes	21	250,000	500,000	250,000	500,000

Foreign currency risk

The Group does not have material exposure to foreign exchange risk from transactions denominated in foreign currencies, arising from normal trading activities.

Interest rate risk

The following table identifies the effective interest rates of the financial assets and financial liabilities of the Company and Group and their next repricing or maturity periods, whichever is the earlier. Trade and other receivables and trade and other payables have not been included as they are not interest rate sensitive.

Monetary assets & liability maturity profile & interest rate risk - repricing analysis

	Effective Rate	Total	Less than 6 mths	6-12 months	1-2 years	2-5 years	Over 5 years
GROUP 2007							
Financial assets							
Cash balances (net)	6.00%	920,338	920,338	-	-	-	-
Finance receivables	24.00%	9,483,767	1,236,943	3,994,529	2,198,730	2,004,737	48,828
Loan receivables acquired - at fair value	24.00%	3,295,176	739,928	663,623	1,046,430	845,195	-
Loans to former Director, R. Guy	12.00%	-	-	-	-	-	-
Total assets		13,699,281	2,897,209	4,658,152	3,245,160	2,849,932	-
Financial liabilities							
Deposits	12.50%	8,699,942	2,697,398	-	2,544	6,000,000	-
Interest bearing loans	9.50%	2,944,582	40,564	231,286	114,802	2,557,930	-
Total liabilities		11,644,525	2,737,962	231,286	117,346	8,557,930	-
Re-pricing gap		2,054,756	159,247	4,426,866	3,127,814	-5,707,998	-
GROUP 2006							
Financial assets							
Cash balances (net)	6.00%	1,190,214	1,190,214	-	-	-	-
Finance receivables	24.00%	3,665,683	478,105	1,543,973	849,857	774,875	18,873
Loan receivables acquired - at fair value	0.00%	-	-	-	-	-	-
Loans to former Director, R. Guy	12.00%	453,722	-	453,722	-	-	-
Total assets		5,309,619	1,668,319	1,997,695	849,857	774,875	-
Financial liabilities							
Deposits	12.00%	1,718,221	1,497,221	-	221,000	-	-
Interest bearing loans	8.50%	1,711,639	15,993	570,375	28,321	1,096,950	-
Total liabilities		3,429,860	1,513,214	570,375	249,321	1,096,950	-
Re-pricing gap		1,879,759	155,105	1,427,320	600,536	-322,075	-

Included in the finance receivables are loans purchased from the receivers of National Finance 2000 Ltd (In Receivership).

These loans have been included in the ageing of Loan receivables acquired - at fair value as follows:

A value is attributed based on actual regular instalments being received and due to be received, spread over a maximum term of 3 years. After the 3 year repayment period the loan does not have an attributed value in the financial accounts. These accounts are aged on the basis of the instalment amounts being received or in arrears.

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

26. Acquisitions of Finance Assets

On 7 December 2006, the Group acquired receivables from the Receivers of National Finance 2000 Ltd (In Receivership) for \$7,700,000, satisfied in cash. The acquisition had the following effect on the Group's assets and liabilities:

Net assets at the acquisition date	Recognised values	Fair value adjustments	Carrying amounts
Finance receivables	7,700,000	-	7,700,000
Legal costs of acquisition	26,370		
Goodwill on acquisition	-		
Consideration paid, satisfied in cash	<u>7,726,370</u>		
Cash acquired	<u>-337,644</u>		
Net cash outflow	<u><u>7,388,726</u></u>		
 The face value of receivables acquired was	 <u><u>23,486,769</u></u>		

27. Critical Accounting Estimates and Judgements

The key sources of estimation uncertainty are in relation to the assumptions and their risk factors relating to goodwill and intangibles as detailed in note 10 and fixed assets impairment as detailed in note 11. There were no critical accounting judgements in applying the Group's accounting policy.

28. Subsequent Events

Since balance date the holders of 1,572,550 warrants exercised warrants in exchange for ordinary shares in Cynotech Holdings Ltd at an exercise price of 20 cents per share at a total consideration of \$314,510.

29. Taxation Benefit

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		12 mths 31 Dec
	2007	2006	2006
Income tax expense			
Operating Profit before taxation	1,039,339	215,409	1,508,221
Prima facie income tax @ 33%	342,982	71,085	497,713
Permanent differences:			
Write off leasehold improvements	-	3,558	3,558
Non-taxable gain on sale of assets	-	-	-142,036
Other	-	-	730,110
Tax losses recognised	-342,982	-74,643	-1,157,267
Timing differences:			
Provisions and accruals	-	-	92,087
Depreciation	-	-	-24,165
Actual income tax/(tax loss for year)	<u>-</u>	<u>-</u>	<u>-</u>
Unrecognised tax losses available for set off against future assessable income			
Opening tax losses at 1 January	63,163	3,472,789	3,472,789
Tax losses recognised	-63,163	-226,191	-3,506,870
Adjustments for prior years	-	-	225,485
Closing Tax losses at 31 December	<u>-</u>	<u>3,246,598</u>	<u>191,404</u>
Tax saving thereon	<u>-</u>	<u>1,071,377</u>	<u>63,163</u>
The ability to use these tax losses depends on the generation of sufficient assessable income in the respective tax jurisdictions and on the required level of shareholder continuity.			
Unrecognised deferred tax asset			
Deferred tax asset	<u>-</u>	<u>-</u>	<u>320,511</u>

Notes to the Financial Statements *for the 6 months ended 30 June 2007*

30. Discontinued Operations

There are no discontinued operations in this period.

31. Commitments

	GROUP		
	Unaudited 6 mths 30 Jun		Audited 12 mths 31 Dec
	2007	2006	2006
Capital commitments	-	-	-
Lease commitments under non cancellable operating leases			
Less than one year	416,993	409,325	409,325
Between one and two years	311,326	409,325	363,339
Between two and five years	321,464	622,247	465,451
Greater than five years	-	-	-
Total operating lease commitments	<u>1,049,783</u>	<u>1,440,897</u>	<u>1,238,115</u>

The Group leases a number of buildings, factory and warehouse facilities under operating leases. The building leases range from 1 to 4 years. The factory lease runs for a period of 5 years with an option to renew the lease after that date.

Rental and operating lease expense:

Some of the building lease has been sublet by the Group. During the half years ended 30 June 2007 and 30 June 2006 the rental expense in the income statement was offset by sublease revenue.

	GROUP		
	Unaudited 6 mths 30 Jun		Audited 12 mths 31 Dec
	2007	2006	2006
Total rental expense	232,376	235,794	474,441
Lease reinstatement	-	-10,000	-10,000
Sublease rental revenue	-59,264	-55,883	-102,928
Lease inducement	-	20,000	20,000
Rental and operating lease costs	<u>173,111</u>	<u>189,911</u>	<u>381,513</u>

Shareholder and Additional Statutory Information

Stock Exchange Listing

The Company's shares are listed on the New Zealand Alternative Exchange (NZAX) under the ticker code CYT.

Principal Security Holders as at 30 June 2007

This table lists the names and holdings of the 20 largest holdings of equity securities and convertible notes issued by the Company.

	Ordinary shares		Convertible notes (ord. Shares equiv.)		Total diluted	
	No.	%	No.	%	No.	%
Philip Robert & Pamela Annette Briggs	16,043,498	19.56			16,043,498	18.44
Newmarket Securities Limited	9,614,447	11.72			9,614,447	11.05
Cynotech Securities Limited	4,680,226	5.71	5,000,000	100	9,680,226	11.12
M.W. Daniel, N.G. Burton, M.M. Benjamin	3,177,765	3.87			3,177,765	3.65
Wairahi Holdings Limited	2,729,399	3.33			2,729,399	3.14
Craig Raymond & Kristal Anne Foss, L.R. Griffin	2,201,562	2.68			2,201,562	2.53
Brian D. Mackenzie & G.P. Newlove	2,072,824	2.53			2,072,824	2.38
Hedgehog Funds Nominees Limited	2,002,340	2.44			2,002,340	2.30
Allan Michael & Lynne Nobilo	1,637,031	2.00			1,637,031	1.88
Augusta Group Limited	1,600,000	1.95			1,600,000	1.84
Glenn & Sonja Hawkins	1,585,823	1.93			1,585,823	1.82
John K. McMillan, Brendan J. Lawler, Lois E. Lawler	1,399,255	1.71			1,399,255	1.61
Richard Dale Agnew	1,189,815	1.45			1,189,815	1.37
Kevin Patrick McDonald	1,174,774	1.43			1,174,774	1.35
Polar Blast Limited	1,166,047	1.42			1,166,047	1.34
Keith Gosling	1,019,241	1.24			1,019,241	1.17
Norman Louis & Josephine Godden	979,706	1.19			979,706	1.13
Malamute Investments Limited	932,837	1.14			932,837	1.07
Ace Finance Limited	793,281	0.97			793,281	0.91
Peter Tristram H Gresson	750,000	0.91			750,000	0.86

Total large holders

56,749,871	69.20	5,000,000	100	61,749,871	70.97
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Total securities on issue

82,013,275	5,000,000	87,013,275
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The convertible notes above are listed as the ordinary share equivalents for each convertible note taking account of the ordinary share entitlement on conversion of each convertible note at maturity or earlier conversion date.

Spread of Voting Security Holders as at 30 June 2007

The following table shows the spread of voting security holders by number of holders and number of securities held.

Size of holding	Shares		Holders	
	No.	%	No.	%
1-1,000	70,370	0.09	85	9.76
1,001-5,000	630,854	0.77	235	26.98
5,001-10,000	1,015,826	1.24	136	15.61
10,001-100,000	11,310,837	13.79	334	38.35
Over 100,000	68,985,388	84.11	81	9.30
Totals	82,013,275	100.00	871	100.00

Directors share dealings to 30 June 2007

- Cynotech Securities Limited (a company associated with Mr A.R. Hawkins) exercised 500,000 warrants on 27 June 2007 in exchange for ordinary shares.
- Newmarket Securities Limited (a company associated with Mr A.R. Hawkins and Mr P.J. Hutchinson) exercised 300,000 warrants on 27 June 2007 in exchange for ordinary shares.
- Farquharson & Fraser Limited (a company associated with Mr N.B. Tawse) exercised 500,000 warrants on 27 June 2007 in exchange for ordinary shares.

Substantial security holders

The following information is given pursuant to section 26 of the Securities Markets Act 1988.

The following are registered by the Company as at 30 June 2007 as substantial security holders in the Company, having declared a relevant interest in voting securities under section 25 of the Securities Markets Act 1988.

M.W. Daniel, N.G. Burton, M.M. Benjamin

Wairahi Holdings Limited

Philip Robert & Pamela Annette Briggs

Newmarket Securities Limited

Cynotech Securities Limited

Shareholder and Additional Statutory Information

Stock Exchange Listing

The Company's warrant are listed on the New Zealand Alternative Exchange (NZAX) under the ticker code CYTWA.

Principal Warrants Holders as at 30 June 2007

This table lists the names and holdings of the 20 largest holdings of warrants issued by the Company.

	Warrants	
	No	%
Cynotech Securities Limited	3,672,643	21.24
Andrew Ronald Bailey	3,000,000	17.35
Newmarket Securities Limited	1,147,192	6.63
Oxbow Holdings Limited	1,011,222	5.85
John Jeffers Harrison	625,000	3.61
Augusta Group Limited	500,000	2.89
Norman Louis & Josephine Godden	485,813	2.81
Macquarie Equities Custodians Limited	439,162	2.54
Royden James Dykes, John Graham Turroll, Vivienne Hartley Dykes	300,000	1.73
John Arbuckle	276,000	1.60
Richard Hugh Cleveland Guy	204,200	1.18
FNZ Custodians Limited	203,937	1.18
Anthony Edward Falkenstein	200,500	1.16
Dayal Lallu	200,000	1.16
Wairahi Holdings Limited	176,246	1.02
Kelvin Robert Green	160,000	0.93
Malcolm Frederick Chambers	152,360	0.88
Francesse Kaye Middleton	150,000	0.87
William Treuren	150,000	0.87
Kevin Patrick McDonald	126,298	0.73

Total large holders **13,180,573** **76.22**

Total warrants on issue **17,293,689**

Spread of Warrant Holders as at 30 June 2007

The following table shows the spread of warrants holders by number of holders and number of warrants.

Size of holding		Warrants		Holders	
		No.	%	No.	%
Size of holding	1-1,000	112,209	0.65	171	33.26
	1,001-5,000	450,262	2.60	159	30.93
	5,001-10,000	479,842	2.77	63	12.26
	10,001-100,000	3,445,803	19.93	100	19.46
	Over 100,000	12,805,573	74.05	21	4.09
Totals		17,293,689	100.00	514	100.00

Directors warrants dealings to 30 June 2007

- Farquharson & Fraser Limited (a company associated with Mr N.B. Tawse) purchased 500,000 warrants on 27 June 2007 from Cynotech Securities Limited (a company associated with Mr A.R. Hawkins).
- Cynotech Securities Limited (a company associated with Mr A.R. Hawkins) sold 500,000 warrants on 27 June 2007 to Farquharson & Fraser Limited (a company associated with Mr N.B. Tawse).
- Cynotech Securities Limited (a company associated with Mr A.R. Hawkins) exercised 500,000 warrants on 27 June 2007 in exchange for ordinary shares.
- Newmarket Securities Limited (a company associated with Mr A.R. Hawkins and Mr P.J. Hutchinson) exercised 300,000 warrants on 27 June 2007 in exchange for ordinary shares.
- Farquharson & Fraser Limited (a company associated with Mr N.B. Tawse) exercised 500,000 warrants on 27 June 2007 in exchange for ordinary shares.

Shareholder and Additional Statutory Information

Directors holding office during the year

Group and Parent	A.R. Hawkins	B.Com	Chairman & Chief Executive Officer
	P.J. Hutchinson		
	K.P. McDonald	LLB	
	N.B. Tawse	B.Ag.Sci	Managing Director

Remuneration of Directors

		GROUP		
		Unaudited		Audited
		6 mths 30 Jun		12 mths 31 Dec
		2007	2006	2006
Directors fees	A.R. Hawkins	-	-	-
	P.J. Hutchinson	4,000	3,000	6,500
	K.P. McDonald	4,000	3,000	6,500
	N.B. Tawse	-	-	-
		<u>8,000</u>	<u>6,000</u>	<u>13,000</u>
Other fees	A.R. Hawkins	110,000	75,000	175,000
	P.J. Hutchinson	-	-	-
	K.P. McDonald	-	-	-
	N.B. Tawse	-	-	-
		<u>110,000</u>	<u>75,000</u>	<u>175,000</u>

A.R. Hawkins' interests have been paid an amount of \$110,000 (2006 \$75,000) during the year being remuneration for Mr Hawkins' involvement as Chairman and Chief Executive.

Remuneration of employees

There were two employees whose remuneration was between \$100,000 and \$109,999.

There was one employee whose remuneration was between \$110,000 and \$119,999.

There was one employee whose remuneration was between \$180,000 and \$189,999.

Entries in the interest register

A.R. Hawkins declared interests in respect of:

Unsecured deposit funds advanced to Cynotech Finance Group Limited.

Unsecured deposit funds advanced to Cynotech Corporation Limited.

Convertible note investments made by Cynotech Securities Limited in Cynotech Holdings Limited.

Receivables written by the Finance Group where the credit risk and funding is shared equally with Cynotech Securities Limited.

Guarantees given for interest bearing loans provided to the Group.

K.P. McDonald declared interests in respect of:

Unsecured deposit funds advanced to Cynotech Finance Group Limited.

Guarantee given for interest bearing loans provided to the Group.

P.J. Hutchinson declared interests in respect of:

Unsecured deposit funds advanced to Cynotech Finance Group Limited.

Guarantee given for interest bearing loans provided to the Group.

Dividend Reinvestment Plan

Cynotech offers a dividend reinvestment plan which allows eligible shareholders to reinvest their dividends in additional shares without incurring brokerage costs. The dividend reinvestment plan is currently offered at a 12.5% discount to the market price.

Contact Information

Investment Information

Contact

 Cynotech Finance Group Ltd

Ana Milne

Debentures Manager

0800 990 880

finance@cynotech.co.nz

Lending Information

Contact

 **Budget Loans**
Straight talking finance

0508 425 626

finance@budgetloans.co.nz

BUDGET LOANS LTD

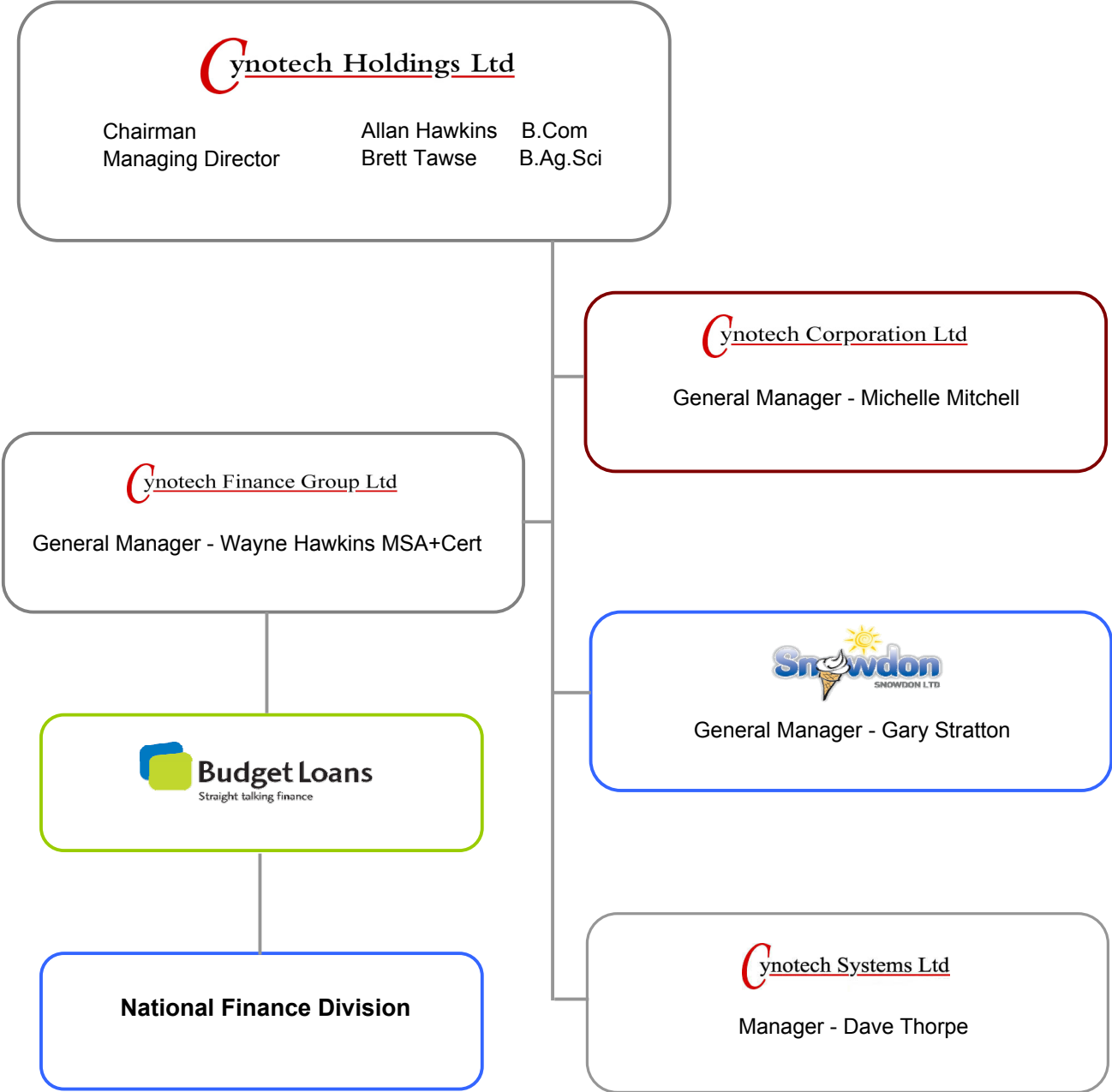
Straight Talking Finance



- Budget Loans is a lender within two principle sectors
 - The Consumer sector
 - The Commercial sector (property, business, bridging finance)
- The keys to Budget Loans success are
 - Being flexible in meeting customers needs
 - Speed of Loan approval
 - Maintaining appropriate security and creditworthiness criteria
 - A stringent collections policy
- Consumer lending target markets are
 - Personal Finance
 - Debt Consolidation
 - House Renovation
 - Event financing (Weddings, funerals)
 - Vehicle financing
- Commercial lending is directed to
 - Property development deals
 - Bridging Finance
 - Business loans
 - Residential Mortgages
 - Second Mortgages

All loans are secured or alternatively have an exceptional payment history

Group Company Organisation Chart



Cynotech Holdings Ltd

**Mid Year Report
2007**

www.cynotech.co.nz