

CHAIRMAN'S REVIEW

Your directors are reporting on an eventful year. The Company started the year as Rocom Wireless Limited and ended the year as Cynotech Holdings Limited.

The name change reflects the changes that have occurred.

After the first 5 months of the year the directors at the time recognised that the Company was not progressing in the mobile computing and related IT businesses and also had to raise additional equity finance to ensure the survival of the Group.

The raising of additional capital was not going to be easy given the losses which were continuing.

Significant restructuring has been completed and your current directors now have a real belief in the fundamental structure of the Group and are confident that positive results will be reported in the future.

Loss for the year

A number of provisions for losses were made at the half year to June 2004. For the end of year reported result the current Directors conducted another careful review of all Group assets and obligations and we believe that the end of year accounts reflect the true value of the assets of the Company.

In particular, in this financial year:-

All Goodwill has been written off.

A substantial provision has been made against the value of leasehold improvements at the Viaduct offices.

Redundancy payments were made to departing executives.

A year of significant change

The major changes and milestones that have occurred during the year have been widely reported and are summarised

- | | |
|--------------|---|
| June-04 | <ul style="list-style-type: none">* Allan Hawkins becomes Chairman and Chief Executive* Announcement of new financing support from Cynotech Securities Limited and Newmarket Securities Limited |
| July-04 | <ul style="list-style-type: none">* Announcement of \$975,000 loss for the half year to 30 June |
| August-04 | <ul style="list-style-type: none">* Establishment of new Finance subsidiary |
| September-04 | <ul style="list-style-type: none">* Announcement of 1:1 rights issue to all shareholders* Shareholders' meeting to approve terms of the rights issue and the issue of convertible notes |
| October-04 | <ul style="list-style-type: none">* Trading commences in the rights to the new issue |
| November-04 | <ul style="list-style-type: none">* IT businesses are sold in a management buyout and the IT related executives and staff leave the Group |
| December-04 | <ul style="list-style-type: none">* Rights issue successfully completed with 93% of shareholders taking up new shares* Cynotech Securities Ltd and Newmarket Securities Ltd subscribe for 15,000,000 convertible notes to provide a broader equity base.* The Holding Company changes its name from Rocom Wireless Ltd to Cynotech Holdings Limited* The Company's shares commence trading on the NZAX under the ticker code CYT |
| March-05 | <ul style="list-style-type: none">* NZAX release of loss to 31st December \$1,250,193* Cynotech Holdings Ltd announces the acquisition of Betta Foods New Zealand Ltd subject to shareholder approval. |

CHAIRMAN'S REVIEW

Our businesses are now as follows (all subsidiary companies are 100% owned)

Cynotech Holdings Ltd	Group Holding Company
Cynotech Finance Group Ltd	Finance Group Holding Company and core of a borrowing group incorporating:-
Rocom Satellite Division	Satellite telecommunications division, selling and renting satellite phones and providing airtime connection facilities for a wide range of private and Government clients
Budget Loans Ltd	Lending to consumers for motor vehicle and property finance
Cynotech Corporation Ltd	Merchant bank, deal driven and concentrating on fee earnings and advisory work

Potential business acquisition

Merlin Foods Ltd	Name changed from Betta Foods (NZ) Ltd Specialist in the manufacture of icecream cones, speciality cone and wafer products Acquisition subject to shareholder approval at the AGM.
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Directors

A.R.Hawkins, P.J. Hutchinson and K.P. McDonald joined the Board during the year.

R.H.C. Guy retires by rotation.

Mr Hawkins, Mr Hutchinson and Mr McDonald being directors appointed during the year retire at the annual meeting and being eligible offer themselves for reelection at the Annual Meeting.

Annual General meeting

The notice of meeting will be forwarded to shareholders in a separate mailing. Shareholders will see that there are a number of initiatives and housekeeping matters proposed which will indicate that the Cynotech Group is in a progressive mode. These initiatives are intended to pave the way forward by expansion of the business base of the Group by the acquisition of sound businesses with good cash flow and earning streams while at the same time expanding the businesses which are already part of the Group. The costs of being a listed company are quite high and your directors believe that it is essential to have in place a strategy to increase the critical mass of the Group as quickly as possible so that the costs of NZAX listing and corporate governance are well and truly covered.

Future objectives

We now have clear objectives for the Group. We intend to have a prime objective of increasing our shareholders' wealth. We are grateful to our shareholders for their very positive support for the recent rights issue. We will concentrate on the generation of quality earnings within the Group to underpin the recent increases in the Company's share price.



Allan Hawkins
Chairman and Chief Executive

12th April 2005

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CYNOTECH HOLDINGS LIMITED

We have audited the financial report on pages 4 to 15. The financial report provides information about the past financial performance of the company and its financial position as at 31 December 2004. This information is stated in accordance with the accounting policies described in Note 1 to the financial report.

Board of Director's Responsibilities

The Board of Directors' are responsible for the preparation of a financial report which gives a true and fair view of the financial position of the company as at 31 December 2004 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial report, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

In addition to audit services, our firm provides other services in the areas of business advisory services and taxation advice. We have no other relationship with or interests in the company.

Fundamental Uncertainty

In forming our unqualified opinion we have considered the adequacy of the going concern assumption made in the financial report. The financial report has been prepared on a going concern basis. If the group were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised for less than the amounts at which they are currently recorded in the Statement of Financial Position. In addition, the group may have to provide for further liabilities that may arise and would need to reclassify fixed assets as current.

Unqualified Opinion

We have obtained all of the information and explanations we have required.

In our opinion;

- Proper accounting records have been kept by the company as far as appears from our examination of those records; and
- The financial report on pages 4 to 15
 - complies with generally accepted accounting practice;
 - gives a true and fair view of the financial position of the company as at 31 December 2004 and the results of operations and cash flows for the year ended on that date.

Our audit was completed on 12 April 2005 and our unqualified opinion is expressed as at that date.



BDO Spicers
Chartered Accountants
Auckland

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31st December 2004

	NOTES	GROUP		COMPANY	
		2004	2003	2004	2003
Revenue					
Fees received		75,389	-	-	-
Interest received:					
Related parties		-	-	-	-
Other		33,828	11,427	977	184
Management fee/Group levy		-	-	56,750	50,000
Sales		2,441,261	2,988,778	26	-
Net foreign exchange gain(loss)		24,255	89,450	-	-
Amortisation of lease inducement	13	42,060	42,067	-	-
Total operating revenue		2,616,793	3,131,722	57,753	50,184
Cost of sales		1,835,545	1,859,240	-	-
Gross margin		781,248	1,272,482	57,753	50,184
Operating expense					
Auditors remuneration:					
Audit fees paid to current auditors		40,757	21,150	40,757	31,150
Other fees paid to previous auditors		-	34,848	-	34,848
Depreciation:					
Billing system		-	40,000	-	-
Computer equipment and software		9,742	27,407	-	-
Furniture and fittings		1,615	2,828	-	-
Leasehold improvements		26,687	65,693	-	-
Office and rental equipment		12,904	46,360	-	-
Employee remuneration:					
Directors fees		4,000	-	4,000	-
Other remuneration to Directors		-	-	-	-
Staff salaries and wages		787,644	1,375,481	62,879	4,346
Bad Debts written off		-	-	-	-
Movement in provision for doubtful debts		42,398	4,492	-	-
Movement in provision for employee entitlements		-	-	-	-
Interest		170,552	5,921	128,366	1,971
Rental and operating lease costs		292,734	331,445	39,486	-
Loss on disposal, write down of fixed assets		70,000	116,111	-	3,063
Other expenses		394,777	434,468	138,806	52,505
Movement in provision for write down of investments		-	-	-	993,000
Provision for write down of intercompany receivables	3	-	-	78,848	950,000
Amortisation of Goodwill	4	177,631	434,400	-	-
Total operating expenses		2,031,441	2,940,604	493,142	2,070,883
Operating surplus/(deficit) before taxation		(1,250,193)	(1,668,122)	(435,389)	(2,020,699)
Income tax expense	5	-	-	-	-
Net surplus/(deficit) for the year		(1,250,193)	(1,668,122)	(435,389)	(2,020,699)
Basic earnings per share (cents)	19	(8.39)	(11.65)		
Diluted earnings per share (cents)	19	(6.86)	(10.07)		

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 31st December 2004

	NOTES	GROUP		COMPANY	
		2004	2003	2004	2003
Net surplus deficit for the year attributable to					
Parent interest		(1,250,193)	(1,668,122)	(435,389)	(2,020,699)
Total recognised revenues and expenses		(1,250,193)	(1,668,122)	(435,389)	(2,020,699)
Contributions from owners					
Shares issued	6	668,120	-	668,120	-
Convertible notes issued	7	908,362	332,500	908,362	332,500
Total contributions from owners		1,576,482	332,500	1,576,482	332,500
Distribution to owners					
Interest on convertible notes		(21,276)	(3,000)	(21,276)	(3,000)
Total distribution to owners		(21,276)	(3,000)	(21,276)	(3,000)
Movements in equity for the period		305,013	(1,338,622)	1,119,817	(1,691,199)
Equity at beginning of year		4,139	1,342,761	(58,462)	1,632,737
Equity at end of the year		309,152	4,139	1,061,355	(58,462)

STATEMENT OF FINANCIAL POSITION

as at 31st December 2004

	NOTES	GROUP		COMPANY	
		2004	2003	2004	2003
Current assets					
Bank		104,767	39,692	16,622	19,737
Finance receivables	8	639,351	-	-	-
Inventories		-	42,603	-	-
Trade debtors and prepayments	9	194,355	235,090	1,500	2,760
Intercompany receivables owing by subsidiaries	3	-	-	158,637	224,063
Total current assets		938,473	317,385	176,759	246,560
Non current assets					
Finance receivables	8	297,968	-	-	-
Investment in subsidiaries		-	-	1,000,000	-
Goodwill	10	-	177,631	-	-
Fixed assets	11	128,043	379,171	-	-
Total non current assets		426,011	556,802	1,000,000	-
Total assets		1,364,484	874,187	1,176,759	246,560
Current Liabilities					
Deposits	12	327,810	-	-	-
Revolving Credit Facility		-	210,000	-	210,000
Lease inducement	13	42,067	42,067	-	-
Creditors and accruals	14	374,932	565,398	115,404	95,022
Total current liabilities		744,809	817,465	115,404	305,022
Term Liabilities					
Deposits	12	300,000	-	-	-
Lease inducement	13	10,523	52,583	-	-
Total term liabilities		310,523	52,583	-	-
Total liabilities		1,055,332	870,048	115,404	305,022
Net Assets		309,152	4,139	1,061,355	(58,462)
Equity					
Paid in share capital	6	6,920,748	6,252,628	6,920,748	6,252,628
Convertible notes	7	1,216,586	329,500	1,216,586	329,500
Other equity		(7,828,182)	(6,577,989)	(7,075,979)	(6,640,590)
Total Equity		309,152	4,139	1,061,355	(58,462)

On behalf of the Directors 12th April 2005



Director



Director

STATEMENT OF CASH FLOWS

for the year ended 31st December 2004

	GROUP		COMPANY	
	2004	2003	2004	2003
Net cash from/(used in) operating activities				
Cash was provided from:				
Receipts from customers	2,506,252	3,350,181	26	50,000
Fees received	75,389	-	-	-
Interest income received	33,828	11,427	977	184
Cash was applied to:				
Payments to suppliers and employees	(3,439,846)	(4,153,832)	(220,421)	(140,880)
Interest expense paid	(170,552)	(4,592)	(128,366)	(642)
Net cash flows used in operating activities	(994,929)	(796,816)	(347,784)	(91,338)
Cash flows from/(used in) investing activities				
Cash was provided from:				
Sale of fixed assets	130,279	-	-	-
Repayments of loans by related parties	-	-	-	-
Cash was applied to:				
Net increase in finance receivables	(770,333)	-	-	-
Loans advance to related parties	(189,079)	-	-	-
Purchase of fixed assets	(40,014)	(80,181)	-	-
Net cash flows used in investing activities	(869,147)	(80,181)	-	-
Cash flows from/(used in) financing activities				
Cash was provided from:				
Proceeds from deposits	627,810			
Group management fees			56,750	
Proceeds from issue of shares	668,120	105,825	668,120	-
Proceeds from convertible notes	908,362	542,500	908,362	542,500
Group loans and advances	-	-	(13,422)	(440,000)
Cash was applied to:				
Shares in subsidiaries	-	-	(1,000,000)	-
Equity raising costs	(65,141)	-	(65,141)	-
Loan facilities	(210,000)	-	(210,000)	-
Net cash flows from financing activities	1,929,151	648,325	344,669	102,500
Net increase/(decrease) in cash	65,075	(228,672)	(3,115)	11,162
Cash balances at beginning of the year	39,692	268,364	19,737	8,575
Closing cash carried forward	104,767	39,692	16,622	19,737

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

1. Statement of Accounting Policies

Reporting Entity

Cynotech Holdings Limited is a company 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 reporting currency used in the preparation of these financial statements is New Zealand dollars.

Financial Statements for Cynotech Holdings Limited (the "Company") and consolidated financial statements are presented. The consolidated financial statements comprise the Company, its subsidiaries (the "Group") and the Group's interest in associates and partnerships.

The financial statements comprise statements of the following: significant accounting policies; financial performance; movements in equity; financial position; cash flows; as well as the notes to these statements. The financial statements have been prepared in accordance with generally accepted accounting policies in New Zealand. 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.

Measurement Base

The financial statements are prepared on the basis of historical cost.

Basis of Preparing Consolidated Financial Statements

Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly, by the Company. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation. All significant intercompany transactions are eliminated on consolidation. In the Company's financial statements investments in subsidiaries are recognised at their cost after providing for a write down to a valuation equating to current net tangible assets.

Goodwill arising on acquisition

Goodwill arising on acquisition of a subsidiary represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is amortised to the statement of financial performance on a straight line basis over the period during which benefits are expected to be derived.

Foreign Currencies

Monetary assets and liabilities in foreign currencies at balance date are translated at the exchange rates ruling at balance date.

Taxation

Income tax expense is recognised on the operating surplus before taxation adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method. The liability method involves recognising the tax effect of all other timing differences between accounting and taxable income as a deferred tax asset or liability in the statement of financial position. The deferred tax asset or liability is stated at the income tax rates prevailing at balance date.

Deferred tax assets are not recognised unless realisation is virtually certain.

Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis.

Receivables

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified.

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's recovery is doubtful, 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 until payment is received.

Financial Instruments

Financial instruments include cash balances, receivables and payables.

The group does not use financial instruments with off balance sheet risks.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

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	20%-25%
Office and rental equipment	20%-25%

Investments

Non Current Investments

Non-current investments are stated at cost.

Investment Income

Interest and rental income is recognised in the statement of financial performance as it accrues.

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.

Operating Leases

Payments made under operating leases are recognised in the statement of financial performance 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.

Changes in Accounting Policies

Uniform accounting policies have been applied by the Group on a consistent basis throughout the period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

2. Discontinued Operations

In November 2004 the Group discontinued the business operations of the mobile and IT services divisions of Cynotech Corporation Limited (previously Rocom Limited) and Cynotech Systems Ltd (previously World Billing Services Ltd). These business operations were disposed of for \$30,000 together with related fixed assets for \$101,375 to Rocom Services Limited. In addition Rocom Services Ltd agreed to undertake certain other Group obligations resulting in a total consideration paid of \$400,000.

	Group Discontinued Operations		Group Continuing Operations	
	2004	2003	2004	2003
Financial performance				
Operating revenue	1318266	-	1,298,527	-
Operating surplus	(932,437)	-	(317,756)	-
Financial position				
Total assets	425,846	-	938,640	-
Total liabilities	977,153	-	78,179	-

3. Write off of subsidiary company intercompany debt

	Group		Company	
	2004	2003	2004	2003
Cynotech Corporation Ltd (Rocom Ltd)	-	-	(46,965)	950,000
Cynotech Systems Ltd (World Billing Services Ltd)	-	-	125,813	-
Total write off	-	-	78,848	950,000

Parent company intercompany accounts with subsidiary companies have been written off because of the past losses incurred by the subsidiary companies.

4. Write off goodwill

	Group		Company	
	2004	2003	2004	2003
Write off goodwill	177,631	434,400	-	-

All of the assets and business which related to the goodwill have been sold or have no current value.

5. Taxation Benefit

	Group		Company	
	2004	2003	2004	2003
Income Tax Expense				
Operating deficit before taxation	(1,250,193)	(1,668,122)	(435,388)	(2,020,699)
Prima facie income tax @ 33%	(412,564)	(551,470)	(143,678)	(667,821)
Permanent differences:				
Write off goodwill	-	135,254	-	-
Write off leasehold improvements	23,100	-	-	-
Write down of investment	-	-	-	327,690
Write down of intercompany receivable	-	-	-	313,500
Non-deductable legal expenses	6,025	2,017	6,025	2,017
Non-deductable equity raising expenses	21,497	-	21,497	-
Other	(5,763)	3,321	7,021	24
Tax losses not recognised	353,714	384,730	109,136	24,590
Timing differences:				
Doubtful debts provision	13,991	26,148	-	-
Actual income tax/(tax loss for year)	-	-	-	-
Unrecognised tax losses available for set off against future assessable income				
Tax losses	4,075,919	2,128,118	601,057	294,933
Tax saving thereon	1,345,053	702,279	198,349	97,328
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	42398	65722	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

6. Share capital

	Ordinary shares no.	Group		Company	
		2004	2003	2004	2003
Issued and paid up capital 31/12/2003	14,312,980	6,252,628	6,252,628	6,252,628	6,252,628
New shares issued December 2004	13,362,408	668,120		668,120	
Issued and paid up capital 31/12/2004	27,675,388	6,920,748	6,252,628	6,920,748	6,252,628

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

Rights Issue. In November 2004 the Company made an offer of one ordinary share for every one ordinary share held at a price of 5 cents each to shareholders. A total of 13,362,403 shares were issued.

7. Convertible notes

	Convertible notes no.	Group		Company	
		2004	2003	2004	2003
Noteholders					
J.I. Urquhart	270,000	202,500	202,500	202,500	202,500
Cleveland No.3 Trust	173,333	130,000	130,000	130,000	130,000
Issued convertible notes 31/12/03	443,333	332,500	332,500	332,500	332,500
New convertible notes issued Dec 2004					
J.I. Urquhart	1,350,000	67,500	-	67,500	-
Cleveland No.3 Trust	866,667	43,333	-	43,333	-
Cynotech Securities Ltd	8,450,572	422,529	-	422,529	-
Newmarket Securities Ltd	7,500,000	375,000	-	375,000	-
Issued convertible notes 31/12/04	18,167,239	908,362	-	908,362	-
Total convertible notes	18,610,572	1,240,862	332,500	1,240,862	332,500
Interest Recognised		(24,276)	(3,000)	(24,276)	(3,000)
	18,610,572	1,216,586	329,500	1,216,586	329,500

In October 2003, 433,333 convertible loan notes were issued to two noteholders J.I. Urquhart and the Cleveland No 3 Trust. The conversion date is the 31st March 2005 and the convertible notes were issued at 75 cents. Interest is accrued on the notes on a daily basis at the 90 day bill rate and is compounded quarterly. At the option of the company the accrued interest may either be paid in cash, or shares can be issued to the investors. The conversion rate of the notes is 5 shares for each 75 cent note.

In December 2004 18,167,239 convertible loan notes were issued to four noteholders: J.I. Urquhart, Cleveland No 3 Trust, Cynotech Securities Limited and Newmarket Securities Limited. The conversion date is from the issue date to 31st October 2009 subject to compliance with the provisions of the Takeovers' Code. The convertible notes were issued at 5 cents. Each convertible note shall carry an interest coupon equivalent to the amount of the dividend paid on each ordinary share. On the conversion date any interest accrued and unpaid since the date of the advance will be paid in cash to the investors. The conversion rate of the notes is 1 share for each 5 cent note.

8. Finance receivables

	Group		Company	
	2004	2003	2004	2003
Total Gross Finance Receivables	915,559	-	-	-
Loans to Director (Related party) R. Guy, 12% pa int.	189,079	-	-	-
Less deferred Interest	(145,226)	-	-	-
Less provision for bad debts	(22,093)	-	-	-
Total Net Receivables	937,319	-	-	-
Repayment terms				
Current less than 12 months	639,351	-	-	-
Non current over 12 months	297,968	-	-	-
Total Net Receivables	937,319	-	-	-

9. Debtors and prepayments

	Group		Company	
	2004	2003	2004	2003
Trade debtors	230,939	130,696	-	-
Less provision for bad debts	(48,000)	-	-	-
Prepayments	-	24,429	-	2,760
Other	11,416	79,965	1,500	-
Total debtors and prepayments	194,355	235,090	1,500	2,760

10. Goodwill

	Group		Company	
	2004	2003	2004	2003
Cost	4,430,031	4,430,031	-	-
Goodwill impairment	(2,290,956)	(2,113,325)	-	-
Accumulated amortisation	(2,139,075)	(2,139,075)	-	-
Goodwill balance	-	177,631	-	-

Goodwill relates to the acquisition of Cynotech Corporation Limited (formerly ROCOM Limited) on the 28th Feb 2001.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

11. Fixed assets		Group		Company	
		2004	2003	2004	2003
Cost	Billing system	-	200,000	-	-
	Computer equipment & software	33,822	154,545	-	-
	Furniture and fittings	175,496	47,516	-	-
	Leasehold improvements	756,240	606,339	-	-
	Office and rental equipment	-	276,551	-	-
Total Cost		965,558	1,284,951	-	-
Accumulated depreciation	Billing system	-	80,000	-	-
	Computer equipment & software	22,946	110,369	-	-
	Furniture and fittings	155,214	39,228	-	-
	Leasehold improvements	659,356	461,424	-	-
	Office and rental equipment	-	214,759	-	-
Total accumulated depreciation		837,515	905,780	-	-
Book value	Billing system	-	120,000	-	-
	Computer equipment & software	10,876	44,176	-	-
	Furniture and fittings	20,282	8,288	-	-
	Leasehold improvements	96,885	144,915	-	-
	Office and rental equipment	-	61,792	-	-
Total book value		128,043	379,171	-	-

12. Unsecured deposits		Interest rates	Group		Company	
			2004	2003	2004	2003
Deposits due within 12 months			327,810	-	-	-
Term deposits			300,000	-	-	-
Total deposits			627,810	-	-	-
		11%	39,258	-	-	-
		12%	455,370	-	-	-
		13%	133,182	-	-	-
Total deposits			627,810	-	-	-
Related party deposits Cynotech Securities Ltd		12%	443,346	-	-	-
Newmarket Securities Ltd		12%	12,024	-	-	-

13. Lease inducement		Group		Company	
		2004	2003	2004	2003
Cost		252,400	252,400	-	-
Accumulated amortisation		199,810	157,750	-	-
Book value		52,590	94,650	-	-
Classified as:	Current Lease inducement	42,067	42,067	-	-
	Tern Lease inducement	10,523	52,583	-	-
		52,590	94,650	-	-

The lease inducement is the value of leasehold improvement assets that have been contributed by Kiwi Harbour Investments Ltd in consideration of Rocom Limited entering an agreement to lease the Viaduct Harbour premises. The value of these assets has been capitalised and are being amortised over the 6 year term of the lease

14. Creditors and accruals		Group		Company	
		2004	2003	2004	2003
Trade creditors		157,615	364,669	-	50,904
Accruals		5,502	152,712	1,002	40,081
Other		211,815	48,017	114,402	4,037
Total creditors and accruals		374,932	565,398	115,404	95,022

15 Investment in subsidiaries		Place of Incorporation	Ownership Owned		Balance Date
			2004	2003	
Subsidiaries					
Cynotech Corporation Ltd		NZ	100%	100%	31 Dec.
Principal activity - Fee based activities and advisory work (formerly Rocom Ltd)					
Cynotech Systems Limited		NZ	100%	100%	31 Dec.
Principal activity - none, refer to the discontinued activities note (formerly World Billing Services Ltd)					
Cynotech Finance Group Ltd		NZ	100%	NA	31 Dec.
Principal activity - Sales and rental of satellite phone equipment and providing airtime connection facilities					
Budget Loans Limited		NZ	100%	NA	31 Dec.
Principal activity - Lending to consumers for motor vehicle and property finance (formerly Rocom Finance Ltd)					
Cynotech Finance Group Limited was incorporated in November 2004.					
Budget Loans Limited was incorporated in August 2004, and is a subsidiary of Cynotech Finance Group Ltd					

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

16 Financial instruments

Financial instruments which potentially subject the Group to credit risk principally consist of bank term accounts, short term deposits, finance receivables and trade debtors.

Credit Risk

Financial instruments which potentially subject the company to credit risk principally consist of bank balances, accounts receivable, other receivables and a shareholder current account.

The group has a credit policy, which is used to manage this exposure to credit risk

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		Company	
	2004	2003	2004	2003
Maximum exposures to credit risk at balance date are:				
Bank balances	104,767	39,692	16,622	19,737
Accounts receivable	182,939	130,696	-	-
Finance receivables	937,319	-	-	-
Other receivables	11,418	53,821	-	-
GST Receivable	-	26,144	-	-

Concentrations of Credit Risk

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

The Group has concentrations of credit risk with two suppliers owing \$28,379 (\$68,032 at 31st December 2003)

Fair Values

The carrying amount of the financial instruments is considered to be the fair value.

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 Group and Company are exposed to interest rate risks in respect of the convertible loan notes issued to James Urquhart and the Cleveland No.3 Trust as they have borrowed or invested for a fixed term at a fixed rate.

Interest Rate Risk - Repricing Analysis

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. Accounts receivable, accounts payable and accruals have not been included as they are not interest rate sensitive.

	Effective Rate	Total	Less than	6-12	1-2	2-5	Over 5
			6 mths	months	years	years	years
GROUP 2004							
Financial assets							
Cash balances (net)	1%	104,767	104,767				
Finance Receivables	25.74%	748,240	190,682	259,590	154,215	143,753	
Loans to Directors	12%	189,079	60,000	129,079			
Total Assets		1,042,086	355,449	388,669	-	-	-
Financial Liabilities							
Convertible Notes	6.74%	1,240,862	332,500				908,362
Deposits	13%	627,810	327,810		300,000		0
Total Liabilities		1,868,672	660,310	-	300,000	-	908,362
Re-pricing gap		(826,586)	(304,861)	388,669	(300,000)	-	(908,362)
GROUP 2003							
Financial assets							
Cash balances (net)	1%	39,692	39,692				
Finance Receivables		0					
Loans to Directors		0					
Total Assets		39,692	39,692	-	-	-	-
Financial Liabilities							
Convertible Notes	6.74%	332,500			332,500		
Deposits							
Total Liabilities		332,500	-	-	332,500	-	-
Re-pricing gap		(292,808)	39,692	-	(332,500)	-	-
COMPANY 2004							
Financial assets							
Cash balances (net)	6.50%	16,622	16,622	-	-	-	-
Financial Liabilities							
Convertible Notes	6.74%	1,240,862	332,500				908,362
Re-pricing gap		(1,224,240)	(315,878)	-	-	-	(908,362)
COMPANY 2003							
Financial assets							
Cash balances (net)	5.00%	19,737	19,737	-	-	-	-
Financial Liabilities							
Convertible Notes	6.74%	332,500			332,500		
Re-pricing gap		(312,763)	19,737	-	(332,500)	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

17. Revolving Credit Facility

	Group		Company	
	2004	2003	2004	2003
Revolving credit facility	-	210,000	-	210,000

A facility of \$250,000 was provided by Magpie Investments Ltd, a Company controlled by a then director C.Foss. The terms of the facility were that it was a fluctuating facility and the interest rate was 12% per annum. The facility was transferred to Cynotech Securities Ltd and Newmarket Securities Ltd, both Companies associated with director A. Hawkins. The facility was totally repaid during December 2004.

18. Net Cash Flow Used in Operating Activities

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

	Group		Company	
	2004	2003	2004	2003
Net deficit	(1,250,193)	(1,668,122)	(435,388)	(2,020,699)
Non cash items and other add backs				
Depreciation	50,948	182,295	-	-
Goodwill amortisation/write down	177,631	434,400	-	-
Write down of investment	-	-	-	993,000
Write down of leasehold improvements	70,000	-	-	-
Provision for intercompany receivable	-	-	78,848	950,000
Provision for doubtful debts	42,398	-	-	-
Loss on sale of assets	39,915	116,111	-	-
Interest accrued	-	1,329	-	1,329
Lease inducement	(42,060)	(42,065)	-	-
	<u>338,832</u>	<u>692,070</u>	<u>78,848</u>	<u>1,944,329</u>
Movement in working capital				
Decrease/(increase) in accounts receivable	40,735	271,953	1,260	-
Decrease in stock	42,603	59,081	-	-
Increase/(decrease) in intercompany loans	-	-	(12,886)	-
Increase/(decrease) in trade creditors and accruals	(166,905)	(151,798)	20,382	34,971
	<u>(83,567)</u>	<u>179,236</u>	<u>8,756</u>	<u>34,971</u>
Net cash inflows(outflows) from operating activities	<u>(994,928)</u>	<u>(796,816)</u>	<u>(347,784)</u>	<u>(41,399)</u>

19. Earnings per share

	Group	
	2004	2003
Basic Earnings per Share		
The calculation is basic earnings per share based on:		
Net deficit attributable to ordinary shareholders	(1,250,193)	(1,668,122)
Weighted average number of ordinary shares		
Ordinary shares on issue at beginning of year	14,312,980	14,312,980
Rights issue of shares	585,749	-
	<u>14,898,729</u>	<u>14,312,980</u>
Basic earnings per share (cents)	<u>(8.39)</u>	<u>(11.65)</u>
Diluted Earnings per Share		
The calculation is basic earnings per share based on:		
Diluted net deficit attributable to ordinary shareholders		
Net deficit attributable to ordinary shareholders	(1,250,193)	(1,668,122)
Interest on convertible notes	21,276	3,000
	<u>(1,228,917)</u>	<u>(1,665,122)</u>
Diluted weighted average number of ordinary shares		
Weighted average number of ordinary shares	14,898,729	14,312,980
Convertible notes on issue at 1/1/2004	2,216,665	-
Issue of convertible notes	796,372	2,216,665
	<u>17,911,766</u>	<u>16,529,645</u>
Diluted earnings per share (cents)	<u>(6.86)</u>	<u>(10.07)</u>

20 Related parties

Identity of Related Parties with whom material transactions have occurred

Note 15 identifies all Group entities in which the Group has an interest. All of these entities are related parties of the Company.

All of the directors listed on page 15 are related parties to the Group.

Allan Hawkins is the common director and shareholder of the Group and Cynotech Securities Limited.

Allan Hawkins is the common director of the Group and Newmarket Securities Limited

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

Richard Guy is the common director of the Group and Rocom Services Limited during the year. He is also a trustee of Cleveland No 3 Trust.

Craig Foss was a common director and is a common shareholder of the Group and Magpie Investments Ltd.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

Material related party Transactions

Rights issue of shares - refer note 6

Convertible notes investment by related parties - refer note 7

Loans and advances to related parties - refer note 8

Interest received on loans to related parties - refer note 8

Deposits from related parties - refer note 12

Interest paid on deposits from related parties - refer note 12

The Group paid management fees of \$54,167 to Cynotech Securities Ltd during the period.

The Group sold the business operations of the mobile and corporate services division of Cynotech Corporation Ltd (formally Rocom Ltd) for \$30,000 and related fixed assets for \$101,375 to Rocom Services Limited in November 2004. Rocom Services Limited makes a monthly occupancy payment as a contribution to the Group obligations in respect of the lease at Level 4, 12 Viaduct Harbour Avenue, limited to \$200,000. In addition Rocom Services Ltd has assumed other Group obligations. The total consideration payable by Rocom Services Ltd is \$400,000. As a result of this transaction the group issued a loan to Richard Cleveland Guy for \$189,079.

21. Subsequent events

On 30th March 2005 the Directors resolved to recommend to shareholders the acquisition of 100% of the shares of Beta Foods (NZ) Limited (since renamed Merlin Foods Ltd) at a total cost of \$3,890,000

On 13th April 2005 the Directors resolved to recommend to shareholders a placement of new equity to raise up to \$2,625,000 by the issue of 15,000,000 new shares and the concurrent issue of one new warrant for every two new shares subscribed for in the issue

On 13th April 2005 the Directors also announced a proposal to make a bonus issue of warrants to existing shareholders on the basis of one new warrant for each two ordinary shares and convertible notes on issue

The warrants to be issued to new and existing shareholders are to be issued on the following main terms

They are non voting.

An application has been made to list the warrants on the New Zealand Alternative Exchange (NZAX)

The warrants carry a right but not an obligation to convert to ordinary shares on the payment of 25 cents per share on either 27th May 2006 or 27th May 2007.

If the warrants are not exercised on either of those dates then they lapse.

22. Segment information

The Group operated in the fields of information technology, telecommunications and finance in the period up to 31st October 2004.

From the 1st November 2004 the Group has operated in the fields of Satellite communications, finance lending operations and fee based merchant banking activities.

	GROUP					
	Finance	Satellite	Fees	Other	Eliminations	Consolidated
	2004	2004	2004	2004	2004	2004
Industry Segments						
Revenue derived from trading outside the group	59,193	358,231	344,989	18,835	-	781,248
Total revenue	59,193	358,231	344,989	18,835	-	781,248
Segment net surplus						
Unallocated expenses	42,383	92,861	68,532	1,770,915	56,750	2,031,441
Total net surplus	16,810	265,370	276,457	(1,752,080)	(56,750)	(1,250,193)
Segment assets	937,319	182,939	11,418	232,810	-	1,364,486
	GROUP					
	Finance	Satellite	Fees	Other	Eliminations	Consolidated
	2003	2003	2003	2003	2003	2003
Industry Segments						
Revenue derived from trading outside the group	-	295,283	-	977,199	-	1,272,482
Total revenue	-	295,283	-	977,199	-	1,272,482
Segment net surplus						
Unallocated expenses	-	80,000	-	2,860,604	-	2,940,604
Total net surplus	-	215,283	-	(1,883,405)	-	(1,668,122)
Segment assets	-	95,852	-	778,335	-	874,187

The major products/services from which the above segments derive revenue are:

Industry Segments	Products and Services
Finance	Lending to consumers for motor vehicle and property finance
Satellite	Selling and rental of satellite phones and providing airtime connections
Fees	Merchant bank, deal driven advisory work.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2004

23. Going Concern

The Group recorded a loss of \$1,250,193 for the year ended 31 December 2004. It is the Directors' opinion, based on the first 3 months trading in the new financial year, the proposed purchase of Betta Foods (as disclosed in the Post Balance Date Events note) and the increasing loans book in Budget Loans Ltd, that the Group's profits will increase and that the going concern assumption is a valid basis on which to prepare the financial statements.

If the Company and the Group were unable to continue in operational existence, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the Statements of Financial Position. In addition liabilities may need to be recognised for costs associated with the realisation process.

24. Discontinued Operations

In October 2004 the Directors decided to sell the billing system and IT related assets and obligations from the Group to Richard Guy, a director of the company.

25. Commitments

	Group		Company	
	2004	2003	2004	2003
Capital commitments	-	-	-	-
Lease commitments under non cancellable operating leases				
Less than one year	200,238	288,007	-	-
Between one and two years	198,013	264,977	-	-
Between two and five years	393,403	65,513	-	-
Later than five years	-	-	-	-
Total operating lease commitments	791,654	618,497	-	-

26. Contingent Liabilities

The Group and Company have no contingent liabilities as at 31 December 2004 (2003: nil).

SHAREHOLDER & ADDITIONAL STATUTORY INFORMATION

Directors holding office during the year were:

Group and Parent					
	RHC Guy				
	AR Hawkins	Appointed	15th June 2004		
	PJ Hutchinson	Appointed	3rd November 2004		
	KP McDonald	Appointed	3rd November 2004		
	GR Crawshay	Resigned	3rd November 2004		
	CR Foss	Resigned	29th March 2004		
	SM Borich	Resigned	30th January 2004		
	GD Macpherson	Appointed	11th Feb 2004	Resigned	3rd Nov 2004

Remuneration of Directors

		Group		Company	
		2004	2003	2004	2003
Directors Fees	RHC Guy	1,000	-	-	-
	AR Hawkins	-	-	-	-
	PJ Hutchinson	1,000	-	-	-
	KP McDonald	1,000	-	-	-
	GD Macpherson	1,000	-	-	-
		4,000	-	-	-
Other Fees	RHC Guy	-	-	-	-
	AR Hawkins	54,167	-	54,167	-
	PJ Hutchinson	-	-	-	-
	KP McDonald	-	-	-	-
	GD Macpherson	-	-	-	-
		54,167	-	54,167	-

AR Hawkins interests have been paid an amount of \$54,167 during the year being remuneration for Mr Hawkins' involvement as Chairman and Chief Executive.

Remuneration of Employees

There was one employee whose remuneration exceeds \$100,000 during the period (\$114,545) That employment terminated on 31st October 2004.

Entries in the Interest Register

AR Hawkins declared interests in respect of:

- Unsecured deposit funds advanced to Cynotech Finance Group Ltd
- Convertible note investments made by Cynotech Securities Ltd to Cynotech Holdings Ltd
- Convertible note investments made by Newmarket Securities Ltd to Cynotech Holdings Ltd

SHAREHOLDER & ADDITIONAL STATUTORY INFORMATION

STOCK EXCHANGE LISTING

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

PRINCIPAL SECURITY HOLDERS AS AT 31ST DECEMBER 2004

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

	Ordinary shares		Convertible notes (ord. Shares equiv.)		Total diluted	
	No.	%	No.	%	No.	%
Richard Hugh Cleveland Guy & Lynda Katrina Moore	8,893,968	32.14	1,812,121	8.80	10,706,089	22.18
CR Foss & KA Foss re Family a/c	1,440,000	5.20			1,440,000	2.98
Norman Louis Godden & Josephine Godden	621,626	2.25			621,626	1.29
John Kent McMillan & Brendan John Lawler & Lois Eileen Lawler	600,000	2.17			600,000	1.24
Hamish John Robertson	500,000	1.81			500,000	1.04
Richard Hugh Cleveland Guy	408,400	1.48			408,400	0.85
John Arbuckle	368,000	1.33			368,000	0.76
First NZ Custodians Limited	300,264	1.08			300,264	0.62
Stephen Mellor Ellis	281,699	1.02			281,699	0.58
Ace Finance Ltd	271,428	0.98			271,428	0.56
Donald Beattie Scott	262,857	0.95			262,857	0.54
Tadeusz Szczepanski & Julie Elizabeth Szczepanski	250,000	0.90			250,000	0.52
Stephen Martin Borich	240,722	0.87			240,722	0.50
Leveraged Equities Custodians Limited	200,000	0.72			200,000	0.41
Jody Michelle Anderson & John Campbell	200,000	0.72			200,000	0.41
SRT Trustees Ltd	200,000	0.72			200,000	0.41
John Jeffers Harrison	200,000	0.72			200,000	0.41
David George Clark	187,354	0.68			187,354	0.39
Mark David Lahood & Donna Maree Lahood	173,363	0.63			173,363	0.36
Vivienne Ruth Fraher	171,986	0.62			171,986	0.36
Cynotech Securities Ltd		0.00	7,975,286	38.74	7,975,286	16.53
Newmarket Securities Ltd		0.00	7,975,286	38.74	7,975,286	16.53
JI Urquhart		0.00	2,822,727	13.71	2,822,727	5.85
Total large holders	15,771,667	56.99	20,585,420	100.00	36,357,087	75.33
Total securities on issue	27,675,388		20,585,420		48,260,808	

The convertible notes above are listed as the ordinary share equivalents for each convertible note taking account of the ordinary share entitlement on conversion of each convertible note at maturity or earlier conversion date.

Note In terms of the Takeover Regulations Mr R Guy, Cleveland No. 3 Trust, Cynotech Securities Ltd and Newmarket Securities Ltd may be associated parties

SPREAD OF VOTING SECURITY HOLDERS AS AT 31ST DECEMBER 2004

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

Size of holding		Security holders		Securities	
		No.	%	No.	%
1-1000		114	13.87	99,952	0.36
1001-5000		268	32.60	745,891	2.70
5001-10000		158	19.22	1,187,152	4.29
10001-100000		243	29.56	7,274,134	26.28
Over 100000		39	4.74	18,368,259	66.37
Totals		822	100	27,675,388	100

Directors share dealings to 31st December 2004

Mr Guy and the Cleveland No.3 Trust acquired 4,402,398 shares as their entitlement in terms of the prorata rights issue to all shareholders in December 2004

Substantial security holders

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

The following are registered by the Company as at 31st December 2004 as Substantial Security Holders in the Company, having declared a relevant interest in voting securities under section 25 of the Securities Markets Act 1988

	Number of shares
RHC Guy & LK Moore as Trustees of The Cleveland No 3 Trust	8,893,968
RHC Guy	408,400
CRR Foss, KA Foss & LR Griffin re Foss Family a/c	1,440,000