



Cynotech Securities Group Limited

Newsletter – 30 September 2010

The auditors finally signed off on the 31st March accounts for the Cynotech Holdings Group in which CSGL now holds 78% of the shares.

The result for CHL for the year was a large loss. The Directors had already resolved to make significant write downs in the value of the CHL Group's investments to reflect what were considered to be conservative values reflecting current economic conditions.

On top of the Directors' write downs, the auditors required a further write down in the carrying value of the fair value loans, which incorporate the distressed loan books that were purchased from the receivers of National Finance and Western Bay Finance.

This added significantly to the CHL Group reported loss. The paying loans in these loan ledgers are now valued in the accounts of the Company at 38% of face value, so that there should be some profit upside in the future.

The Directors of CHL and CSGL are still quite negative about current economic conditions and the outlook for the next couple of years. On top of that, the demise of another very large finance company and the likelihood of other bad news in the financial sector, cause concern for the Directors.

The Directors of CSGL are unable to recommend a quarterly dividend for the period to 30th September, because of the poor CHL result and the inability of the Directors of CHL being able to make a distribution recommendation at this time.

We acknowledge that many of you rely on the receipt of the quarterly payments and we will continue to make payments whenever possible, but only within the requirement of the Directors to apply good governance principles.

The first half of this financial year is looking a lot better. The CHL Group is reporting profits.

The CHL Group has reduced its bank debt and the Snowdon term loan of \$1.2 million will be completely repaid by the end of this month.

Cynotech Finance Group is profitable and is still making very good progress in collecting the National Finance and Western Bay loans. The Finance Group has no large loan exposures – no loans over \$100,000.

Snowdon Limited has got through the winter season and we are hopeful that a good summer will contribute to high sales levels. A small quantity of product has been sold into Australia and we are hoping that we can gradually build a presence in that market. Snowdon still maintains around a 70% market share in New Zealand.

Seating Systems, the temporary grandstand seating company, has some very large contracts underway. We are right now, installing 22,000 seats to expand the capacity at Mt Smart Stadium. The seats are for the U2 and Bon Jovi concerts, which have been recently announced by the promoters.

At the same time we are installing 10,000 seats in a covered grandstand for the World Rowing Championships being held at Karapiro starting in late October.

Signed for the Directors of Cynotech Securities Group Limited,



Allan Hawkins
Chairman

(As always if you wish to discuss anything about the CSGL Group, feel free to ring me on 09 520 6073 or email allan@cynotech.co.nz)

Annual report

The annual report has been filed with the Companies Office and is available for inspection on the DEBEX website www.debex.co.nz "Secondary Markets" tab.

Share Trading

CSGL Directors have determined it could be advantageous to shareholders if there was an opportunity to trade in CSGL Preference shares. Accordingly it is intended that Buy and Sell offers will be able to be listed for trading on the DEBEX website as listed above, on the same page.

The details for trading are still being finalized, but we expect by 18th October you will be able to send Buy and Sell requests to info@canopus.co.nz (or alternatively by fax to 09 4448059)

A release detailing the trading arrangements will be available on the DEBEX Company announcements section of the Secondary Markets page on the DEBEX website, as above, just prior to trading commencing.