

## **CHAIRMAN'S AGM COMMENTS**

**September 21, 2011**

The following are the key points and activities occurring within the Group subsidiaries.

### Finance Group

We are still collecting well from the National Finance and Western Bay Finance loan books. Cash each week is continuing at an even level although we do get settlements and one off receipts which do give the numbers a bit of a boost. We have owned these loan books for over 3 years but the cash receipts in total are not dropping off. We are constantly using different collection methods and in some cases we have to be quite firm with our procedures to make sure that the debtors understand that we are very serious about collecting on these old loans.

The finance group is very much the engine room of our Group's operations and is cash positive. Going forward, as resources allow we hope to be able to convert this sector of our business back into a more regular consumer finance company as the level of debt collection work diminishes.

### Manufacturing

Snowdon has commenced a program to reduce its reliance on New Zealand manufacturing as it increases the level of imported product. Also by using price competitive imported product, we have been able to extend our operations into new markets outside New Zealand.

The ice cream cone market in NZ is quite mature and we still hold about 70% of the market.

We are looking to add to our total turnover by now adding some non cone, but aligned compatible products, to the mix to give our sales people a wider portfolio to offer our key clients.

This business in New Zealand is very seasonal. We always have a struggle getting through winter with the overheads equating to or exceeding the sales margins. By entering new markets and adding more products we should be able to get more even results through the year.

### Temporary Event Seating

The Seating Systems company has had a very busy year so far with first the V8 Supercars event in Hamilton and then the installation of temporary seating at various stadiums for the Rugby World Cup in both the North and South Islands.

This business operates in a sector where there will be significant over capacity after the Rugby World Cup.

A marketing campaign has been commenced to sell off some of our excess capacity to reduce the number of seats we have available for hire and to return some funds to the Group.

Seating Systems Ltd is a very management intensive company always working to tight timelines and by reducing its size it is hoped to be able to reduce the Group's management and control input.

### Forward outlook

Shareholders are aware that in the last two financial years significant write downs of asset values in the Group have meant that we have reported losses. These were not necessarily cash losses but nevertheless they do weigh heavily on everyone's perception of Cynotech overall.

We believe that we now have the assets conservatively valued and that we can report improved results going forward.

The September half yearly results are expected to be announced to the market before the end of October.

Allan Hawkins  
Chairman