

**Managing Director's Review of Operations
Annual General Meeting
20 November 2009**

Introduction

The year ended 30 June 2009 was certainly tougher than expected; but despite the economic doom and gloom, our financial results were both encouraging and positive for the Group. Although sales were down from \$37m to \$30m, Net Profit After Tax went up from a \$25m loss to a \$3m profit.

Throughout the year, not only did we continue implementing the strategic initiatives, which are a part of our 5-Year Business Action Plan, we also put in place certain measures to immediately improve our competitive position. Board and CEO costs were reduced by \$500,000 on an annualised basis. We also continued to cut costs in the supply chain and intensified our focus on cash-flow and on running a more efficient organisation. We did this by applying lean principles to our front offices and back work shops, upstream to our partners and suppliers, as well as downstream to our customers. The overall result was a 28% cost reduction, when compared to the 2008 financial year.

In addition to all of this, we enhanced our capacity to innovate, putting in place the necessary marketing, research and development, product and business improvement resources to direct and exploit the dynamic nature of our business with the customer being at the very heart of everything we do. To that end,

- Gregory Commercial Furniture remains focused on educating and engaging end users, distributors and influencers, while at the same time pushing the boundaries of furniture design and nurturing emerging design talent; and
- Inventis Technology continues to leverage its substantive engineering and research and development capabilities to create products and solutions that meet emerging needs and deliver cost reductions, improvement in functionality and an increase in customer productivity. Furthermore, we are actively engaging with third parties to deliver products and solutions that further enhance and complement our existing offering.

By continuing to implement strategic initiatives as part of our 5-year Business Action Plan we are moving into the new financial year with confidence that Inventis has made and continues to make the necessary adjustments to respond to local and global market conditions to position ourselves for new growth opportunities, thus providing Inventis with a greater ability to deliver enhanced results to our customers and to you, our shareholders.

Inspired Solutions

As you know, Inventis is a company dedicated to the discovery, development, and commercialisation of inspired solutions.

This targeted business strategy, when combined with the Company's multi-disciplinary approach to the application of technology and design, has resulted in the development of a series of innovative products with significant market potential.

The Inventis commitment began with a simple purpose that has been instilled throughout the Company: Provide 'inspired solutions' that exceed customers' expectations. The Company's approach, purpose and value system provide the foundation to solve today's business challenges that enable our Technology and Commercial Furniture Divisions to be successful.

We have found that the best approach going forward is to view business and product development solutions objectively, unemotionally and with the right level of probing and questioning in order to increase customer satisfaction, productivity, reduce costs, identify opportunities and improve profits.

Innovation is the key to future success in the business world, and our goal is to work harder at providing cutting-edge technology that moves Inventis to a position of leadership.

Divisional Performance ~ Technology

FY2009 ~ Year Under Review: With the consolidation of the Technology businesses complete, the major initiative during the last financial year was the transformation of Inventis Technology from a manufacturing focused business to a sales driven company. Equipped with expanded sales and marketing teams, the Division is now well resourced to initiate the much needed sales activity on a range of customer-centric products and solutions to achieve organic growth in the coming years, both locally and internationally.

Inventis Technology made significant strides during FY2009 to more effectively serve the changing needs of current customers, as well as prospective ones, while combating the adverse economic environment and a highly devalued Australian dollar. Further out-sourcing of assembly to China was carried out to regain margins and help ensure on-going competitiveness in a price sensitive market. These efforts, coupled with enhanced productivity, quality assurance and continued up-skilling of manufacturing staff, both in-house and with our outsourced partners have enabled Inventis Technology to deliver creditable

earnings, without compromising the Company's commitment to its customers, safety, or its operational capabilities.

Inventis Technology's revenue for the year ended 30 June 2009 was up 2% to \$13.3m. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for this period was \$2.4m compared to \$1.1million for the same period last year. Although the traditional PNE business was down on last year, growth in both Impart and Opentec positively impacted top line sales. Impart brand sales grew by 48% to \$2.2m, as a result of coordinated product development and targeted marketing strategies, whilst Opentec sales increased by 77% to \$2.3m, due largely to the \$1.5million order from the UAE Armed Forces; and more importantly as a consequence of new product availability.

FY2010 Update: Inventis Technology continues to seek better, faster, and more cost effective ways of doing business and has initiated a number of processes to improve the productivity of our Technology brands.

Our period of integration, and of exploring synergies between the various components in our Technology Division, is now emerging as a set of commercial ready products. The impressive line-up of products bears testimony to how effective the integration of the Technology Division has been, and of how the strategy of bringing together synergistic businesses can spawn further innovation.

By enhancing our sales and marketing capabilities, the Technology Division's considerable design and engineering component has been realigned more closely with customer needs. A case in point has been the adaptation of SafeZone as a result of market research and business development activity, making it a more feasible solution for pedestrian applications such as train platforms, factories and shared industrial zones, which has led in our first orders including, a trial rail crossing site at Karratha for Rio Tinto and a Train Detection system for the Tasmanian Government. While we wait for the success of these trials to lead to more business, we are continuing to work closely with a number of organizations such as BHP for mining applications, Woolworths and other logistics companies for OH&S applications and the Tasmanian Government on a number of rail crossing sites. Negotiations are also taking place with Sydney City Council for a number of trial Pedestrian Crossing applications in the CBD.

In addition to developing products to meet emerging demand, the Technology Division is actively pursuing strategic alliances with similarly aligned technology organisations, in order to establish positions of leadership within emerging markets. Through its continued

involvement in the hot food vending machine industry, Inventis Technology is entering into a License Agreement with DNA Webnet, a digital signage and vending machine IP company of which it owns a 7% share. Under the agreement, Inventis Technology will operate the national license for the digital signage business, including the manufacture and distribution of digital advertising units, which are to be retrofitted to existing vending machines in the marketplace. This business is estimated to add approximately \$4m worth of sales and \$1m to the bottom line in its first full year of operation.

Opentec Solutions is by nature a cyclical business, and whilst year to date sales are lower than expected, we are working on a number of large Defence contracts, both directly with Defence and in partnership with a major Defence Prime Contractor, that we believe will fall into this current financial year.

By focusing resources on third party product opportunities that enhance and complement our existing offering, Opentec is now able to accommodate a broader range of customer needs in existing and new market segments.

- In September, Opentec became an Authorised Dell Distributor, specialising in the semi-rugged product range to fill gaps in our product offering where a military grade rugged solution is not required. Opentec plans to leverage Dell's substantial brand equity to offer existing and new customers more choice in addressing their computing requirements.
- Opentec, through its Distributorship agreement with Amrel USA, now has a range of compact, rugged biometric identification systems that are ready for deployment to defense, police, counter-terrorism, border patrol, coast guard and emergency response groups, both locally and overseas.

The year to date result, as at 31 October 2009, for our Technology Division is a Revenue of \$4.1m and an EBITDA of \$0.6m.

A Revenue of \$18m and EBITDA of approx \$2.5m is expected for the year ended 30 June 2010.

Divisional Performance ~ Furniture

2009 ~ Year Under Review: The Commercial Furniture Division experienced a year of vast change. Whilst continuing to focus on its core business under the Gregory brand, one of the leading Australian and New Zealand based suppliers of ergonomic seating; many new initiatives were introduced to further advance Gregory Commercial Furniture

(GCF) in the wider commercial furniture arena.

Our overall performance was impacted by the weakened economy. We have been hit particularly hard by the downward trend in the commercial construction and fit-out markets as well as the massive devaluation of the Australian Dollar. It is against this backdrop that our Commercial Furniture Division moved swiftly to reduce its operating costs, thus enabling it to become a credible participant in the competitive marketplace. Substantial savings were also achieved through rationalisation. However, the reduction in staff numbers was not achieved at the expense of output, reliability, efficiency or product quality.

Despite a reduction of 31% in furniture sales to 16.7m, Gregory Commercial Furniture was able to maintain a positive EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of \$0.6m, which was pretty much the same as what was achieved during the previous year.

Significant groundwork was laid to capitalise on the Architect and Designer market as well as the Healthcare sectors. A cohesive corporate structure has been implemented to support the planned growth of the business in future years.

Our New Zealand operation, unfortunately, experienced a very tough year and in the face of extremely stiff competition and low pricing, our people continue to work tirelessly to improve the result for the coming year.

The tough economic conditions substantially impacted the turnover of the business throughout FY2009, and essential steps have been taken to enhance the internal capabilities and efficiencies of our operations to deliver more consistent earnings and cash flow, which better prepared us for cyclical slowdowns in the commercial furniture market. Additionally, significant advancements within our Furniture Division will further ensure that the business is ideally positioned to take advantage of anticipated upswings in the marketplace throughout the later part of FY2010/11 and beyond.

2010 Update: In August 2009, Julian Measroch was appointed General Manager of Gregory Commercial Furniture. He comes to us with some 24 years General Management experience, including most recently 8 years as General Manager at Sebel Furniture. The Board is confident he will take our Commercial Furniture Division to the next level on its journey towards greater success.

Julian has inherited a leaner, efficient and more responsive Furniture Division as a result of the substantive cost cutting measures put into place during the 2009 financial year. His focus

during the first quarter of the current financial year has been to address further opportunities for cost reduction within the Furniture Division's operations; in particular, within procurement, logistics, administration and production.

We are continuing to streamline the back-end functions to reduce cost and improve efficiency. Consequently, in December this year, the Wetherill Park factory and all of the Furniture Division's Head Office and New South Wales Operations will relocate to new premises at Greystanes. Once this initial transfer is complete, in or about February of 2010, our Bayswater factory will also be relocated to the new Greystanes facility so that Gregory Australia's production facilities are all under the one roof.

In addition to all of this, the front end functions of business development and marketing are working tirelessly to develop brand awareness across all of the Gregory Commercial Furniture brands in both Australia and New Zealand. The *'is it a Gregory'* campaign has been launched via direct channels, print and online advertising, with the objective of educating our core government, commercial and healthcare markets about the importance of ergonomic seating and technology in selecting the appropriate chair for the workplace.

These sales and marketing efforts, coupled with participation at key industry events, the launch of X-Cel Comfort seating technology and a newly formed strategic alliance with eminent ergonomist Professor Terry Cunniffe are re-establishing Gregory as Australia and New Zealand's ergonomic seating manufacturer of choice, at a time where brand equity is perhaps the strongest barrier to entry for low-cost imports.

As competition has intensified and market conditions have worsened within the commercial furniture industry, Gregory continues to differentiate itself by excelling in customer service and developing products and services that add real value to end users. These initiatives include:

- A more direct method of engagement with customers and end users, particularly in New Zealand;
- Introduction of a user trial program to enable potential customers to experience our seating before purchase;
- The launch of ErgoFit, a service which determines the suitability of chairs and seating technologies to an individual;
- A national network of Gregory certified repairers is now in place to offer repairs and maintenance to customers; and

- Development of the new Gregory website is underway. Once complete later in the financial year, the website will offer end users and distributors greater usability, more comprehensive product information and options, as well as features such as online ordering.

In addition to its efforts with end users and distributors, Gregory has maintained its focus on influencers such as the Architect and Designer market. Continued sponsorship of high profile student design competitions and mentoring of young designers has continued to build further market presence for the Creative Vibe competition, which is now in its third year.

Finally, we have continued our commitment to the principles of Environmentally Sustainable Design (ESD), as evidenced by our application for Good Environmental Choice Australia accreditation of a number of our product lines. Market situations strongly favour ESD as an essential way of doing business in the office furniture industry. This is evidenced by increasing public sector tenders requesting detailed information on the environmental impacts of products supplied and the demand for further evidence of manufacturer environmental 'credentials'.

This longer-term investment is beginning to yield results, with Gregory securing the Federal Department of Human Services Government contract, as well as achieving preferred supplier status with institutions such as KPMG and AMP.

The year to date result, as at 31 October 2009 is a Revenue of \$5.2m and an BITDA of \$0.2m. However, despite the lower than expected year to date results, the forecast to 30 June 2010 remains at \$21m for Revenue with a \$2m EBITDA.

Inventis Corporate and Consolidated Financial Results

In an extremely difficult economic environment, our results were a modest, but credible improvement on last year. Total revenue was \$30m for the full year and NPAT was \$3m. The improved result includes the Alpha write-back reinstatement and the lower than expected result for both the Technology and Commercial Furniture Divisions.

The year to date result, as at 31 October 2009, for the Group is a Revenue of \$9.3m and an EBITDA of \$168k.

The anticipated consolidated result for the year ending 30 June 2010 is Revenue of \$38m and an EBITDA of \$3m, which should lead to a NPAT of \$1.5m for the year.

To enhance our cash-flow and fund the anticipated growth whilst at the same time allowing our Technology Division to consolidate its operations for greater efficiency, the existing building at Caringbah, which houses one part of our Technology Division, will be put on the market in the coming weeks and suitable premises located for our Technology Division to move into; Also, an increase of \$1m (a total of \$4m) in our Invoice Finance facility with Westpac was approved by the Board at our meeting earlier today.

As one of the Company's shareholders, I can assure you that the Board remains focused on taking the necessary steps to meaningfully increase shareholder value.

While Inventis has achieved the first stage of its transformation, through establishing itself as a leaner, more competitive and highly efficient Company, it also made commitments to its customers and shareholders based on principles of accountability, consistency and honesty. As such, I believe we have delivered on our promises.

Our next stage of business activity and development requires full utilisation of Inventis' inspired solutions capabilities, technology and manufacturing resources and the skills, imagination and continued determination of our people to sustain our core businesses and competencies and thereby enhance the Company's longer-term earnings and value.

With such dramatic repositioning of our Company, our people have continued to demonstrate they can and are willing to do what it needed under these tough economic and trading conditions; and On behalf of the Board, I thank them for that and I thank you, our shareholders for standing by us whilst we work together to turn this Company around and make it the market leader it deserves to be.



Tony Noun
Chairman and Group Managing Director