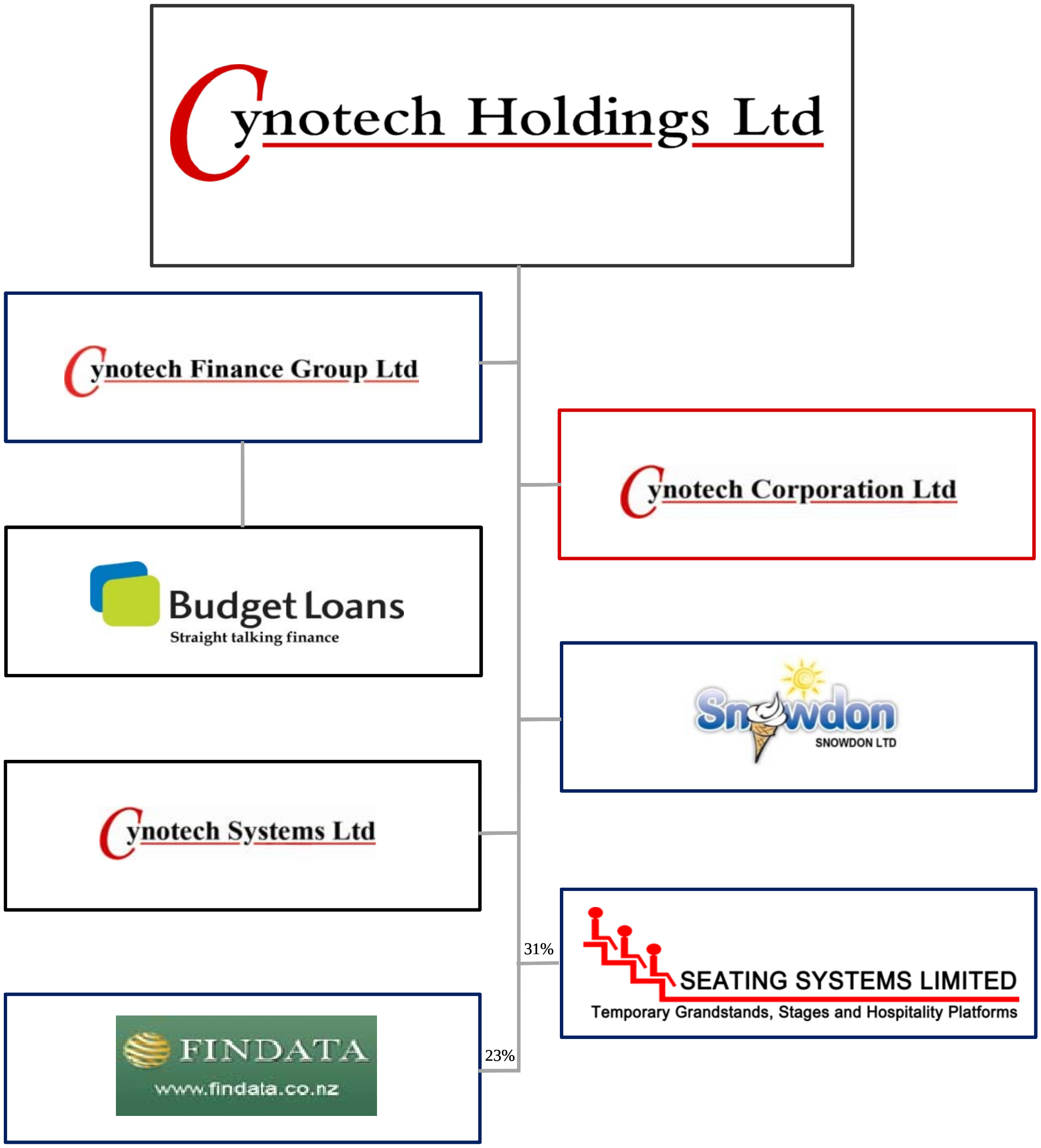
Cynotech Holdings Ltd

powered by Cynotech

Mid Year Report
2009

Group Company Organisation



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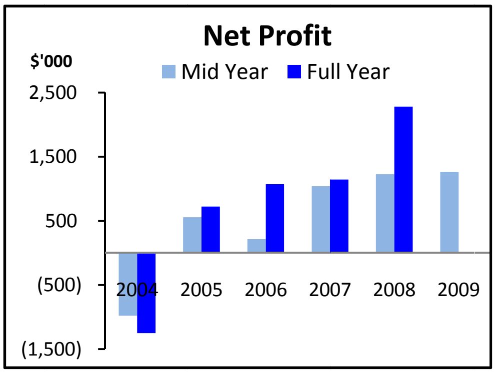
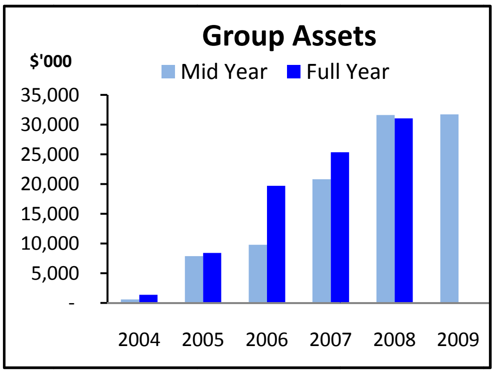
Profit

Cynotech Holdings Limited reports a net profit after tax (unaudited) for the half year to 30th June 2009 of $1.263 million compared to the profit for the same period last year of $1.227 million. This has been a period of continued consolidation rather than growth as the Group continues to witness the effect of the problems in the wider finance company sector.



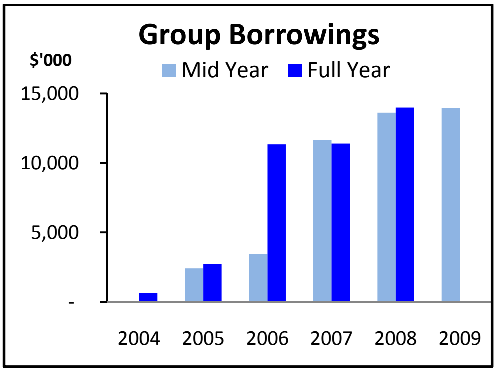
Assets

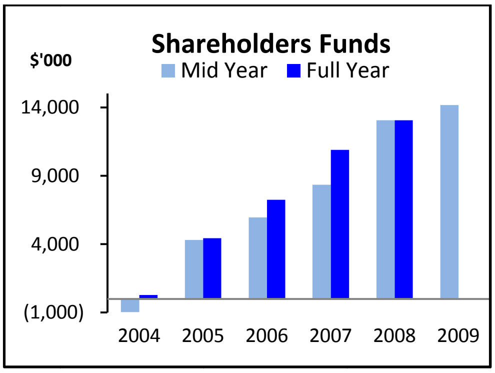
Total assets employed at June 2009 were $31.721 million compared to 2008 $31.614 million. We have only undertaken modest lending levels in this 6 month period and our standard finance receivables have actually reduced in value, but the receivables designated at fair value continue to increase, as we get more and more Western Bay and National Finance loans on to a proper repayment basis.



Group Equity

Total shareholders funds at $14.168 million as at June 2009 have increased from $13.057 million as at the last annual balance date, December 2008. This has lead to a satisfactory increase in the equity percentage of the Cynotech Group which now stands at 45%, (Dec 2008 42%).
Cynotech Directors intend to continue with this high level of equity funding of the asset base of the group and the low level of gearing for the foreseeable future while the finance industry continues to go through its difficult times.





Dividend

The Directors are recommending an interim dividend of 0.5 cents per share and this continues on from the 0.75 cents per share final dividend which was paid to shareholders in May giving total dividends at the rate of 1.25 cents per share for a 12 month period. The interim dividend will be paid on 30th September 2009 to those shareholders on the register at 5pm on 25th September.

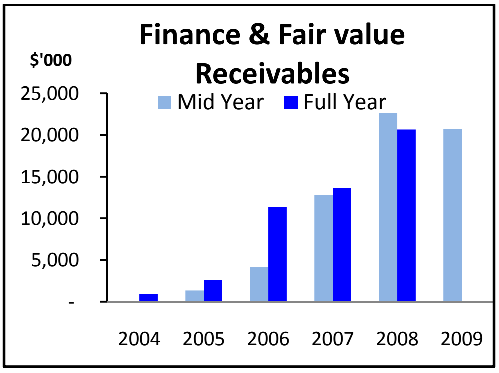
Finance Receivables

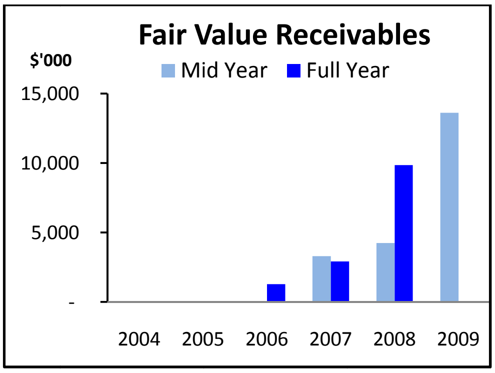
We continue to approach the finance part of our business with caution. Unlike some others in our industry, Cynotech's bad debts have been minimal in this half year brought about by our policy of having fully provided for possible impaired accounts in previous accounting periods.

Our accounting and credit policies are and have been robust.

- We generally provide for bad debts on loan accounts which become more than 90 days overdue.
- We do not bring interest revenue or collection costs to income until they are actually collected from the clients.
- Fair Value loans purchased from the Receiver of National Finance, and the Western Bay impaired loans, carry a nil or nominal value until such time as the debtor is found and brought to account through the court process. Once the debtor starts paying the loan is discounted due to the term of the loan repayment period and the continuing repayment pattern.
- Our maximum credit exposure on any one loan in the finance sector of our business is $300,000 and we only have 5 loans in our books over $100,000. Any other higher exposures which we may have had have been fully provided for in previous accounting periods.
- We continue with our policy of having high equity levels and we do not have deposits from the public.

A number of other finance companies have had to provide substantially higher bad debt provisions in the latest reporting periods. It is apparent that there are still massive difficulties to be overcome in the finance sector and in some cases if some of those finance companies were to provide aggressively against their property development and property speculation loans then they could be in serious breach of their covenants. We simply believe that the arithmetic does not work out in some cases and this will likely lead to the non fulfillment of conditions in some finance companies which are under a debenture holders' moratorium. This will have a continuing negative impact on the public perception of the finance industry and we, as a Group, have to deal with this and ensure that we are not caught up in this negativity as we continue to inform our shareholders about the robustness of our own finance group.





Bad Debt provisioning

Having made adequate provisions for bad debts in our 2008 Year End result and in previous periods, we are in a comfortable position for June 2009. We provided for a further $146,000 of impaired accounts in this half year. We have been continuing to work on loans which we have previously written-off, with the intention of ultimately achieving recoveries.

Commerce Commission

The Commerce Commission continued with its industry wide investigation into the finance industry looking at compliance within the Credit Contracts and Consumer Finance Act 2003, as well as possible breaches under the Fair Trading Act 1986.

The Commission did advise during the period they intended to prosecute Budget Loans, without detailing what their concerns are despite press reports to the contrary. We still have not been advised and we have been in communication with the Commerce Commission to resolve any concerns they have.

Trading Companies

Revenue from product sales has been steady in 2009 with sales of $2.491 million reported. Our operating subsidiaries Cynotech Systems Ltd and Snowdon Ltd are responsible for the bulk of these sales.

Cynotech Systems is slightly ahead of target for the first ½ of the year being 3.2% ahead of planned revenue. This is a relatively small business and does not have a major impact on the group result.

Snowdon started the year well, but the winter months sales have detracted from the overall result.

The business is certainly performing better than it was but this has not yet flowed to the bottom line. We are making some investment in plant, the impact of which won't be felt until 2010.

We have also continued to invest in Seating Systems Ltd with $215,000 in plant purchases.

Shareholders

A new issue of securities was announced in the period in the form of the issue of Cynotech Capital Securities, designed to give small investors the opportunity to achieve a competitive return on their investment, at a time when it would otherwise be difficult to achieve an interest rate that allows individuals a return sufficient for them to live on.

A bonus issue was made to shareholders of Cynotech Capital Securities (CCS) at the rate of one CCS for each 75 ordinary and convertible preference shares held. CCS's have a yield of 9.25% per annum.

18.5 million Convertible Preference shares have been converted to Ordinary shares during the period.

Warrant holders have also converted a small number of warrants to shares in June 2009.

The new shareholding figures as at June 2008 are (Number of securities on issue)

Ordinary shares	CYT	122,755,184
Convertible preference shares	CYTPA	3,401,901
Warrants	CYTWA	28,140,489
Capital Securities	CYTHA	1,797,009

Forward Outlook

We are cognisant of the current market environment. While commentators are reporting a slight pick-up in the overall economy we do not believe the worst has been seen in the property and credit sector and this will continue to impact on the finance industry.
We expect the next six months to be a difficult trading period.

Allan Hawkins

Chairman

Income Statement for the 6 months ended 30 June 2009

		CONSOLIDATED	
	6 Months to 30 June 2009 $'000	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Revenue			
Interest income - finance receivables	1,428	2,051	2,852
Fees received	226	451	715
Gain on loan receivables - designated at fair value	3,499	2,502	6,672
Gain on acquisition of loan book	-	-	806
Interest income - bank	5	-	29
Convertible Preference Share Interest	-	-	123
Management fee and Group levy	80	45	94
Rental Income	19	24	48
Sales of goods	2,126	2,260	5,126
Sales of services	365	268	584
Total operating revenue	7,748	7,601	17,050
Operating expenses			
Audit fees	97	51	131
Depreciation	99	88	207
Directors fees	24	17	34
Distribution costs	341	379	822
Employee remuneration	1,001	1,063	2,068
Interest — Deposits	792	638	454
Interest — Interest bearing loans and borrowings	65	199	1,134
Manufacturing costs	47	227	53
Office and administration	1,053	350	1,555
Other expenses	106	154	488
Plant & equipment impairment loss	-	-	231
Property held for resale impairment loss	-	-	162
Receivables impairment loss	146	738	2,308
Raw materials and consumables used	1,501	1,707	3,607
Rental and operating lease costs	213	165	365
Share of losses of associates (net of income tax)	321	51	159
Total operating expenses	5,806	5,827	13,777
Profit before taxation	1,942	1,774	3,272
Income tax (expense) / credit	(679)	(547)	(992)
Net Profit After tax	1,263	1,227	2,280
Basic earnings per share (cps)	2.06	2.62	2.33
Diluted earnings per share (cps)	2.00	2.31	1.84
Dividends per share - ordinary (annualised cps)	1.25	1.00	1.25
Dividends per share - convertible preference (annualised cps)	1.49	2.06	2.25
NTA (cps)	11.54	13.31	12.52
NTA (fully diluted cps)	11.23	10.88	10.36

Balance Sheet as at 30 June 2009

	NOTES	CONSOLIDATED **6 Months to 30 June 2009 $'000**	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Current Assets				
Advances to associates	10	361	-	514
Cash and cash equivalents	5	788	271	715
Finance receivables	6,7,8	3,373	6,785	6,867
Loan receivables - designated at fair value	17	2,458	765	1,678
Trade and other receivables		610	860	1,105
Total Current Assets		**7,590**	**8,681**	**10,879**
Non Current Assets				
Advances to associates	10	2,528	-	1,027
Deferred tax asset		657	949	656
Finance receivables	6,7,8	3,745	11,645	3,943
Goodwill		1,532	1,532	1,532
Inventories		490	458	540
Investment in associates	10	270	699	592
Loan receivables - designated at fair value	17	11,156	3,470	8,173
Property and plant held for sale	9	2,059	1,621	2,059
Property, plant and equipment		1,694	2,559	1,638
Total Non Current Assets		**24,131**	**22,933**	**20,160**
Total assets		**31,721**	**31,614**	**31,039**
Current Liabilities				
Bank Overdraft	5	180	-	249
Convertible preference shares		15	364	400
Deposits	13	3,807	3,764	4,059
Interest bearing loans and borrowings	11	1,230	1,598	3,230
Trade and other payables		1,385	2,408	1,179
Total Current Liabilities		**6,617**	**8,134**	**9,117**
Non Current Liabilities				
Convertible preference shares		-	730	399
Deferred tax liability		-	46	-
Deposits	13	490	-	-
Income tax payable		2,015	1,205	1,767
Interest bearing loans and borrowings	11	8,431	8,441	6,699
Total Non Current Liabilities		**10,936**	**10,422**	**8,865**
Total liabilities		**17,553**	**18,556**	**17,982**
Equity				
Issued capital		14,488	14,073	14,540
Convertible preference shares		3,747	3,283	2,964
Convertible notes		-	250	-
Capital securities		1,797	-	-
Accumulated losses		(5,864)	(4,548)	(4,447)
Total equity		**14,168**	**13,058**	**13,057**
Total equity and liabilities		**31,721**	**31,614**	**31,039**

Statement of Changes in Equity for the 6 months ended 30 June 2009

	CONSOLIDATED		
	6 Months to 30 June 2009 $'000	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Profit for the year	1,263	1,227	2,280
Total recognised income and expenses	1,263	1,227	2,280
Contributions from owners			
Ordinary shares issued	9	725	1,189
Equity from conversion of convertible preference shares	783	335	16
Capital securities issued	1,797	-	-
Share issue cost	(62)	(22)	(18)
Convertible notes converted to ordinary shares	-	-	(250)
Total contributions from owners	2,527	1,039	937
Distributions to owners			
Dividends paid - ordinary shares	(874)	(490)	(1,049)
Dividends paid - convertible preference shares	(117)	(270)	-
Return paid - capital securities	(7)	-	-
Total distribution to owners	(998)	(760) -	(1,049)
Movements in equity for the period	2,792	1,506	2,168
Capital securities bonus issue	(1,682)	-	-
Equity at beginning of year	13,058	11,552	10,889
Equity at end of the year	14,168	13,058	13,057

On behalf of the Directors 29th July 2009

Allan Hawkins - Chairman

Brett Tawse - Managing Director

Statement of Cash Flows for the 6 months ended 30 June 2009

	CONSOLIDATED		
	6 Months to 30 June 2009 $'000	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Net cash from/(used in) operating activities			
Cash was provided from:			
Receipts from sale of goods and services	3,004	5,366	5,826
Fees received	306	497	809
Interest income received	1,433	2,050	2,880
Net movement in finance receivables	3,280	-	-
Cash was applied to:			
Payments to suppliers and employees	(4,056)	(2,789)	(9,076)
Advance to associate	(1,347)	-	(1,542)
Net movement in finance receivables	-	(9,851)	(2,104)
Tax receipts / (payments)	(385)	-	(300)
Interest expense paid	(857)	(837)	(1,588)
Net cash flows used in operating activities	1,378	(5,564)	(5,093)
Cash flows from/(used in) investing activities			
Cash was applied to:			
Investment in associates	-	(699)	(750)
Purchase of property, plant and equipment	(155)	(125)	(57)
Net cash flows used in investing activities	(155)	(824)	(807)
Cash flows from/(used in) financing activities			
Cash was provided from:			
Proceeds from deposits	238	2,427	1,260
Proceeds from issue of ordinary shares	9	675	939
Proceeds from issue of convertible preference shares	-	19	16
Increase in interest bearing loans	-	-	1,373
Cash was applied to:			
Repayment of interest bearing loans	(268)	(17)	-
Convertible preference share dividend	(117)	-	(492)
Capital securities return paid	(7)	-	-
Ordinary share dividend	(874)	(759)	(1,049)
Equity raising costs	(62)	(22)	(18)
Net cash flows from financing activities	(1,081)	2,323	2,030
Net increase in cash	142	(4,065)	(3,870)
Cash balances at beginning of the year	466	4,336	4,336
Cash and cash equivalents at 30 June 2009	608	271	466

Contents of the Notes to the Financial Statements

1. Summary of significant accounting policies

These unaudited interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2008.

(a) Basis of preparation

These general purpose financial statements for the interim 6 month period ended 30 June 2009 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and comply with the New Zealand equivalent to International Accounting Standard 34 interim Financial Reporting.

These interim financial statements are stated in New Zealand dollars rounded to the nearest thousand unless stated otherwise.

(b) Changes in accounting policies

There have been no significant changes in accounting policies during the current year. Accounting policies have been applied on a basis consistent with prior interim and annual financial statements.

(c) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of the Cynotech Holdings Limited and its subsidiaries as at 30 June 2009 ('the Group').

2. 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 relating principally to property held for resale and investments in Seating Systems Ltd and FinData Ltd.

The major business segments of the Group are as follows:

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

	CONSOLIDATED		
	6 Months to 30 June 2009 $'000	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Segment Assets			
Finance	20,914	24,637	23,254
Satellite	246	159	140
Manufacturing	4,660	3,204	5,784
Associated companies & other assets	5,901	3,614	1,861
Consolidated	31,721	31,614	31,039
Segment Liabilities			
Finance	12,408	12,508	12,408
Satellite	49	38	40
Manufacturing	1,557	1,566	2,260
Bank term loans & tax	3,539	4,444	3,274
Consolidated	17,553	18,556	17,982
Revenue			
Finance	5,071	5,061	11,289
Satellite	421	330	723
Manufacturing	2,057	2,197	4,989
Other	199	13	49
Consolidated	7,748	7,601	17,050
Net profit for the period			
Finance	2,533	2,196	3,616
Satellite	85	34	76
Manufacturing	(78)	(314)	(455)
Other	(277)	(91)	194
Equity accounted profit / (loss)	(321)	(51)	(159)
Tax	(679)	(547)	(992)
Consolidated	1,263	1,227	2,280

3. Financial Risk Management

The Company has in place risk management programmes in line with Reserve Bank of NZ risk management guidelines.

4. Financial Risk Management - Liquidity risk

The following table identifies the expected maturity profile of assets & liabilities of the Group.

Expected gross undiscounted maturities of financial assets and liabilities.

CONSOLIDATED 6 Months to June 2009	Carrying amount $'000	Gross nominal inflow / (outflow) $'000	On demand $'000	1-6 months $'000	6 months to 1 year $'000	1 year to 2 years $'000	2-5 years $'000	More than 5 years $'000
Financial assets								
Cash balances	788	788	788	-	-	-	-	-
Finance receivables	7,119	10,534	1,954	2,707	1,669	2,264	1,837	103
* Trade receivables	610	610	-	610	-	-	-	-
Advance to associate	2,888	3,408	-	-	592	1,646	1,170	-
Loan receivables - fair value	13,614	18,494	-	1,408	1,932	4,241	9,821	1,092
Total assets	25,019	33,834	2,742	4,725	4,193	8,151	12,828	1,195
Financial liabilities								
Overdraft	180	180	180	-	-	-	-	-
Deposits	4,297	4,674	317	1,805	2,035	517	-	-
Trade payables	347	347	-	347	-	-	-	-
Convertible preference shares	15	15	-	5	10	-	-	-
Interest bearing loans	9,661	11,456	-	1,088	1,103	9,047	218	-
Total liabilities	14,500	16,672	497	3,245	3,148	9,564	218	-
Net maturity excess/(shortfall)	10,519	17,162	2,245	1,480	1,045	(1,413)	12,610	1,195

CONSOLIDATED 6 Months to June 2008								
Financial assets								
Cash balances	271	271	271	-	-	-	-	-
Finance receivables	18,430	19,151	1,454	6,497	4,318	3,139	3,483	260
Trade receivables	860	860		860	-	-	-	-
Advance to associate	-	-	-	-	-	-	-	-
Loan receivables - fair value	4,235	4,236	-	706	706	1,412	1,412	-
Total assets	23,796	24,518	1,725	8,063	5,024	4,551	4,895	260
Financial liabilities								
Deposits	3,764	4,014	430	2,332	1,252	-	-	-
Trade payables	326	326	-	326	-	-	-	-
Convertible Preference shares	1,094	911	-	182	182	547	-	-
Interest bearing loans	10,039	13,448	-	2,065	116	3,701	6,889	677
Total liabilities	15,223	18,699	430	4,905	1,550	4,248	6,889	677
Net maturity excess/(shortfall)	8,573	5,819	1,295	3,158	3,474	303	(1,994)	(417)

CONSOLIDATED 12 Months to Dec 2008								
Financial assets								
Cash balances	715	715	715	-	-	-	-	-
Finance receivables	10,809	12,693	331	4,532	3,011	2,618	2,024	177
Trade receivables	1,012	1,012		1,012	-	-	-	-
Advance to associate	1,542	1,799	125	-	596	558	520	-
Loan receivables - fair value	9,851	15,820	-	1,035	1,661	3,680	8,499	945
Total assets	23,929	32,039	1,171	6,579	5,268	6,856	11,043	1,122
Financial liabilities								
Overdraft	249	249	249	-	-	-	-	-
Deposits	4,059	4,327	463	2,514	1,126	224	-	-
Trade payables	336	336	-	336	-	-	-	-
Convertible Preference shares	799	799	-	200	200	399	-	-
Interest bearing loans	9,929	11,449	-	2,553	1,112	2,843	3,681	1,260
Total liabilities	15,372	17,160	712	5,603	2,438	3,466	3,681	1,260
Net maturity excess/(shortfall)	8,557	14,880	459	976	2,830	3,390	7,362	(138)

* Note there is no provision against Trade receivables due to the nature of the business.

4. Financial Risk Management - Liquidity risk

The amounts disclosed in the following table is the undiscounted gross contractual cashflow.

Contractual gross undiscounted maturities of financial assets and liabilities.

CONSOLIDATED 6 Months to June 2009	Carrying amount $'000	Gross nominal inflow / (outflow) $'000	On demand $'000	1-6 months $'000	6 months to 1 year $'000	1 year to 2 years $'000	2-5 years $'000	More than 5 years $'000
Financial assets								
Cash balances	788	788	788	-	-	-	-	-
Finance receivables	7,119	9,254	622	3,238	2,034	1,783	1,464	113
* Trade receivables	610	610	-	610	-	-	-	-
Advance to associate	2,888	3,408	-	-	592	1,646	1,170	-
Loan receivables - fair value	13,614	18,494	18,494	-	-	-	-	-
Total assets	25,019	32,554	19,904	3,848	2,626	3,429	2,634	113
Financial liabilities								
Overdraft	180	180	180	-	-	-	-	-
Deposits	4,297	4,674	317	1,805	2,035	517	-	-
Trade payables	347	347	-	347	-	-	-	-
Convertible preference shares	15	15	-	5	10	-	-	-
Interest bearing loans	9,661	5,569	983	1,097	669	1,866	690	264
Total liabilities	14,500	10,785	1,480	3,254	2,714	2,383	690	264
Net maturity excess/(shortfall)	10,519	21,769	18,424	594	(88)	1,046	1,944	(151)

CONSOLIDATED 6 Months to June 2008								
Financial assets								
Cash balances	271	271	271	-	-	-	-	-
Finance receivables	18,430	23,959	1,611	8,382	5,266	4,617	3,791	292
Trade receivables	860	860		860	-	-	-	-
Advance to associate	-	-	-	-	-	-	-	-
Loan receivables - fair value	4,235	4,236	-	706	706	1,412	1,412	-
Total assets	23,796	29,326	1,882	9,948	5,972	6,029	5,203	292
Financial liabilities								
Deposits	3,764	4,014	430	2,332	1,252	-	-	-
Trade payables	326	326	-	326	-	-	-	-
Convertible Preference shares	1,094	911	-	182	182	547	-	-
Interest bearing loans	10,039	12,047	1,022	1,139	6,956	1,939	716	275
Total liabilities	15,223	17,298	1,452	3,979	8,390	2,486	716	275
Net maturity excess/(shortfall)	8,573	12,028	430	5,969	(2,418)	3,543	4,487	17

CONSOLIDATED 12 Months to Dec 2008								
Financial assets								
Cash balances	715	715	715	-	-	-	-	-
Finance receivables	10,809	14,541	978	5,087	3,196	2,802	2,301	177
Trade receivables	1,017	1,017		1,017	-	-	-	-
Advance to associate	1,542	1,799	125	-	596	558	520	-
Loan receivables - fair value	9,851	9,851	9,851	-	-	-	-	-
Total assets	23,934	27,923	11,669	6,104	3,792	3,360	2,821	177
Financial liabilities								
Overdraft	249	249	249	-	-	-	-	-
Deposits	4,059	4,327	463	2,514	1,126	224	-	-
Trade payables	336	336	-	336	-	-	-	-
Convertible Preference shares	799	174	-	119	27	28	-	-
Interest bearing loans	9,929	11,450	971	1,083	6,611	1,843	681	261
Total liabilities	15,372	16,536	1,683	4,052	7,764	2,095	681	261
Net maturity excess/(shortfall)	8,562	11,387	9,986	2,052	(3,972)	1,265	2,140	(84)

* Note there is no provision against Trade receivables due to the nature of the business.

5. Cash and Cash Equivalents

	CONSOLIDATED		
	6 Months to 30 June 2009 $'000	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Cash at bank	788	271	715
Short term deposits	-	-	-
	788	271	715
Bank overdraft	(180)	-	(249)
	608	271	466

6. Finance Receivables

		CONSOLIDATED		
		6 Months to 30 June 2009 $'000	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Finance receivables		9,453	19,681	12,558
Less impairment loss allowance		(2,334)	(1,251)	(1,749)
Total net receivables		7,119	18,430	10,809
Repayment terms	- Current (less than 12 months)	3,373	6,785	6,867
	- Non current (over 12 months)	3,746	11,645	3,942
Total net receivables		7,119	18,430	10,809

The range of terms to final maturity date of finance receivables are from 1 month to 42 months (2008, 1 month to 60 months).
The range of standard interest rates of finance receivables are from 16.5% pa to 29.5% pa (2008, 16.5% pa to 29.5% pa).
As at 30 June 2009, the amount owed (net of impairment) in aggregate by the six largest loans was $1,030,696, 14.4%. (December 2008 $1,299,094, 12%).
As at 30 June 2009, the aggregate amount (net of impairment) of the Budget Loans receivables, where the credit risk and funding amount was shared with Cynotech Securities Limited (a company associated with A.R. Hawkins) was $1,072,251 (2008 $609,399). This arrangement is formalised by an assignment of part of the debt by one or other of the parties. The assignor has registered the relevant securities in their own name.

7. Ageing Analysis of Finance Receivables

		CONSOLIDATED					
		Current	**1-30 days**	**30-60 days**	**60-90 days**	**Over 90 days**	**Total**
	6 Months to	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Finance receivables	**June 2009**	5,862	355	86	108	-	6,411
Finance receivables individually impaired		-	-	-	-	3,042	3,042
Impairment allowance		-	-	-	-	(2,334)	(2,334)
		5,862	355	86	108	708	7,119
		82.4%	**5.0%**	**1.2%**	**1.5%**	**9.9%**	**100.0%**
	6 Months to						
Finance receivables	**June 2008**	13,487	2,121	522	780	-	16,910
Finance receivables individually impaired		-	-	-	-	2,771	2,771
Impairment allowance		-	-	-	-	(1,251)	(1,251)
		13,487	2,121	522	780	1,520	18,430
		73.3%	**11.5%**	**2.8%**	**4.2%**	**8.2%**	**100.0%**
	12 Months to						
Finance receivables	**Dec 2008**	10,006	437	6	6	-	10,455
Finance receivables individually impaired		-	-	-	-	2,103	2,103
Impairment allowance		-	-	-	-	(1,749)	(1,749)
		10,006	437	6	6	354	10,809
		92.5%	**4.0%**	**0.1%**	**0.1%**	**3.3%**	**100.0%**

All amounts which are not current and that are past due up to 90 days as at 30 June 2009 are included in the balances of finance receivables. No impairment has been raised against 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.

Where finance receivables installments are past due in excess of 90 days an impairment allowance is created to provide for any expected loss on recovery. The amount of the impairment provision in respect of each overdue loan receivable is the outstanding balances reduced by the Directors' estimate of the realisable value of the remaining security held. Maturity analysis of current loans reflect repayment arrangements.

8. Impairment Allowance - for finance receivables which could be impaired

Reconciliation of Impairment allowances.	CONSOLIDATED **6 Months to 30 June 2009 $'000**	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Balance at beginning of period	1,749	720	720
Impairment loss for the period	1,095	761	2,318
Impairment recovered during the period	(949)	(23)	(10)
Net change recognised in Income Statement	146	738	2,308
Reclassification of fair value to Impairment allowance	439	(207)	(1,279)
Balance at end of period	2,334	1,251	1,749

Analysis of finance receivables and impairment.

6 Months to June 2009	**Carrying value**	**Not Past Due & Not Impaired**	**Past Due & Not Impaired**	**Impaired**
Current finance receivables	6,412	5,801	610	-
Finance receivables individually impaired	3,041	-	-	3,041
Impairment	(2,334)	-	-	(2,334)
	7,119	5,801	610	707

6 Months to June 2008	**Carrying value**	**Not Past Due & Not Impaired**	**Past Due & Not Impaired**	**Impaired**
Current finance receivables	16,910	15,378	1,532	-
Other individual impaired assets	2,771	-	-	2,771
Impairment	(1,251)	-	-	(1,251)
	18,430	15,378	1,532	1,520

12 Months to Dec 2008	**Carrying value**	**Not Past Due & Not Impaired**	**Past Due & Not Impaired**	**Impaired**
Current finance receivables	10,455	9,005	1,450	-
Other individual impaired assets	2,103	-	-	2,103
Impairment	(1,749)	-	-	(1,749)
	10,809	9,005	1,450	354

Collateral is held for some of the individually impaired finance receivables. This has been considered in arriving at the impairment allowance.

It is impractical to estimate the fair value of collateral held on current loans because of the average size of each advance outstanding, the number of advances outstanding, the term to maturity of each advance and the wide variety and condition of each asset financed. In respect of impaired loans, each individual loan is assessed as to its security value and repayment probability. The Group will, in the first instance, attempt to collect the outstanding debt without recourse to the secured asset. In some instances third party legal advice is utilised to assist the in-house collection procedure. Repossession of secured assets occurs where appropriate.

9. Property & Plant Held for sale

	CONSOLIDATED **6 Months to 30 June 2009 $'000**	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Properties			
Opening carrying amount	1,459	-	1,621
Less fair value adjustment	-	-	(162)
Carrying amount	1,459	-	1,459
Plant			
Opening carrying amount	600	-	-
Plus plant reclassified	-	-	600
Less fair value adjustment	-	-	-
Carrying amount	600	-	600
Total			
Opening carrying amount	2,059	-	1,621
Plus plant reclassified	-	-	600
Less fair value adjustment	-	-	(162)
Carrying amount	2,059	-	2,059

Properties held for sale are at the current realisable value of the three residential apartments which have been acquired by subsidiary company Cynotech Corporation Limited and which are held for sale. Their valuations are supported by QV registered valuers as at November 2008. Since November 2008 there has been no other expenditure on the properties that may enhance their value.

10. Investment and Advances in Associates

	FinData Ltd	Seating Systems Ltd	Total
Opening balance 1 Jan 2009	650	(59)	591
Investment	-	-	-
Share of associate	(25)	(296)	(321)
Closing balance 30 June 2009	625	(355)	270
Advance to associate - Seating Systems Ltd	-	2,888	2,888
Total investment and advances to associates	625	2,533	3,158

The Group's share of profit in its equity accounted associates for 6 months to 30 June 2009 was a loss of $449,650 (2008 loss $158,611).

Summary financial information for equity accounted associates not adjusted for the percentage ownership held by the Group:

June 2009	Group Ownership	Assets	Liabilities	Revenues	Expenses	Tax	Profit / (Loss)
Findata Ltd	23.72%	267	45	96	246	45	(105)
Seating Systems Ltd	31.00%	483	638	1,467	2,834	410	(957)

69% of Seating Systems Ltd is owned by Cynotech Securities which is a company associated with Allan Hawkins.

11. Interest Bearing Loans and Borrowings

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

	Interest rates	CONSOLIDATED 6 Months to 30 June 2009 $'000	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Secured loans-Wairahi Trust (GSA over National Finance Loanbook)	13.00%	6,000	6,000	6,000
Secured loans-Goodman Fielder - 3 years (PPSR security over Snowdon Limited plant and equipment)	9.50%	62	76	69
Secured loans-National Bank - 2 years (GSA over Snowdon Limited)	6.95%	793	1,073	970
Secured loans - 3 years (Mortgage Security over Property held for resale)	6.45%	1,306	1,390	1,390
Secured loans - due greater than 1 year (GSA over Evolution Finance Ltd)	13.00%	1,500	1,500	1,500
		9,661	10,039	9,929

The bank loans are secured as noted above and there are no operating Covenants to the bank.

12. 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.

	CONSOLIDATED 6 Months to 30 June 2009 $'000	6 Months to 30 June 2008 $'000	12 Months to 31 December 2008 $'000
Profit for the year	1,263	1,278	2,280
Non cash items and other add backs			
Depreciation	99	88	210
Deferred tax	679	301	416
Property, plant and equipment impairment	-	-	162
Impaired plant reserve	-	-	231
Receivables impairment loss	146	704	2,308
Receivables increase	3,544	(7,242)	(2,393)
Investment in Associates	-	-	-
Gain on Loans designated at fair value	(3,763)	(2,502)	(6,673)
Gain on recognition of loan book	-	-	(806)
	705	(8,651)	(6,545)
Movement in working capital			
Decrease/(increase) in trade and other receivables	494	312	67
Decrease/(increase) in advances to associates	(1,338)	-	(1,542)
Decrease/(increase) in inventory	(51)	(80)	161
Increase/(decrease) in trade creditors other payables & provisions	305	1,577	486
	(590)	1,809	(828)
Net cash inflows/(outflows) from operating activities	1,378	(5,564)	(5,093)

13. Secured and Unsecured Deposits

			CONSOLIDATED		
		Interest rates	**30 June 2009 $'000**	30 June 2008 $'000	31 December 2008 $'000
Deposits due within 12 months	Unsecured		3,807	3,198	3,565
Deposits due within 12 months	Secured		-	266	294
Term deposits due greater than 1 year	Unsecured		290	-	-
Term deposits due greater than 1 year	Secured		200	300	200
Total deposits			4,297	3,764	4,059
Analysis of interest rates on deposits:		9.50%	200	-	-
		10.00%	19	318	140
		11.00%	326	23	15
		11.25%	221	-	220
		11.50%	100	100	100
		12.00%	3,205	3,104	3,355
		13.00%	226	219	229
Total deposits			4,297	3,764	4,059
* Related party deposits included in the above:					
	FinData Limited	10.00%	19	318	140
	Cynotech Securities Limited	12.00%	589	818	812
	Newmarket Securities limited	12.00%	85	40	67
	P.D.Tawse	12.00%	180	-	171
	M.Tawse	12.00%	229	208	218
	W. Hawkins	12.00%	9	-	-
	R. Hutchinson	12.00%	1	-	-
	Farquharson and Fraser	12.00%	90	-	-
	A & D Grozef	12.00%	20	-	-
	P.J. Hutchinson	13.50%	174	171	178
			1,396	1,555	1,586
Interest paid to related parties:					
	FinData Limited		4	15	27
	Cynotech Securities Limited		22	58	156
	Newmarket Securities limited		4	1	3
	P.D.Tawse		10	-	6
	M.Tawse		13	11	24
	Farquharson and Fraser		1	-	-
	P.J. Hutchinson		12	11	14
	K.P. McDonald		-	3	3
			66	99	233

* Related party deposits are all current liabilities

14. Equity Movements

Ordinary Shares

All ordinary shares have equal voting rights and share equally in dividends on winding up.
18,482,145 shares were issued on conversion of convertible preference shares.

Convertible Preference Shares

The current dividend on convertible preference shares is at the rate of 3.75% per annum. The dividend rate is reset quarterly at a rate equivalent to the Reserve Bank of New Zealand Official Cash Rate plus 50%.
Convertible preference shares are convertible to ordinary shares at any time by the holder giving 30 days written notice to the Company. The final conversion date is December 2010.
18,482,145 convertible preference shares were converted to ordinary shares in the 6 months to June 2009 .

Capital Securities

Capital Securities have a yield of 9.25% per annum paid quarterly.
1,797,009 Capital Securities were issued in the 6 months to June 2009.

Warrants

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 2010 and 2011.

15. Property, Plant and Equipment

	GROUP					
Cost	**Factory plant and equipment ($'000)**	**Leasehold improve-ments ($'000)**	**Furniture and fittings ($'000)**	**Computer equipment ($'000)**	**Motor vehicles ($'000)**	**Total ($'000)**
Balance at 1 January 2008	2,588	119	364	232	25	3,329
Additions	220	9	8	39	-	276
Impairment losses	(231)	-	-	-	-	(231)
Transfer to assets held for sale	(600)	-	-	-	-	(600)
Disposals	(12)	-	(2)	(3)	(9)	(26)
Balance at 31 December 2008	1,965	128	370	268	16	2,748
Balance at 1 January 2009	1,965	128	370	268	16	2,748
Additions	43	81	1	23	7	155
Balance at 30 Jun 2009	2,008	209	371	291	23	2,903
Accumulated depreciation and impairment losses						
Balance at 1 January 2009	435	19	330	125	8	918
Disposals	(4)	-	(2)	(3)	(5)	(15)
Depreciation charge for the year	130	7	6	60	4	207
Balance at 31 December 2009	561	26	333	182	7	1,110
Balance at 1 January 2009	561	26	333	182	7	1,110
Depreciation charge for the year	61	5	3	29	1	99
Balance at 30 Jun 2009	622	31	336	211	8	1,209
Carrying amounts						
At 1 January 2008	2,153	100	34	107	17	2,411
At 31 December 2008	1,404	102	37	86	9	1,638
At 1 January 2009	1,404	102	37	86	9	1,638
At 30 Jun 2009	1,386	178	35	80	15	1,694

	GROUP					
Cost	**Factory plant and equipment ($'000)**	**Leasehold improve-ments ($'000)**	**Furniture and fittings ($'000)**	**Computer equipment ($'000)**	**Motor vehicles ($'000)**	**Total ($'000)**
Balance at 1 January 2007	2,552	605	204	137	33	3,531
Reclassifications to correct categories	7	(489)	156	(25)	(9)	(360)
Additions	42	3	4	120	1	171
Disposals, write-downs & transfers	(12)	-	-	-	-	(12)
Balance at 31 December 2007	2,588	119	364	232	25	3,329
Balance at 1 January 2008	2,588	119	364	232	25	3,329
Additions	220	9	8	39	-	276
Impairment losses	(231)	-	-	-	-	(231)
Transfer to assets held for sale	(600)	-	-	-	-	(600)
Disposals	(12)	-	(2)	(3)	(9)	(26)
Balance at 31 December 2008	1,965	128	370	268	16	2,748
Accumulated depreciation and impairment losses						
Balance at 1 January 2007	294	509	168	52	11	1,034
Reclassification to correct categories	-	(497)	146	(1)	(9)	(360)
Depreciation charge for the year	141	7	16	74	6	244
Balance at 31 December 2007	435	19	330	125	8	918
Balance at 1 January 2008	435	19	330	125	8	918
Disposals	(4)	-	(2)	(3)	(5)	(15)
Depreciation charge for the year	130	7	6	60	4	207
Balance at 31 December 2008	561	26	333	182	7	1,110
Carrying amounts						
At 1 January 2007	2,258	96	36	85	22	2,497
At 31 December 2007	2,153	100	34	107	17	2,411
At 1 January 2008	2,153	100	34	107	17	2,411
At 31 December 2008	1,404	102	37	86	9	1,638

16. Commitments

	CONSOLIDATED		
	30 June 2009	30 June 2008	31 December 2008
Capital commitments	**$'000**	$'000	$'000
Lease commitments under non cancellable operating leases			
Less than one year	347	617	481
Between one and five years	307	555	429
Greater than five years	-	-	-
Total operating lease commitments	654	1,172	910

The Group leases a number of buildings, factory and warehouse facilities under operating leases. The building leases range from 1 to 3 years. The factory lease runs for a period of 3 years with an option to renew the lease after that date.

17. Loan Receivables - designated at fair value through the income statement

	GROUP		
	30 June 2009 $'000	30 June 2008 $'000	31 December 2008 $'000
Opening loans - designated at fair value through the income statement	9,850	2,917	2,917
Purchases	-	-	1,500
Receipts	(1,043)	(423)	(1,239)
Fair Value Uplift	4,807	1,741	6,672
Closing loans - designated at fair value through the income statement	13,614	4,235	9,850

Loan receivables - designated at fair value through the income statement, represents the value attributed to the loan receivables acquired from the Receivers of National Finance 2000 Limited (In Receivership), and the operations of Western Bay Finance.

The carrying value of fair value loans is calculated using a standard discounted cash flow model. A pretax discount rate of 13.5% has been applied to a forecast of cashflows reflecting the underlying risks associated with these cashflows. Probabilities have been factored into the calculation with respect to the categorisation of loans and how far they have progressed in the collection process from distressed non-performing to performing loans.

Management have then estimated what period these cashflows are expected to continue for. This averaged five to seven years for the National Finance and Western Bay loanbooks respectively.

Included in the loan receivables - designated at fair value are the loan books of National Finance and Western Bay Finance. These loans have been included in the ageing of loan receivables - designated at fair value as follows:

The carrying value of fair value loans is calculated using a standard discounted cash flow model. A discount rate of 13.5% has been applied to a revenue stream over a period of 6 years (with a weighted average of 4 to 4.5 years). Probabilities have been factored into the calculation with respect to the categorisation of loans and how far they have progressed in the collection process.

Shareholder and Additional Statutory Information

Stock Exchange Listing

The Company's shares are listed on the main board of the New Zealand Exchange (NZX).
Ordinary shares are listed under the ticker code CYT.
Convertible preference shares are listed under the ticker code CYTPA.
Capital Securities are listed under the ticker code CYTHA.
Warrants are listed under the ticker code CYTWA.

Principal Security Holders as at 30 June 2009

Ordinary Shares
This table lists the names and holdings of the 20 largest holdings of ordinary shares issued by the Company.

	Ordinary Shares	
	No.	**%**
Philip Robert & Pamela Annette Briggs	21,420,859	17.45
Newmarket Securities Ltd	13,043,097	10.63
Cynotech Securities Ltd	12,800,964	10.43
M.W. Daniel, N.G. Burton, M.M. Benjamin	11,811,004	9.62
Guardian Trust Investment Nominees Ltd	3,125,000	2.55
Craig Raymond & Kristal Anne Foss, L.R. Griffin	3,031,712	2.47
Brian D. Mackenzie & G.P. Newlove	2,233,772	1.82
Allan Michael & Lynne Nobilo	2,114,752	1.72
John K. McMillan, Brendan J. Lawler, Lois E. Lawler	1,847,016	1.50
Richard Dale Agnew, Richard Heywood Taylor	1,638,462	1.33
Polar Blast Ltd	1,624,287	1.32
Kevin Patrick McDonald	1,617,748	1.32
Norman Louis & Josephine Godden	1,417,980	1.16
Malamute Investments Ltd	1,354,683	1.10
Glenn Hawkins	1,295,033	1.05
Ace Finance Ltd	1,168,354	0.95
Douglas Henrry Tallott	1,039,842	0.85
Elsje Trinette Mackenzie	981,334	0.80
Glenn Hawkins & Sonja Hawkins	899,208	0.73
Anthony Edwin Falkenstein	828,060	0.67
Total top 20 holders	**85,293,167**	**69.48**
Total securities on issue	**122,755,184**	

Convertible Preference Shares
The below table lists the names and holdings of the 20 largest holdings of convertible preference shares issued by the Company.

	Convertible Preference Shares	
	No.	**%**
Alan Liddell	250,000	7.35
Kenneth Bruce Trevella	150,000	4.41
Keith Gosling	122,309	3.60
Georgeson Publishing Pty Ltd	100,000	2.94
SRT Trustees Ltd	100,000	2.94
Paul Skolik	99,753	2.93
Karo Trustee Ltd	91,610	2.69
Keith Gosling (Trading A/C)	81,539	2.40
Anthony Edwin Falkenstein	76,737	2.26
Peter Alfred Bradfield	72,295	2.13
Walter Mick George Yovich	70,000	2.06
William Francis Coman	62,085	1.83
Simon George Gundry	55,420	1.63
Graeme Wade Collie	52,197	1.53
R.&M Sutherland & M.R. Shue	51,000	1.50
Kelvin Robert Green	50,000	1.47
Divakaram Mondraty	50,000	1.47
Garth & Susan Williams	50,000	1.47
Richard Ian Leggat	50,000	1.47
Graeme Bruce Pearce	50,000	1.47
Total top 20 holders	**1,684,945**	**49.53**
Total securities on issue	**3,401,901**	

Shareholder and Additional Statutory Information

Principal Capital Securities Holders as at 30 June 2009

This table lists the names and holdings of the 20 largest holdings of Capital Securities issued by the Company

	Capital Securities	
	No.	**%**
Philip Robert & Pamela Annette Briggs	285,611	15.89
Newmarket Securities Ltd	173,098	9.68
Cynotech Securities Ltd	170,680	9.50
M.W. Daniel, N.G. Burton, M.M. Benjamin	157,480	8.76
Guardian Trust Investment Nominees Ltd	41,667	2.32
Craig Raymond & Kristal Anne Foss, L.R. Griffin	40,423	2.25
Brian D. Mackenzie & G.P. Newlove	29,784	1.66
Allan Michael & Lynne Nobilo	28,197	1.57
John K. McMillan, Brendan J. Lawler, Lois E. Lawler	24,627	1.37
Richard Dale Agnew, Richard Heywood Taylor	21,846	1.22
Polar Blast Ltd	21,657	1.21
Kevin Patrick McDonald	21,570	1.20
Wairahi Holdings Ltd	19,828	1.10
Norman Louis & Josephine Godden	18,906	1.05
Malamute Investments Ltd	18,062	1.01
Glenn Hawkins	17,267	0.96
Ace Finance Ltd	15,578	0.87
Douglas Henrry Tallott	13,865	0.77
Graeme Bruce Lowe	13,672	0.76
Elsje Trinette Mackenzie	13,084	0.73
Total top 20 holders	**1,147,712**	**63.87**
Total securities on issue	**1,797,009**	

Principal Warrant Holders as at 30 June 2009

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

	Warrants	
	No	**%**
Cynotech Securities Ltd	4,334,775	15.40
Andrew Ronald Bailey	3,000,000	10.66
Newmarket Securities Ltd	2,332,927	8.29
Philip Robert & Pamela Annette Briggs	2,018,538	7.17
Oxbow Holdings Ltd	1,018,015	3.62
Ross W & Elizabeth A McMeeken	826,048	2.94
Austen Herbert Stewart Kyle	746,044	2.69
John Jeffers Harrison	625,000	2.22
Norman Louis & Josephine Godden	609,377	2.17
Custodial Services Ltd	357,959	1.27
Lorraine Mary McCaffery	291,706	1.04
John Arbuckle	276,000	0.98
Anthony Edward Falkenstein	268,980	0.96
Kevin Patrick McDonald	267,270	0.95
Craig R F & Kristal A Foss & Lauchlan R Griffin	264,187	0.94
Malcolm Frederick Chambers	206,120	0.73
Brian D. Mackenzie & G.P. Newlove	203,070	0.72
Exchequer Securities Ltd	202,500	0.72
Sagacity Investments Ltd	200,000	0.71
Dayal Lallu	200,000	0.71
Total top 20 holders	**18,260,516**	**64.89**
Total warrants on issue	**28,140,489**	

Shareholder and Additional Statutory Information

Spread of Security Holders as at 30 June 2009

Ordinary Shares
The following table shows the spread of voting ordinary shares by number of holders and number of securities held.

Size of holding	Ordinary Shares		Holders	
	No.	**%**	**No.**	**%**
1-1,000	16,970	0.01	31	3.46
1,001-5,000	590,105	0.48	250	27.90
5,001-10,000	1,019,841	0.83	139	15.51
10,001-100,000	12,211,378	9.95	362	40.40
Over 100,000	108,916,890	88.73	114	12.72
Totals	122,755,184	100.00	896	100.00

Convertible Preference Shares
The following table shows the spread of convertible preference shares by number of holders and number of securities held.

Size of holding	Convertible Prefs.		Holders	
	No.	**%**	**No.**	**%**
1-1,000	921	0.03	1	0.46
1,001-5,000	316,547	9.31	105	48.39
5,001-10,000	358,074	10.53	44	20.28
10,001-100,000	2,204,050	64.79	64	29.49
Over 100,000	522,309	15.35	3	1.38
Totals	3,401,901	100.00	217	100.00

Cynotech Capital Securities
The following table shows the spread of capital securities by number of holders and number of securities held.

Size of holding	Capital Securities.		Holders	
	No.	**%**	**No.**	**%**
1-1,000	164,124	9.12	750	82.15
1,001-5,000	257,195	14.30	116	12.71
5,001-10,000	123,990	6.89	18	1.97
10,001-100,000	462,103	25.68	25	2.74
Over 100,000	789,597	43.94	4	0.44
Totals	1,797,009	100.00	913	100.00

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

Size of holding	Convertible Prefs.		Holders	
	No.	**%**	**No.**	**%**
1-1,000	147,995	0.53	255	28.78
1,001-5,000	765,210	2.72	310	34.99
5,001-10,000	769,421	2.74	110	12.42
10,001-100,000	5,332,157	18.97	172	19.41
Over 100,000	21,125,706	75.07	39	4.40
Totals	28,140,489	100.00	886	100.00

Corporate Information

Directors

A.R. Hawkins - Chairman
N.B. Tawse - Managing Director
P.J. Hutchinson - Director
K.P. McDonald - Director

Directory

Cynotech Holdings Limited

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Solicitors
Lowndes Associates
Level 5
18 Shortland Street
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ASB Bank Ltd
ANZ National Bank of New Zealand Ltd

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