

Executive Chairman's Report Annual General Meeting ~ 26 November 2010

Introduction

As outlined in my Annual Report to Shareholders, the company's financial performance continues to be impacted by the patchy recovery from the Global Financial Crisis (GFC) and the ongoing recession in New Zealand. Thus, for the year ended 30 June 2010,

- Group sales were \$27 million as opposed to \$30 million for the previous year; and
- Net Profit After Tax (NPAT) went down from a profit of \$3 million (which included the one-off purchase price adjustment of \$3.6 million) to a loss of \$2 million for the year.

Improved operational efficiencies and favourable exchange rates helped cushion some of the GFC impact and the one-off costs associated with rationalising both the Australian and New Zealand facilities of the Furniture Division. This rationalisation is in line with the 5-year Business Action Plan set down by the Board in 2008; and is expected to have a significant positive impact on the Furniture Division's profitability. On the subject of our 5-year Business Action Plan, considerable progress has been made. This includes,

1. Operational efficiencies and a reorganisation of our work-force has led to a reduction in our personnel expenses in excess of 30%;
2. Between 2008 and 2010, fixed costs have been reduced by \$5.4 million per annum, across the board;
3. Both Furniture & Technology Divisions have made substantive headway in being able to reduce variable labour costs through outsourcing. For example,
 - a. The Technology Division has been able to outsource a large part of their manufacturing and as well as some quality testing to China. This has been facilitated by the appointment of a China-based Quality Officer who is tasked with monitoring all product, prior to its shipment to Australia; and
 - b. The Furniture Division reviewed its operations and where appropriate sought key partnerships with sub-contractors in both Australia and New Zealand particularly where better economies of scale and expertise is obtained for the outsourced function;
4. Although the on-going expansion of our national markets was made more difficult by the patchy economic recovery in Australia and the continuing recession in New Zealand, notable achievements include,

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- a. The Furniture Division being awarded the Queensland Government Tender (both parts A & B) and the District Health Board Tenders in New Zealand (the largest government contract in NZ);
 - b. The Technology Division launched the Safezone application in late 2008 for road safety applications. However, due to its limited success in that field, the use and application of this technology was broadened to include Rail Safety and OH&S, which amongst other successes, led to the roll-out of 13 railway-crossings safety warning systems being installed in Tasmania;
 - c. Opentec Solutions is now a full range supplier of rugged and semi-rugged computing solutions. Consequently, whilst Defence Force spending remains tight, it is able to actively participate in other market segments that it was previously unable to compete in because of the price constraint of its rugged range; and
 - d. Impart Systems has traditionally been known as the emergency vehicle system specialist but is now a major player in other areas by providing effective low-cost emergency lock-down systems for schools and other educational institutions; and
5. Marketing activities have been strengthened by the decentralisation of the marketing division so that dedicated Divisional marketing teams can concentrate on the nuances of their respective Division's markets.

By continuing to implement strategic initiatives as part of our 5-year Business Action Plan we have moved into the new financial year with confidence that we have made and continue to make the necessary adjustments to respond to local and global market conditions. Thus, positioning Inventis to take advantage of new growth opportunities and hence, a greater ability to deliver enhanced results to its customers and to you, our shareholders.

Divisional Performance ~ Technology

FY2010 ~ Year Under Review: With the transformation of the Technology businesses into a sales driven organisation, product innovation and diversification and operational efficiencies being achieved through further off shore outsourcing, the Division was able to partially offset the impact of the slow uptake of new product in the market.

The Technology Division was able to successfully broaden the application of the Safezone product into both occupational health and safety markets and also in the provision of a cost effective rail crossing solutions. Unfortunately, the level of infrastructure spending by Governments did not materialise as planned, which has resulted in a slower up take of the Safezone product. However, the Division was able to increase Impart Solutions' market share through the development of the "lock-down" system, which has been implemented primarily by the education sector, but is rapidly being sought out by other sectors.

The Technology Division's revenue of \$12.8 million for the year ended 30 June 2010 was 3% below budget and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for this period was \$2.4 million, which is comparable for the same period last year.

FY2011 Update: The Technology Division's primary strategy continues to be the diversification of the business through a mix of new products and solutions to reduce reliance on traditional OEM customers.

The Technology Division's considerable design and engineering component has been realigned more closely with customer needs. An example is the development of a system by converting current passive pedestrian signage to active wireless flashing lights (**PANDA**) with full back to base reporting and remote control functions.

The Division entered into a License Agreement with DNA Webnet, a digital signage and vending machine IP company to operate the national license for the digital signage business and the sales and marketing activities have been re-aligned to support this new business venture with revenue streams planned to commence in the second half of this financial year.

Opentec Solutions continues to be project driven and is by nature a cyclical business. To address this and provide regular revenue streams, it has secured the distributorship for a range on semi-rugged computing solutions to complement its existing product offering.

Technology Division year to date results to 31 October 2010, is a Revenue of \$4.0 million and an EBITDA of \$0.5 million.

For the Year ending 30 June 2011, Revenue is expected to exceed \$15 million with an EBITDA of \$2 million.

Divisional Performance ~ Furniture

FY2010 ~ Year Under Review: The past financial year has been demanding for both Australian and New Zealand operations of Gregory Commercial Furniture. Both branches responded aggressively to minimise the impact of the market downturn.

Overall performance for this sector was impacted by the weak economy and hit particularly hard by the down-turn in the commercial construction and fit-out. Consequently, the industry as a whole experienced significant contraction, but we on the other hand, were able to maintain or increase our position in the market relative to our competitors.

Furniture Division Revenue for the year ended 30 June 2010 was \$15 million. However, despite this being an 11% reduction on last year, the EBITDA was a loss of \$0.5 million, which included one-off relocation costs of \$0.5 million.

To achieve positive results going forward,

- The sales strategy has been overhauled and more emphasis is now placed on having direct access to the general commercial furniture market through a sales team with specialist staff pursuing opportunities in the Architect and Designer segments as well as Corporate furniture fit-outs, which were previously not a core focus of the business;
- The sales team actively pursues Preferred Supplier Agreements with our larger clients to strengthen our relationship; and
- We took control of our brand position by managing the channels to market; distributors are now fewer in number, but are a more exclusive club of committed loyal partners.

By doing this in both Australia and New Zealand, opportunities not previously available to us, were seized and as a consequence, significant NZ Government contracts such as the two main DHB contracts and Queensland Government have been won.

During FY 2010 we continued our product rationalisation to ensure that the range is more manageable and tightly structured. Our Furniture Division is now able to present a family of products that provides seating solutions to our customers as opposed to simply being a task chair offering. Outsourcing of product has also been rationalised and improvements to supply and costs have been achieved with room for even further benefits. In New Zealand, manufacturing operations have been reduced to those processes that remain cost-effective and the rest outsourced to specialist suppliers that provide more market competitive components. Alternate sources for systems furniture and storage have also been established.

The Gregory Commercial Furniture brand has a strong association with ergonomics and much of its brand value lies in this aspect of its seating. In order to maintain this competitive position, the research and development team has successfully gained patent pending status on several new seating technologies, which are being field tested, prior to release later this financial year. These new products will augment the well respected seating technologies that form the core of our furniture business and ensure Gregory's position as an ergonomic specialist for the next 10 to 15 years. Other areas of development cover specific products in order to fulfil the needs of a rapidly expanding health and aged care market.

During the year, good use was made of our association with Professor Terry Cunniffe by running ergonomic training seminars for both our key distributors and key user professionals such as Occupational Health and Safety Specialists and Therapists as well as Physiotherapists. In addition, Professor Cunniffe has also been contracted to perform ergonomic assessments for clients who wish to ensure healthy working conditions for their staff. This is an area that has good potential for growth.

The lease for the premises occupied by Gregory Commercial Furniture in Australia expired in December 2009 and this was seen as the right opportunity to consolidate the operations of Sydney and Melbourne into a single site in Sydney. The savings in doing this were both substantial and ongoing. Consequently, in December 2009 the operation in Wetherill Park, NSW was moved to premises in Pemulwuy, West of Sydney, that were large enough to also accommodate the Bayswater, Victoria operations as well. In March 2010 the consolidation was completed and the operation in Pemulwuy is now running smoothly. The fiscal benefits of this consolidation are expected to start bearing fruit in the current 2011 financial year.

Early in the 2011 financial year, Gregory Commercial Furniture New Zealand also took the opportunity of the lease expiry of its South Auckland premises to relocate to newer and better premises at the Airport Oaks, whilst being able to substantially reduce fixed costs. The move was completed at end of October 2010.

We have used a year of uncertain market conditions to strengthen the foundations and strategies of the business. As a result of these initiatives, the Commercial Furniture Division has emerged stronger and leaner and well positioned for future growth.

FY2011 Update: Furniture Division year to date results to 31 October 2010, is a Revenue of \$4.8 million and an EBITDA loss of \$0.2 million

For the Year ended 30 June 2011, Revenue is expected to be on target at \$19 million with an EBITDA of \$1.5 million

Inventis Corporate and Consolidated Financial Results

The Group's consolidated results reflected the economic climate with total Revenue of \$27 million being a 10% decrease over the previous financial year. However, it should be noted that gross margin increased by 4.4% largely as a result operational efficiencies such as labour utilisation. EBITDA was \$0.5 million from our continuing operations.

Overall, the Group recorded a loss for the period of \$1.9 million, which included one-off expenditure such as,

- The Furniture Division relocation expenses of \$0.5 million in Australia;
- Write back in deferred tax asset as per IFRS of \$0.6 million;
- Discontinued operations of Alpha Aviation of \$0.6 million; and
- Accelerated depreciation for leasehold improvements of \$0.1 million.

It should be noted that there was continuing reductions at all levels; with Corporate expenditure reduced by approximately \$0.5 million (or 22%), compared to the previous financial year. This is almost half what it was in 2008.

Despite a net loss being recorded, the Group was still able to reduce interest bearing liabilities by 22% or \$0.8 million over the previous financial year.

FY2011 Update: Inventis Limited year to date results to 31 October 2010, is a Revenue of \$8.8 million and an EBITDA loss of \$0.3 million.

For the Year ending 30 June 2011, Inventis Limited Revenue from its continuing operations is expected to be around \$34 million with an EBITDA of \$1.7 million, which is expected to yield a NPAT of \$1.3m.

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 through the continued implementation of the 5 year action plan and the re-aligning of that plan during the current financial year so as to address the ever changing economic environment. The Board is nonetheless continuing to explore all options to un-lock shareholder value. This includes,

- Restructuring one or both divisions so as to enable greater local control and ownership by that Division's staff and management;
- The sale of one or both divisions. Although, the Board has entertained a number of discussions in that regard with respect to both divisions, you may be assured that it will

only go down this path, if it firmly believes that the offer is both genuine and in the best interests of our stakeholders (shareholders, staff, customers, suppliers, etc); and

- The purchase or joint-venture of holdings that will add and enhance the overall value to our shareholders. We continue to be active in this area, but to date we have not come across a must-do opportunity, but we remain vigilant that a good opportunity will arise for the benefit of our stakeholders.

As you can see from our results and our plans, the Inventis Group is now a leaner, more competitive and efficient organisation with commitment to the principles of accountability, consistency and honesty to customers and shareholders.

Our continuing 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 the continuing implementation of our 5-year Business Action Plan to reposition our Company for success and profitability, our people continue to demonstrate they can and are willing to do what is 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 continue our journey to turn this Company around and make it the market leader it deserves to be.



Tony H Noun
Executive Chairman