

22 February 2010

## CYNOTECH ANNOUNCEMENT FOR 12 MONTHS ENDED 31 DECEMBER

Cynotech Holdings Limited has released Group results for the period to 31 December 2009.

The Company changed its balance date from a December year to a 31 March balance date and this report is a second interim report.

The results to December are unaudited and the March, 15 month results will be audited.

In producing the December accounts the Directors have conducted a comprehensive review of all asset carrying values and some provisions for diminution in value have been necessary.

	\$000	\$000
Group pretax (unaudited) profit for the period		1,822
Provisions for diminution in value		
Investment in Snowdon Ltd	1,919	
Investment in Findata Ltd	315	
Properties held for resale	<u>327</u>	
Total provisions		<u>2,561</u>
Net loss pre tax		739
Tax		<u>474</u>
Net loss after provisions and tax		<u>1,213</u>

The Cynotech Group equity percentage is robust and is still in excess of 40% of total assets.

Finance Group bad debt provisions were low at \$530k for the period reflecting the conservative provisioning policy undertaken in previous accounting periods. The Finance Group now has only four loans on its books with a value in excess of \$100,000. We do not have any large credit exposures by property developers or other non performing market sectors (that have not already been provided for).

The investment in Snowdon has been written down this year because this subsidiary is still not returning a satisfactory result and during the year major operational changes have been made. We have invested to upgrade machinery and because of this and other manufacturing and operational efficiencies the number of machines producing product has been reduced from 11 to 6 and the remaining machines are now producing more product with less wastage than was previously able to be produced. We have not yet been able to attract any interest in the redundant surplus machinery which has been for sale and so a write down has been necessary.

It should be noted that some of the provisions for write downs against the investments in subsidiaries and associates are not treated as tax deductible items.

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Properties held for resale have been written down progressively in previous accounting periods. Because of a lack of sales, we have obtained an updated current market valuation and have found it necessary to make a further write down provision. The properties are listed for sale.

The Directors appointed Deloitte in late 2009 to undertake a sales process for the Satellite phone services business and three non binding offers have been received. Due diligence is proceeding and it is expected that a result for the sale process will be announced before the end of March. The sale consideration should exceed book value.

The Directors advise that the results for the year have been adversely impacted by the provisions noted above. The year has been one of consolidation for the Group and a period where business efficiencies and improved profit performance have been called for from all operating sectors.

Major changes and improvements were made in a professional approach to the running of the Snowdon and Satellite businesses and in the operations of the associate Seating Systems temporary seating company.

We continue to improve our collection results on the distressed finance company loan books which we have purchased and we have improved on the already good results we were achieving.

We were determined to improve the results in the non finance subsidiaries and associated companies and while some material improvements have been made we recognise this as an ongoing process.

The year has been all about consolidation and improving efficiency. We have held back on new growth initiatives. New lending in the finance company sector has been quite limited during the whole of the reporting period.

S Grozev  
Company Secretary  
As authorized by the Directors.