

**NZX Announcement – Results for announcement to the market – 8<sup>th</sup> July 2008****Cynotech Holdings Limited Half Year Results for 30<sup>th</sup> June 2008****Profit**

Net profit for the 6 months to 30 June 2008 grew a satisfying 18% to \$1,226,605 (unaudited) compared to net profit for the first half of last year of \$1,039,339.

Net profit for the full year to 31 December 2007 was \$1,806,109.

**Assets**

Total assets now sit at \$31,613,951 - a 21.5% increase for the six month period over the total of \$26,024,850 at 31 December 2007.

Our growth in new lending has been conservatively constrained in the period to reflect our concerns for overall conditions in the finance market and particularly in the property development sector.

We simply cannot see the point in lending into a business sector where valuations are so unstable and where there is a distinct absence of end purchasers.

**Finance Receivables**

We have a total of 5,458 loans under management and our maximum loan size (measured on maximum credit exposure to any one group of borrowers) is \$532,061.

We operate on a general maximum loan size of \$300,000. At present we have two exposures in excess of this amount which have been specifically approved by the Board.

Only 2 of our current loans are capitalised interest arrangements. We concentrate on cash flow lending. Our largest 6 loans total \$1,927,839.

Loans which are overdue and held in our salvage ledgers do not have income brought to account until they are put back on to a sound repayment program.

**Asset Growth**

Receivables growth will be constrained for the foreseeable future as we curtail lending until the finance industry sorts itself out.

We do not expect a return to any sort of normality with the finance company markets until after the end of calendar 2009 and we believe the flow on effects of the devastation in the fringe property development sector will continue long after that.

In the meantime we are concentrating on the collection of the National Finance and Western Bay loan books which we have purchased. The continuing collection of these distressed loan ledgers will provide cash flow and profit opportunities for the foreseeable future.

### **Bad Debt Provisions**

We have taken a very conservative view on bad debt provisioning to ensure that we are considering the impact of the difficult economic conditions. Any loans where payments are overdue by more than 90 days are provided for, with the exception that where the Directors have considered that security can be realised in the present market conditions, then a partial write off has been made.

Total bad debts in this period were \$126,325. In addition a doubtful debt provision of \$577,298 has been created to cover other loans where recovery is uncertain.

### **Equity Levels**

In the current climate Cynotech is fortunate not to have a debenture prospectus and borrowings from the public. Our percentage of shareholder equity at 41.3% of total assets is one of the most conservative of any finance group.

Other funding comes from friends of the company and large shareholders.

### **Shareholders**

We have a base number of very loyal shareholders and we have greatly appreciated their support and contribution to our stability in this economically unstable and trying period. Cynotech will pay its first interim dividend of 0.5 cents per share (one half cent per share) on 13<sup>th</sup> August 2008 to those shareholders on the register at 5pm on 5<sup>th</sup> August 2008.

### **Summary**

We have been fortunate to be able to avoid the devastation surrounding us in the finance industry.

- We don't have a debt prospectus or public borrowings to be able to put us under pressure to repay deposits because of a decline in reinvestment rates;
- Our lending is cash flow lending without capitalised interest loans;
- Our self-imposed maximum loan size of \$300,000 ensures that our lending risks are spread over a wide range of clients;
- We are fortunate to have built in future cash flow and cash profit potential from the collection of the distressed loan books which we have purchased and which are on our books at a conservative valuation.

We look forward to the future with confidence and we are confident that there is a profitable future for a well structured finance company operating under a conservative financial model.



Allan Hawkins - Chairman

# Income Statement *for the 6 months ended 30 June 2008*

NOTES	GROUP Unaudited 6 mths 30 Jun		GROUP Audited 12 mths 31 Dec 2007
	2008	2007	
<b>Revenue</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fees received	451,293	520,773	971,373
Gain on fair value loan receivables	2,502,304	1,251,748	1,863,046
Interest received	2,034,024	1,305,844	2,768,482
Loan receivables	16,642	11,581	49,652
Bank interest	45,417	21,000	-
Management fee and Group levy	2,527,565	2,349,714	6,138,601
Sales of goods	23,799	-	30,769
Rental Income	7,601,044	5,460,660	11,821,923
<b>Total operating revenue</b>			
<b>Operating expenses</b>			
Audit fees	51,000	59,063	96,600
Depreciation	88,319	125,989	244,013
Directors fees	16,500	8,000	26,000
Distribution costs	379,427	373,620	757,926
Employee remuneration	1,062,582	869,861	1,899,514
Impairment/(subsequent reversal) of investments in subsidiaries	33,740	-	-
Interest	638,450	557,766	1,104,923
Unsecured deposits	198,926	163,009	377,557
Interest bearing loans and borrowings	226,645	45,997	96,530
Manufacturing costs	350,340	290,124	625,594
Office and administration	154,036	102,870	204,946
Other expenses	-	-	131,400
Property held for resale impairment	1,707,669	1,539,653	3,812,487
Raw materials and consumables used	703,623	112,256	544,581
Receivables impairment loss	164,700	173,113	340,436
Rental and operating lease costs			
<b>Total operating expenses</b>	5,775,957	4,421,321	10,262,506
<b>Profit before taxation</b>	1,825,087	1,039,339	1,559,416
Income tax gain / (expense)	(547,500)	-	246,693
<b>Profit for the period</b>	1,277,587	1,039,339	1,806,109
Share of Retained Earnings of Associated Co.- Findata Limited	(50,982)	-	-
<b>Profit for the period attributable to equity holders of the Parent</b>	1,226,605	-	-
Basic earnings per share (cents)	2.62	2.59	2.23
Diluted earnings per share (cents)	2.31	2.44	2.09
Dividends per share - ordinary (annualised cps)	1.0 cps	0.5 cps	0.5 cps
Dividends per share - convertible preference (annualised cps)	2.475 cps	-	2.475 cps
Net tangible assets per ordinary share	13.3 cps	10.2 cps	12.5 cps
Percentage holding in Findata Limited	23.6%	0.0%	0.0%

## Balance Sheet *as at 30 June 2008*

	NOTES		GROUP Unaudited 6 mths 30 Jun		GROUP Audited 12 mths 31 Dec 2007
	2008	2007	2008	2007	2007
<b>Assets</b>					
Cash and cash equivalents	\$	\$	\$	\$	\$
Cash and cash equivalents	270,715	920,338	270,715	920,338	4,336,495
Trade and other receivables	859,876	992,520	859,876	992,520	1,172,127
Finance receivables	18,430,282	9,483,767	18,430,282	9,483,767	10,707,706
Loan receivables - designated at fair value	4,234,762	3,295,176	4,234,762	3,295,176	2,917,187
Inventories	458,424	330,910	458,424	330,910	378,236
Property held for resale	1,620,600	1,741,344	1,620,600	1,741,344	1,620,600
Property, plant and equipment	2,559,101	2,504,040	2,559,101	2,504,040	2,411,324
Investments	699,018	-	699,018	-	-
Deferred tax asset	949,417	-	949,417	-	949,417
Goodwill	1,531,758	1,531,758	1,531,758	1,531,758	1,531,758
<b>Total assets</b>	<b>31,613,951</b>	<b>20,799,853</b>	<b>31,613,951</b>	<b>20,799,853</b>	<b>26,024,850</b>
<b>Liabilities</b>					
Trade and other payables	2,408,338	810,300	2,408,338	810,300	970,597
Deposits	11,264,425	8,699,942	11,264,425	8,699,942	8,836,979
Interest bearing loans and borrowings	2,539,361	2,944,582	2,539,361	2,944,582	2,556,225
Income tax payable	1,204,508	-	1,204,508	-	657,008
Deferred tax liability	45,716	-	45,716	-	45,716
Convertible preference shares - NPV Dividend	1,093,679	-	1,093,679	-	1,406,714
<b>Total liabilities</b>	<b>18,556,027</b>	<b>12,454,824</b>	<b>18,556,027</b>	<b>12,454,824</b>	<b>14,473,239</b>
<b>Equity</b>					
Issued capital	14,072,911	13,418,233	14,072,911	13,418,233	13,369,319
Convertible preference shares	3,283,130	-	3,283,130	-	2,947,880
Convertible notes	250,000	250,000	250,000	250,000	250,000
Accumulated losses	(4,548,117)	(5,323,204)	(4,548,117)	(5,323,204)	(5,015,588)
<b>Total equity</b>	<b>13,057,924</b>	<b>8,345,029</b>	<b>13,057,924</b>	<b>8,345,029</b>	<b>11,551,611</b>
<b>Total equity and liabilities</b>	<b>31,613,951</b>	<b>20,799,853</b>	<b>31,613,951</b>	<b>20,799,853</b>	<b>26,024,850</b>

## Statement of Changes in Equity *for the 6 months ended 30 June 2008*

	NOTES		GROUP Unaudited 6 mths 30 Jun		GROUP Audited 12 mths 31 Dec 2007
	2008	2007	2008	2007	2007
<b>Profit for the year</b>	\$	\$	\$	\$	\$
Profit for the year	1,277,587	1,039,339	1,277,587	1,039,339	1,806,109
<b>Total recognised income and expenses</b>	<b>1,277,587</b>	<b>1,039,339</b>	<b>1,277,587</b>	<b>1,039,339</b>	<b>1,806,109</b>
<b>Contributions from owners</b>					
Ordinary shares issued	674,354	455,399	674,354	455,399	455,399
Convertible preference shares issued	335,250	-	335,250	-	2,947,880
Share issue cost	(21,744)	(1,115)	(21,744)	(1,115)	(50,029)
Convertible notes issued	-	-	-	-	-
<b>Total contributions from owners</b>	<b>987,860</b>	<b>454,284</b>	<b>987,860</b>	<b>454,284</b>	<b>3,353,250</b>
<b>Distributions to owners</b>					
Dividends paid - ordinary shares	(489,515)	(390,928)	(489,515)	(390,928)	(397,442)
Dividends paid - convertible preference shares	(269,619)	-	(269,619)	-	(22,237)
<b>Total distribution to owners</b>	<b>(759,134)</b>	<b>(390,928)</b>	<b>(759,134)</b>	<b>(390,928)</b>	<b>(419,679)</b>
Movements in equity for the period	1,506,313	1,102,695	1,506,313	1,102,695	4,739,680
Prior period adjustment	-	-	-	-	6,512
Equity at beginning of year	11,551,611	7,242,334	11,551,611	7,242,334	6,805,419
<b>Equity at end of the year</b>	<b>13,057,924</b>	<b>8,345,029</b>	<b>13,057,924</b>	<b>8,345,029</b>	<b>11,551,611</b>

On behalf of the Directors 8th July 2008

  
Allan Hawkins - Chairman

  
Brett Tawse - Managing Director

## Statement of Cash Flows *for the 6 months ended 30 June 2008*

NOTES	GROUP Unaudited 6 mths 30 Jun		GROUP Audited 12 mths 31 Dec 2007
	2008	2007	
	\$	\$	\$
<b>Net cash from/(used in) operating activities</b>			
Cash was provided from:			
Receipts from loan repayment	2,863,616	2,659,425	880,230
Receipts from sale of goods	-	-	4,970,515
Fees received	496,710	541,773	971,373
Interest income received	2,050,666	1,317,425	2,818,135
Gain in loan receivables designated at fair value	2,502,304	-	1,863,046
Cash was applied to:			
Payments to suppliers and employees	(2,789,088)	(4,242,043)	(8,966,336)
Increase in loan advance to customers	(9,851,017)	(726,716)	(2,229,138)
Interest expense paid	(837,375)	(720,775)	(1,482,480)
<b>Net cash flows used in operating activities</b>	<b>(5,564,184)</b>	<b>(1,170,911)</b>	<b>(1,174,655)</b>
<b>Cash flows from/(used in) investing activities</b>			
Cash was provided from:			
Sale of property, plant and equipment	-	12,434	-
Repayment of subsidiary capital increase	-	472,366	-
Cash was applied to:			
Investment in associate Co.	(699,018)	-	-
Purchase of property, plant and equipment	(125,324)	(150,564)	(298,904)
<b>Net cash flows used in investing activities</b>	<b>(824,342)</b>	<b>334,236</b>	<b>(298,904)</b>
<b>Cash flows from/(used in) financing activities</b>			
Cash was provided from:			
Proceeds from deposits	2,427,446	740,928	884,466
Proceeds from issue of ordinary shares	674,354	455,399	455,399
Proceeds from issue of convertible preference shares	18,689	-	4,354,594
Cash was applied to:			
Repayment of interest bearing loans	(16,865)	-	(816,870)
Equity raising costs	(21,744)	(1,115)	(50,029)
Dividends paid	(759,134)	(390,928)	(419,678)
Loan facilities	-	(428,513)	-
<b>Net cash flows from financing activities</b>	<b>2,322,746</b>	<b>375,771</b>	<b>4,407,882</b>
<b>Net increase in cash</b>	<b>(4,065,780)</b>	<b>(460,904)</b>	<b>2,934,323</b>
Cash balances at beginning of the year	4,336,495	1,381,242	1,402,172
<b>Cash and cash equivalents at 30th June 2008</b>	<b>270,715</b>	<b>920,338</b>	<b>4,336,495</b>

<b>Cynotech Holdings Limited</b>		
<b>Results for announcement to the market</b>		
Reporting Period	6 months to	30 June 2008
Previous Reporting Period	6 months to	30 June 2007

	Amount (000's)	Percentage change
Revenue from ordinary activities	\$NZ 7,601	39%
Profit (loss) from ordinary activities after tax attributable to security holder.	\$NZ 1,227	18%
Net profit (loss) attributable to security holders.	\$NZ 1,227	18%

Interim Dividend	Amount per security	Imputed amount per security
	\$NZ 0.005	\$NZ 0.00

Record Date	5 August 2008
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Dividend Payment Date	13 August 2008
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