Cynotech Holdings Ltd

Short Form Prospectus
For the Offer of Convertible Preference Shares

21 November 2007

(as amended by Memorandum of Amendments dated 23 November 2007).

CONTENTS

This Document is a Short-Form Prospectus (Prospectus) for the purposes of the Securities Act 1978 and Securities Regulations 1983, in relation to the offer of Convertible Preference Shares by Cynotech Holdings Limited. This Prospectus should be read in conjunction with the Investment Statement in relation to the Convertible Preference Shares. Capitalised terms in this Prospectus are defined in the Glossary on page 15.

This offer is made only to shareholders of Cynotech Holdings Limited. No person may offer, invite, sell or deliver any Convertible Preference Shares or distribute any documents (including this Prospectus) to any person outside New Zealand. Any person or entity subscribing for Convertible Preference Shares under this offer will, by virtue of such subscription, be deemed to represent to the Company that he, she or it is a member of the public in New Zealand.

KEY FEATURES

The Issuer	Cynotech Holdings Limited
Security	Convertible Preference Shares
Issue Price	$0.20 per Convertible Preference Share
Entitlement	1 Convertible Preference Share for every 5 ordinary shares.
Maximum Offer Amount	Up to $6 million (or 30 million Convertible Preference Shares)
Term	Convertible Preference Shares may be converted to ordinary shares at any time after the Issue Date by the holder of those Convertible Preference Shares giving 30 days' notice in writing to the Company. The Company can only convert on the Final Date.
First Dividend Rate	Initial Dividend Rate offered is 12.375% (per annum)
Subsequent Dividend Rate	Subsequent Dividend rates will be set at the equivalent to 50% over the Reserve Bank of New Zealand Official Cash Rate.
Dividend Reset Date	The Dividend Rate will be reset quarterly on 1 March, 1 June, 1 September and 1 December.
Dividend Payment Dates	Dividends will be paid quarterly at the end of February, May, August and November. The first Dividend Payment Date will be 29 February 2008.
Minimum Subscription Amount	Minimum subscription amount is $400 (2000 Convertible Preference Shares) for each holder of ordinary shares (not in terms of Section 37(2) of the Securities Act 1978).
Conversion Rate	Convertible Preference Shares convert to ordinary shares on the basis of 1 ordinary share for 1 Convertible Preference Share.
Final Date	Final date for conversion of the Convertible Preference Shares will be three years after the Issue Date. Any remaining Convertible Preference Shares will at that time be converted to ordinary shares by the Company giving notice to each Convertible Preference Shareholder at that time.

MAIN TERMS OF THE OFFER

This offer of Convertible Preference Shares is made to the existing ordinary shareholders of Cynotech Holdings Limited (the Company) only.

Issuer
The issuer of the Convertible Preference Shares is Cynotech Holdings Limited (Company Number 1029618). The registered office of the Company is at:

Level 4
National Bank Building
187 Broadway
Newmarket
Auckland

P O Box 9846
Newmarket
Auckland 1023

Type of Securities
The Convertible Preference Shares on offer are securities, bearing a preferred dividend, that may be converted to ordinary shares in the Company at any time after the date of Issue by giving 30 days' notice in writing to the Company. The conversion rate is 1 ordinary share for 1 Convertible Preference Share.

Any unconverted Convertible Preference Shares will automatically be converted to ordinary shares by the Company 3 years from the date of issue.

The Convertible Preference Shares rank behind all secured and unsecured creditors of the Company. However, Dividend payments on Convertible Preference Shares rank ahead of dividend payments or other distributions on ordinary shares.

The Convertible Preference Shares carry no voting rights.

For the avoidance of doubt the Convertible Preference Shares are not redeemable.

The full terms of the Convertible Preference Shares are set out in the section entitled "Terms and Conditions" on pages 11 to 13 of this Prospectus. Further important information is detailed in the Investment Statement.

Offer Amount
The Convertible Preference Shares are offered for subscription to existing shareholders of the Company.

The Offer is for a maximum of $6 million (30 million) Convertible Preference Shares at an Issue Price of $0.20 per Convertible Preference Share.

No Convertible Preference Shares offered will be reserved for the Company or any person who is not an existing shareholder of the Company.

Use of Funds
All funds raised under the Offer will be invested in the finance and mortgage operations of the Group.

Issue Price
The Issue Price of $0.20 per Convertible Preference Share must be paid in cash in full on acceptance of the Offer.

Offer Period
The Offer will open on 27 November 2007 and close at 5.00pm on 20 December 2007, or such earlier or later date as is advised by the Company. The Record Date is 22 November 2007. Allotment will take place on 22 December 2007. The Company has the right to vary any of these dates upon providing written notice to NZX.

First Dividend Rate
From (and including) the date the application moneys for any Convertible Preference Shares are banked until (but excluding) the First Dividend Reset Date (1 March 2008), Dividends will be calculated at the First Dividend Rate, being 12.375% per annum.

Subsequent Dividend Rates
On each Dividend Reset Date, the Dividend on the Convertible Preference Shares will be reset at 50% over the Reserve Bank of New Zealand's Official Cash Rate. The Dividend Rate will be reset quarterly to apply on the ensuing quarter on 1 March, 1 June, 1 September and 1 December.

Increases or decreases to the Dividend Rate resulting from a change to the Official Cash Rate will be announced to NZX.

Payments of Dividend
Dividends paid on the First Dividend Payment Date will be to the registered Holder as at three business days prior to the First Dividend Payment Date. The First Dividend Payment Date is 29 February 2008.

Subsequent Dividends will be paid quarterly at the end of February, May, August and November.

Entitlement
Each shareholder's Entitlement will be 1 Convertible Preference Share for every 5 ordinary shares. The minimum subscription will be for 2,000 Convertible Preference Shares (being a minimum subscription amount of $400). If any shareholder's Entitlement is less than 2,000 Convertible Preference Shares, then that Entitlement will be automatically increased to 2,000 Convertible Preference Shares. Except for the automatic increase in entitlements to a minimum subscription amount, fractional entitlements have been ignored. For the avoidance of doubt, the Entitlement is non-renounceable.

Individual shareholder's Entitlement will be recorded in the Letter of Entitlement, which will be distributed with the Investment Statement. Shareholders may wish to subscribe for more than the number of Convertible Preference Shares offered in the Letter of Entitlement. To subscribe for more than the Entitlement offered, Applicants should complete the option to subscribe for additional Convertible Preference Shares in the Acceptance of Entitlement and include the payment for the additional Convertible Preference Shares. Shareholders may subscribe for additional Convertible Preference Shares at the Issue Price of $0.20 per Convertible Preference Share.

The Issue of additional Convertible Preference Shares is at the sole discretion of the Company and, if applications are received for greater than 30 million Convertible Preference Shares, will be issued pro rata to Applicants' existing holdings of ordinary shares (at a date determined by the Board) to the greatest extent possible. If the Issue of additional Convertible Preference Shares is not accepted (in whole or in part) by the Company, the payment received for the additional Convertible Preference Shares which is not accepted, will be refunded to the Applicant within 5 business days. The Company reserves the right to refuse all or any part of an Acceptance of Entitlement without giving a reason. No interest will be payable on subscriptions for additional Convertible Preference Shares that are not accepted.

Acceptance of the Entitlement (including oversubscriptions) cannot be revoked or withdrawn by the Applicant.

Acceptance of Entitlement should be returned to Cynotech Holdings Limited with payment at the below address:

Cynotech Holdings Limited
Convertible Preference Shares Offer
P O Box 9846
Newmarket
Auckland 1023

Level 4
National Bank Building
187 Broadway
Newmarket
Auckland
Cheques should be made payable to "Cynotech Holdings Limited", be crossed "Not Transferable" and must not be post-dated.

If a cheque is dishonoured, the Company may refuse to issue any Convertible Preference Shares to the relevant Applicant, cancel any Convertible Preference Shares allotted to the Applicant or pursue any other remedies available to it by law.

The Company may, at its discretion, treat any Acceptance of Entitlement as valid even if it does not comply with the requirements above or is otherwise irregular. Acceptance of Entitlement may be treated by the Company as a valid Acceptance of Entitlement whether or not it is received before 5.00pm on the 20 December 2007. By signing the Acceptance of Entitlement, an Applicant irrevocably offers to subscribe for the Convertible Preference Shares on the terms set out in this Prospectus and the Investment Statement including, without limitation, the Terms and Conditions notwithstanding any changes to the closing date or other dates the Company is entitled to change.

Allotment
Convertible Preference Shares will be allotted at the sole discretion of Cynotech Holdings Limited. Allotment of the Convertible Preference Shares is expected to take place on 22 December 2007.

Quotation
Application has been made to the NZX for permission to quote the Convertible Preference Shares and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. It is expected that the Convertible Preference Shares will trade on the NZSX under the code CYTPA.

Brokerage
No brokerage is payable by any Applicant for Convertible Preference Shares under the Offer, although brokerage may be payable if Convertible Preference Shares are subsequently bought or sold on the NZSX.

Other Terms of Offer
All of the terms of the Offer of Convertible Preference Shares are outlined in this Prospectus, except terms set out in the Constitution, implied by law, or other public document.

Accounts and Financial Information
The financial statements of Cynotech Holdings Limited as at the 12 months ending 31 December 2006 (being the date of the last audited accounts of the Company) were sent to the Shareholders of the Company in the form of an Annual Report in April 2007. This report contained all details required by the Companies Act 1993 to be included or appended thereto. Copies of the audited financial statements for the year ending 31 December 2006 are available to any person to whom the Offer is made, free of charge, by contacting the Company as follows:

Cynotech Holdings Limited
Level 4
National Bank Building
187 Broadway
Newmarket
Auckland

P O Box 9846
Newmarket
Auckland 1023

Ph: 0800 990 880
Fax: 09 912 2142
E Mail: finance@cynotech.co.nz

The Company's 30 June 2007 Mid-Year unaudited Financial Statements are on pages 17 to 35.

Financial statements, annual reports, mid-year reports and other information regarding the Company can be found on the Company's website www.cynotech.co.nz.

PROSPECTS, FORECASTS AND RISKS

Prospects and Forecasts

The Company is a holding company of six subsidiaries operating in finance, mortgages, manufacturing and management consulting (the Group).

The Group's core businesses are experienced in:

- Financing of commercial and consumer properties, vehicles and equipment;
- Financing of first mortgages;
- Providing specialist financial services, advisory services and management consulting;
- Food manufacturing and distribution;
- Satellite telephone communications.

Profitability

The Group has a sound track record of profitability and earnings growth. For the mid year ended 30 June 2007 the Company experienced a 382% increase in operating profit, compared to the same period the prior year. Also ending 30 June 2007 the Company had $20.8 million total assets, an increase of 113% from $9.78 million at 30 June 2006.

The Company has strategies and plans in place to continue strong profit results going forward.

Stability

Cynotech Holdings Limited is small to medium sized company with good strong relationships and links with borrowers, brokers and financial intermediaries throughout the country. The Company has been in operation since 13 April 2000 (previously ROCOM Wireless Limited) and has become known for its diversity and innovation. Since August 2000 the Company has been listed on the NZAX board of exchange and has over 860 shareholders.

Growth

Cynotech Holdings Limited has a growth strategy focused on growing revenue from a larger finance group asset base whilst ensuring credit quality and expenditure are maintained at appropriate levels. The Company intends to continue its focus on growth in the commercial and consumer finance and mortgage operations.

The Company considers its position is well placed to continue to benefit from its stability, strength, size and experience to profitably grow its position in the finance sector. The Company is receiving high levels of loan demand. It is widely recognised that in the current finance climate that further industry rationalisation will occur as growing pressure comes on less stable finance companies. The current climate in the finance company industry may present further acquisition opportunities for Cynotech Holdings Limited, which could enable the Company to acquire other asset books or loan portfolio's complimentary to the business.

All funds raised under the Offer will be invested in the finance and mortgage operations of the Group.

Risks

The principal factors which may, either individually or in combination, affect the future performance of the Company, and the ability of the Company to pay the Dividend on the Convertible Preference Shares, are set out in this section. The summary of risks presented below is not exhaustive and this Prospectus does not take account of the financial position, investment requirements or personal circumstances of any potential investor. Therefore it is extremely important that investors give consideration to the suitability of an investment in the Convertible Preference Shares before making any investment decision. Potential investors should read this Prospectus and the Investment Statement in its entirety and consult their share broker, accountant or other professional adviser before deciding whether to apply for Convertible Preference Shares.

The principal risks for Convertible Preference Shareholders are that:

i. they may not receive timely, or any, Dividend payments on the Convertible Preference Shares; or
ii. they may be unable to recoup their original investment amount.

This could happen for a number of reasons, including if:

- the Company becomes insolvent;
- the price at which Convertible Preference Shareholders are able to sell their Convertible Preference Shares is less than the price they have paid for them due to interest rate movements, credit spread movements, supply and demand, the market, or for other reasons;
- Convertible Preference Shareholders are unable to sell their Convertible Preference Shares at all due to lack of demand.

Risks associated with Cynotech Holdings Limited
The principal risk for any investor in the Company is that they may not receive the full amount, or any, of their investment or returns if Cynotech Holdings Limited or any other member of the Group becomes insolvent for any reason. This could occur in the event that:

- a significant number of loans advanced by the Company or its subsidiaries are not repaid; or
- the security taken for those loans proves to be inadequate and the Company is unable to recover them in full from the borrower(s); or
- the value of the Company's other assets decrease and those assets are unable to be realised at their book value; or
- the Company, because of the above reasons or otherwise is unable to meet its debts and obligations as they fall due.

All types of investments involve an element of risk. The Company and its subsidiaries are subject to various risks beyond the control of the Group, which could have an adverse effect on investors. Risk management is a key operational activity monitored at all levels within the Company. The Company employs skilled and experienced professionals, who monitor risk in a disciplined, focused manner in order to mitigate the Company's risks. However, Investors are reminded that risk can never be eliminated despite these practices.

The main risks faced by the Company and its subsidiaries can be summarised as follows.

Lending Risk
Cynotech Holdings Limited is not a finance company in its own right. However, it is Parent Company to Cynotech Finance Group Limited and its subsidiary Budget Loans Limited. The core business of Cynotech Finance Group Limited is personal and commercial financing. It uses shareholders funds and private funds to lend to its borrowing customers, directly and also through its subsidiary Budget Loans Limited. Primarily the money is lent to finance assets such as vehicles, private property purchases and purchase of commercial property and equipment. Finance is secured against vehicles (required to be less than 10 years old) and/or secured against property (generally to a total maximum loan to value ratio [LVR] of 80%), commonly as a second mortgage or caveat. Currently unsecured lending is not offered to its customers except in very rare, exceptional circumstances.

Generally customers of Cynotech Finance Group Limited and Budget Loans Limited cover a wide spectrum of backgrounds, but are often more concentrated to the middle and lower income brackets. These customers may have had issues gaining finance through trading banks due to impaired credit, low income or because they are requiring faster, more personal service. Therefore this exposes the Company to such risks as:

- Customers, particularly those on lesser incomes, could fail to pay on the due date;
- The Company could be unsuccessful in recovering repayment of the loan, or part of the loan, through its credit recovery programme;
- The value of the security item/s used to secure the borrowings may not be sufficient to repay amounts owing to the Company, due to depreciation;
- Other creditors may rank ahead of the Company with regard to sale of secured properties;
- There could be an inability of any guarantor to repay the loan or an insufficiency of the guarantor's assets to meet the obligations of the debtor/s to the Company.

If this occurred in relation to a significant proportion of loans, the Company may become insolvent as a result.

The above risks associated with the finance company operation are mitigated as follows:

- Senior personnel and managers have extensive experience in finance lending and carefully manage staff development and training;
- The Company utilises sound and efficient computer technology and other operating systems;
- The Company operates a margin risk and cash flow policy that anticipates certain levels of default, having regard to the Company's customer profile;
- As soon as customers fall into arrears with loans they are contacted and the loan is then carefully managed with a view to regular payments being reinstated as quickly as possible;

- Where payments are not reinstated, credit recovery programmes are implemented and, if necessary, security for the loan is sold and debt collection through the Courts is pursued;
- The Company maintains a highly capable credit control and collections team;
- All assets used as security are required to be fully insured with the Company listed as an interested party.

Broadway Mortgage Custodians Limited is a subsidiary of Cynotech Holdings Limited specialising in first mortgage advances. Risks associated with first mortgage advances lending generally relate to the fact that property values may slump and there may not be sufficient equity in the property to provide for full repayment of the mortgage amount. The Group mitigates this risk by lending only up to a conservative maximum percentage against the valuation of each individual property (generally up to a maximum of 70% of valuation). Also, Broadway Mortgage Custodians Limited lends up to a maximum of $300,000 to any one client.

Group and Industry Risks
Part of the business conducted by the Company is the manufacture of ice-cream cones through its subsidiary, Snowdon Limited.
Risks in the manufacturing sector in which the Company operates include:
- Loss of key customers;
- Changes in consumer tastes and preferences;
- Failure of Snowdon Limited to adapt their sales and business plans for new opportunities in the sector in which it operates;
- Competitors introducing superior food products and solutions;
- Although insurance cover is held, material damage or destruction of the Snowdon manufacturing equipment or factory could have a negative impact on it's ability to carry on business;
- Loss of key personnel: Like any business, Snowdon Limited currently relies on the skills and energies of a relatively small number of people. Loss of staff members could impact the business until adequate replacement staff can be hired.

Other risks associated with the Company's business operations is:
- The failure of, or the inability to connect to, the international satellite network;
- Loss of key clients;
- Changes in consumer demand;
- Failure of Group companies to adapt their sales force and business plans for new opportunities in the sectors in which they operate;
- Competitors introducing superior products and solutions;
- Possible disputes over rights to intellectual property used by Group companies;
- Although insurance cover is held, material damage or destruction of the Company's premises could have a negative impact on the Company's ability to continue business;
- Loss of key personnel: the Company and its subsidiaries currently rely on the skills and experience of a number of people. Loss of these key people could impact the business until adequate replacements are found. The Board has moved to mitigate this risk by bringing together a diverse group of executives and an experienced and motivated senior management team.

Concentration Risk
Concentration risk is the risk that there is a dependence on any one industry asset class or geography to the extent that could affect the performance of the Group. Cynotech Holdings Limited mitigates this risk by continuing to diversify its finance and mortgage portfolio, concentrating on continuing to spread risks by type of receivables and geographically.

Liquidity Risk
Liquidity risk is the risk that the Group will not have sufficient cash to meet its obligations as they fall due. This risk requires the Company to manage cash, bank deposits and credit facilities to ensure the Group has enough cash liquidity to meet its obligations. This risk is mitigated by active monitoring of the accounts by the senior management team.

Further Securities
Cynotech Holdings Limited may from time to time issue further Convertible Preference Shares or other securities which rank equally with, or ahead of, the Convertible Preference Shares. Further securities may differ in their terms from the Convertible Preference shares, including in respect of, amongst other things, the dividend payment dates, market rate, margin and redemption.

The Company may issue further shares which rank equally with, or behind, the Convertible Preference Shares without the consent of Convertible Preference Shareholders, subject to the requirements of Listing Rule 7.3.1(a) which requires that any issue of equity securities be approved by separate resolution of holders of each class of quoted equity securities whose rights or entitlements could be affected by the issue.

Absence of market
There can be no assurance that an active trading market will develop for the Convertible Preference Shares or that they will trade in the public market subsequent to the Offer at or above the Issue Price.

The market price of Convertible Preference Shares may be volatile. Factors such as those discussed in this section, general trends in dividend rates and currencies, New Zealand and international debt and equity markets and the New Zealand and international economies could cause the market price of Convertible Preference Shares to fluctuate. Such fluctuations may have a material adverse effect on the market price of Convertible Preference Shares.

Insolvency
If the Company becomes insolvent, Investors will have no additional liability to the Company in relation to the Convertible Preference Shares and will not be required to pay any more money on the Convertible Preference Shares. If a Dividend was paid on the Convertible Preference Shares when the Company was insolvent, an Investor will not be required to repay that Dividend if it was received in good faith and without knowledge of the Company's insolvency.

In the event of the insolvency of the Company, Convertible Preference Shareholders would not receive any payment in respect of their Convertible Preference Shares until the Company has paid all of its creditors (both secured and unsecured), all statutorily preferred claims (such as claims of employees and the Inland Revenue Department) and until the costs of liquidation or receivership have been met in full.

DIRECTORS' STATEMENT

The Directors of Cynotech Holdings Limited, after due enquiry by them in relation to the period between 30 June 2007 and the date of registration of this Short-Form Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect the trading or profitability of the Company, the value of their assets or the ability of the Company to pay their liabilities due within the next twelve (12) months. This Prospectus dated 21 November 2007 (as amended by Memorandum of Amendments dated 23 November 2007) has been signed by the Directors of Cynotech Holdings Limited or their authorised agents.

Allan Hawkins
Chairman

Brett Tawse
Managing Director

Kevin McDonald
Director

Paul Hutchinson
Director

Mr Hawkins, Mr Tawse, Mr Hutchinson and Mr McDonald reside in Auckland. They can be contacted at:

Cynotech Holdings Limited
Level 4
National Bank Building
187 Broadway
Newmarket
Auckland

P O Box 9846
Newmarket
Auckland 1023

Mr Hawkins is contracted to Cynotech Holdings Limited, Mr Tawse is a current employee of the Company and Mr Hutchinson and Mr McDonald are independent Directors.

TERMS AND CONDITIONS OF THE CONVERTIBLE PREFERENCE SHARES

The terms of the Convertible Preference Shares are set out below. In this section, capitalised terms have the meanings given to them in the Glossary of Terms on page 15.

1. Dividend
The Convertible Preference Shares carry the right to a Dividend, payable in accordance with paragraph 2 in respect of each Dividend Period equal to the Dividend Amount for that Dividend Period.

2. Dividend Payments
Dividends shall be paid on the Dividend Payment Date for that Dividend Period to the persons entered in the Register as the Holders of Convertible Preference Shares at the Record Date in respect of that Dividend.

3. Dividend to have priority
Dividend on the Convertible Preference Shares shall rank for payment in priority to the rights in relation to dividends or other Distributions on ordinary shares.

4. Issue of equal ranking securities
The Company may, without the consent of any Holder, issue any equal ranking securities, or any other securities (including ordinary shares) which rank behind the Convertible Preference Shares, subject to the requirements of Listing Rule 7.3.1(a) which requires that any issue of equity securities be approved by separate resolution of holders of each class of quoted equity securities whose rights or entitlements could be affected by the issue. If the Company intends to issue any securities which rank ahead of the Convertible Preference Shares in any respect, the Company must obtain approval (by way of Special Resolution) from Convertible Preference Shareholders.

5. Non-Payment of Dividend
The Company has no right to cancel or postpone payments of Dividend to the Convertible Preference Shares Holders.

6. Rights in a Liquidation
In a Liquidation of the Company, a Convertible Preference Shareholder shall be entitled to claim an amount in respect of each Convertible Preference Share it holds equal to the Issue Price plus any accrued Dividend as at the date of commencement of the Liquidation.

The Convertible Preference Shares shall rank equally and without preference in all respects among themselves, but behind the claims of all secured and unsecured creditors of the Company.

7. Voting
The Convertible Preference Shares on offer are non-voting Convertible Preference Shares. Holders of Convertible Preference Shares may attend, but not vote at the meetings of ordinary shareholders, unless those Holders of Convertible Preference Shares are also holders of ordinary shares (or any other voting securities) of the Company (in which case they may exercise the votes attaching thereto).

8. Transfer
A Holder may transfer any Convertible Preference Share:

i. by means of the FASTER system operated by NZX or any other transfer system approved under section 7 of the Securities Transfer Act 1991 which is applicable to the Company; or
ii. by an instrument of transfer which complies, and has been signed in accordance, with the Constitution.

9. Systems of transfer
A Convertible Preference Share which is disposed of in a transaction which complies with the requirements of the FASTER system operated by NZX or any other transfer system referred to in paragraph 8(i) may be transferred in accordance with the requirements of that system.

10. Instrument requirements

An instrument of transfer of Convertible Preference Shares to which the provisions of paragraph 8(i) are not applicable shall:

i. be in any common form or any other form approved by the Company or the Registrar; and
ii. be signed or executed by or on behalf of the transferor.

11. Delivery of instrument

An instrument of transfer in respect of Convertible Preference Shares must be delivered to the Company or to the Registrar together with such evidence (if any) as the Company or the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Convertible Preference Shares.

12. Refusal to register

Subject to section 84 of the Act (which imposes certain procedural requirements on a board) and the Listing Rules, the Board may refuse to register a transfer of any Convertible Preference Share if:

i. the Company has a lien on the Convertible Preference Share;
ii. in the case of a Convertible Preference Share transferred under paragraph 8(ii), the transferor fails to produce such evidence as the Company or the Registrar reasonably requires to prove its title to, or its right to transfer, the Convertible Preference Share;
iii. registration of the transfer, together with registration of any further transfer or transfers then held by the Company and awaiting registration, would result in less than a Minimum Holding (as defined in the Listing Rules) of Convertible Preference Shares being held in the name of the transferee, provided the Board resolves to exercise its power under this paragraph within 30 business days after receipt of the relevant transfer and notice of the resolution is sent to the transferor and to the transferee within five business days of the resolution being passed by the Board.

13. Transferor to remain Holder until registration

A transferor of a Convertible Preference Share is deemed to remain the Holder of the Convertible Preference Share until the name of the transferee is entered in the Register in respect of the Convertible Preference Share.

14. Company to retain instruments

If the Company or the Registrar registers an instrument of transfer, the Registrar shall retain the instrument on behalf of the Company.

15. Conversion

Convertible Preference Shares are convertible to ordinary shares (on a one for one basis) at the discretion of the Convertible Preference Shareholder, on giving 30 days' written notice to the Company at any time after the Issue Date. The Company may specify, by notice to the NZX, the date(s) on, or period(s) during, which Convertible Preference Shares may be converted into ordinary shares by Holders in accordance with this clause.

Convertible Preference Shareholders will not be able to convert any Convertible Preference Shares to ordinary shares if that conversion would breach the Takeovers Act or Takeovers Code.

Any Convertible Preference Shares outstanding 3 years after the Issue Date will be converted to ordinary shares (on a one for one basis) by the Company giving notice to each Convertible Preference Shareholder at that time.

For the avoidance of doubt the Convertible Preference Shares are not redeemable.

16. Right to Repurchase Convertible Preference Shares

The Company may, from time to time, Repurchase Convertible Preference Shares on and off-market in accordance with the provisions of the Act and any other applicable requirements. Any Convertible Preference Shares Repurchased by the Company may be held by it as treasury stock pursuant to the Constitution and the Act.

17. Amendment by Board and Special Resolution

Subject to paragraph 19, these Terms and the rights, privileges, limitations or conditions attaching to the Convertible Preference Shares may be amended with the approval of:

i. the Board; and
ii. a Special Resolution of Holders passed at a meeting of Holders convened by the Board.

18. Amendment by Board

Subject to complying with applicable laws, including, without limitation, section 117 of the Act, the Board may, without the authority assent or approval of the Holders, amend these Terms and the rights, privileges, limitations or conditions attaching to the Convertible Preference Shares if such amendment is in the opinion of the Board in good faith:

i. of a formal, minor or technical nature; or
ii. made to correct a manifest error; or
iii. not likely (taken as a whole and in conjunction with all other amendments, if any, to be made contemporaneously with that variation) to be materially prejudicial to the interests of the Holders.

19. Conduct of meetings

A meeting of Holders to consider any resolution shall be convened and held in accordance with the requirements of the First Schedule to the Act and the Constitution. The Company shall, upon a request in writing signed by Holders holding not less than 10% of all outstanding Convertible Preference Shares, convene a meeting of the Holders. Meetings of Holders will be held in Auckland (or at such other place as the Company may approve) and any request by Holders to convene a meeting must state the nature of the business proposed to be dealt with at the meeting. At any meeting of Holders:

i. where voting is by a show of hands or by voice, every Holder present in person or by proxy or representative has one vote; and
ii. on a poll every Holder present in person or by proxy or representative has one vote in respect of each Convertible Preference Share held by that Holder.

20. Deductions

The Company may make from Dividends any deduction or withholding on account of tax or on any other account which the Company is required by law to make.

21. Method of Payment

Dividends may be paid in such manner as the Board thinks fit to the entitled Holders or in the case of joint Holders, to the Holder named first in the Register, or to such other person as the Holder or joint Holders may in writing direct. Any one of two or more joint Holders may give a receipt for any Dividends paid in respect of the Convertible Preference Shares held by them as joint Holders.

22. Notices

All notices under these Terms shall be served and issued pursuant to the provisions of the Constitution.

23. Bonus Issues

If the Company makes a bonus issue of shares or a cash issue or issues options or other equity securities, other than an issue made instead of a cash dividend on ordinary shares, the Holders of the Convertible Preference Shares may participate in the issue as if they were the holders of the shares to which the Convertible Preference Shares relate. The shares or other equity securities to which the Holders are entitled as a consequence will be issued on conversion of the Convertible Preference Shares to which they relate.

STATUTORY INFORMATION

Issue Expenses
The Issue expenses (including share registry expenses, legal costs, accounting and printing costs) are estimated to be approximately $57,000 and are payable by the Company. No commission is payable to any person in respect of this Offer.

Other Terms of Offer
All terms of the Offer are set out in this Short-Form Prospectus, except those terms implied by law or set out in the Constitution of the Company or other public document. Investors should also refer to the Investment Statement in relation to the Offer.

Places of Inspection of Documents
A copy of the Constitution of Cynotech Holdings Limited, the financial statements, annual reports and any other applicable public information may be inspected without fee during normal business hours, by any person who so requests, at:

Cynotech Holdings Limited
Level 4
National Bank Building
187 Broadway
Newmarket
Auckland

P O Box 9846
Newmarket
Auckland 1023

Ph: 0800 990 880
Fax: 09 912 2142
E Mail: finance@cynotech.co.nz

The financial statements, annual reports, mid-year reports and other information regarding the Company can be found on the Company's website www.cynotech.co.nz.

They can also be viewed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, the documents can be obtained by telephoning the Companies Office Contact Centre on 0508 266 726.

Index of Statutory Information in this Prospectus
This index is supplied for the purposes of Regulation 5(6) of the Securities Regulations 1983 and contains the limited First Schedule disclosures envisaged by Regulation 4(2)(a) of those Regulations.

GLOSSARY OF TERMS

Acceptance of Entitlement the acceptance of the Entitlement (being a subscription for Convertible Preference Shares), made by the subscriber on the Acceptance of Entitlement Form

Act means the Companies Act 1993

Applicant means a shareholder who submits a valid Acceptance of Entitlement

Board means the Directors of the Company who number not less than the required quorum, acting together as a Board of Directors

Company means Cynotech Holdings Limited

Constitution means the constitution of the Company from time to time

Convertible Preference Shares means the Convertible Preference Shares issued by the Company according to the Terms and Conditions

Directors means the Directors of Cynotech Holdings Limited

Distribution means the direct or indirect transfer of money or property to, or for the benefit of, a shareholder or the incurring of a debt to, or for the benefit of a shareholder

Dividend means any Dividend on the Convertible Preference Shares payable pursuant to paragraph 1 of the Terms and Conditions

Dividend Amount, in respect of an Dividend Period, means a sum in respect of each Convertible Preference Share calculated in accordance with the Dividend Rate.

Formula for Dividend Amount will be determined as follows:
Issue Price x Dividend Rate (%)
Divided by 365 (or other number of days in the applicable year)
Multiplied by X number of days in the relevant Dividend Period

Dividend Period means in respect of any Convertible Preference Shares:

(a) in respect of the first Dividend Period for any Convertible Preference Shares issued as part of the initial offering of Convertible Preference Shares, the period from (and including) the date on which the application moneys for those Convertible Preference Shares are banked by the Company to (but excluding) the First Dividend Payment Date for the Convertible Preference Shares; and
(b) in respect of each subsequent Dividend Period the period from (and including) a Dividend Payment Date to (but excluding) the next Dividend Payment Date

Dividend Rate means the rate payable as Dividends from time to time. The Dividend Rate will be set at 50% over the Reserve Bank of New Zealand's Official Cash Rate

Dividend Reset Date means the date the Dividend Rate will be reset, which is quarterly on 1 March, 1 June, 1 September and 1 December

Entitlement means the number of Convertible Preference Shares the recipient of the Letter of Entitlement is entitled to (being one Convertible Preference Share for every 5 ordinary shares held in the Company)

First Dividend Payment Date means 29 February 2008

First Dividend Rate means 12.375% (equal to 50% over the Reserve Bank of New Zealand Official Cash Rate at the date of this Prospectus)

First Dividend Reset Date means 1 March 2008

Group means the Company and its subsidiaries

Holder means a person whose name is entered in the Register as the holder for the time being of Convertible Preference Shares

Issue means the issue of Convertible Preference Shares under the offer

Issue Price means $0.20 per Convertible Preference Share

Letter of Entitlement means the letter sent by the Company to each individual shareholder setting out that shareholder's Entitlement

Liquidation means, in relation to the Company:
- (a) the process of liquidation provided for under Part 15 of the Act;
- (b) being subject to statutory management under the Corporations (Investigation and Management) Act 1989; or
- (c) any analogous procedure following which the Company will cease to validly exist, or be duly incorporated, except for the purposes of, and followed by, a reconstruction or amalgamation (not including or arising out of insolvency) of the Company

Listing Rules means the NZSX Listing Rules

NZSX means the New Zealand Stock Market operated by NZX known as 'NZSX'

NZX means New Zealand Exchange Limited

Offer means the offer of Convertible Preference Shares under this Prospectus

Prospectus means this Short-Form Prospectus

Register means the register for the Company kept in respect of the Convertible Preference Shares

Registrar means an agent appointed by the Company to keep the Register. The Registrar for Cynotech Holdings Limited is Link Market Services, PO Box 384, Ashburton, 8300 New Zealand

Repurchase means a repurchase by the Issuer of Convertible Preference Shares from a Holder in accordance with these Terms and the Act

Special Resolution means a special resolution of Holders (as defined in the Act)

Terms or *Terms and Conditions* mean the terms of issue of the Convertible Preference Shares from page 11 to 13 (as they may be amended from time to time)

FINANCIAL STATEMENTS

The Company's 30 June 2007 Mid-Year unaudited Financial Statements are on this and the following pages. Full copies of the Mid-Year Report are available by contacting the Company as detailed on page 5 of this Prospectus.

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

		Notes	GROUP Unaudited 6 mths 30 Jun 2007	GROUP Unaudited 6 mths 30 Jun 2006	GROUP Audited 12 mths 31 Dec 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*

		GROUP		
		Unaudited		Audited
		6 mths 30 Jun		12 mths 31 Dec
	Notes	2007	2006	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*

		GROUP		
		Unaudited		Audited
		6 mths 30 Jun		12 mths 31 Dec
	Notes	2007	2006	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

N.B. Tawse

Brett Tawse - Managing Director

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

	Notes	GROUP Unaudited 6 mths 30 Jun 2007	Unaudited 6 mths 30 Jun 2006	Audited 12 mths 31 Dec 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

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.

The consolidated financial statements presented 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.

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%

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.

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.

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.

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	412,299	70,156	154,753	637,208

	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	10,625	12,553	56,665	79,843

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

Reconciliation of Impairment provisions	GROUP 2007				
	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	-	-	36,348	-	36,348
Balance at end of period	10,000	-	357,389	-	367,389

	GROUP 2006				
	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	-	-	29,555	-	29,555
Balance at end of period	10,000	-	89,087	-	99,087

8. Inventories

	GROUP		
	Unaudited 6 mths 30 Jun		**Audited 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
	330,910	348,344	378,110

9. Property Held for Resale

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

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

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	5,961,789
Acquisitions through business combinations	-
Balance at 30 June 2007	5,961,789
Amortisation and impairment losses	
Balance at 1 January 2006	-4,430,031
Impairment charge	-
Balance at 31 December 2006	-4,430,031
Impairment charge	-
Balance at 30 June 2007	-4,430,031
Carrying amounts	
At 1 January 2006	1,531,758
At 31 December 2006	1,531,758
At 1 January 2007	1,531,758
At 30 June 2007	1,531,758

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						
Cost	Land & buildings	Factory plant and equipment	Leasehold improve ments	Furniture and fittings	Computer equipment & software	Motor vehicles	Total
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	-	2,552,061	605,108	203,760	136,994	16,915	3,514,838
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	1,752,000	2,578,879	608,032	220,448	227,494	18,115	5,404,968
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	-	293,783	508,858	167,879	51,752	11,323	1,033,595
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	10,656	362,857	512,297	176,234	85,397	12,143	1,159,584
Carrying amounts							
At 1 January 2006	-	1,952,331	123,160	46,587	59,164	29,952	2,211,194
At 30 June 2006	-	2,258,278	96,250	35,881	85,242	5,592	2,481,243
At 1 January 2007	-	2,258,278	96,250	35,881	85,242	5,592	2,481,243
At 30 June 2007	1,741,344	2,216,022	95,735	44,214	142,097	5,972	4,245,384
Land & Buildings are classified in current assets as property held for resale (Refer note 9).							-1,741,344
Net fixed assets total							2,504,040

12. Secured and Unsecured Deposits

		Interest rates	GROUP Unaudited 6 mths 30 Jun 2007	2006	Audited 12 mths 31 Dec 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	37,420
	P.J. Hutchinson	13.50%	273,863	-	263,013
	K.P.McDonald	13.50%	219,905	-	210,363
			496,312	221,000	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 2007	2006	Audited 12 mths 31 Dec 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	Minimum lease payment outstanding	Interest outstanding	Principal outstanding
Finance lease liabilities are payable as follows:			
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 2007	2006	Audited 12 mths 31 Dec 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

15. Provisions

	GROUP		
	Unaudited 6 mths 30 Jun		Audited 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						
	Manufacturing 2007	Finance 2007	Satellite 2007	Fees 2007	Other 2007	Eliminations 2007	Consolidated 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						
	Manufacturing 2006	Finance 2006	Satellite 2006	Fees 2006	Other 2006	Eliminations 2006	Consolidated 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

17. Contingent Liabilities

	COMPANY		
	Unaudited 6 mths 30 Jun		Audited 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 2007	Ownership Owned 2006	Balance Date
Cynotech Corporation Limited	NZ	100%	100%	31 Dec.
Principal activity - Fee based activities and advisory work.				
Cynotech Systems Limited	NZ	100%	100%	31 Dec.
Principal activity - Management of the sale and rental of satellite phones and providing airtime connections.				
Cynotech Finance Group Limited	NZ	100%	100%	31 Dec.
Principal activity - Finance group holding company.				
Budget Loans Limited	NZ	100%	100%	31 Dec.
Principal activity - Lending to consumers & businesses for motor vehicle and property finance.				
Snowdon Limited (formerly known as Merlin Foods Ltd)	NZ	100%	100%	31 Dec.
Principal activity - Manufactures and distributes cone, waffle and confectionary products.				

20. Earnings Per Share

	GROUP		
	Unaudited 6 mths 30 Jun		Audited 12 mths 31 Dec
Basic earnings per share	2007	2006	2006
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 6 mths 30 Jun		Audited 12 mths 31 Dec
Diluted earnings per share	2007	2006	2006
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.

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.

	GROUP			
Noteholders - related parties	**2007**	**2007**	**2006**	**2006**
	Number	**$**	**Number**	**$**
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	**2007**	**2006**	**2006**
	Number	**$**	**Number**	**$**
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

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 6 mths 30 Jun		Audited 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.

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.

25. Financial Instruments (continued)

Fair values

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

		GROUP			
		Carrying amount		Fair value	
	Note	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

GROUP 2007	Effective Rate	Total	Less than 6 mths	6-12 months	1-2 years	2-5 years	Over 5 years
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	Effective Rate	Total	Less than 6 mths	6-12 months	1-2 years	2-5 years	Over 5 years
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.

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 aquisition 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	7,726,370		
Cash acquired	-337,644		
Net cash outflow	7,388,726		
The face value of receivables acquired was	23,486,769		

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 6 mths 30 Jun		Audited 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)	-	-	-
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	-	3,246,598	191,404
Tax saving thereon	-	1,071,377	63,163

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	-	-	320,511

30. Discontinued Operations

There are no discontinued operations in this period.

31. Commitments

	GROUP		
	Unaudited		Audited
	6 mths 30 Jun		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	1,049,783	1,440,897	1,238,115

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		Audited
	6 mths 30 Jun		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	173,111	189,911	381,513

NOTES

Cynotech Holdings Ltd

Short Form Prospectus
For the Offer of Convertible Preference Shares

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