
ANNOUNCEMENT TO THE ASX

Liquidation and Receivership of Alpha Aviation Limited (In Receivership & In Liquidation)

Sydney, 24 January 2008 ~ Inventis Limited (ASX: IVT)

On 22 January 2008 the Directors of Inventis requested a temporary halt of the Company's shares pending the provision of information on the financial implications of the appointment of a Liquidator to its wholly owned subsidiaries Alpha Aviation Limited, Alpha Aviation Manufacturing Limited and Alpha Aviation Marketing Limited.

On the same day the Bank of New Zealand Limited appointed a Receiver to the above three companies and may in due course appoint a Receiver to Alpha Aviation Design Limited, Alpha Aviation Property Limited, A & CL Properties Limited, Alpha Aviation Leasing Limited and Alpha Aviation Investments Limited all of which are wholly owned subsidiaries of Inventis Limited.

The action of placing these companies in Liquidation was taken by the Board of Inventis as a result of the failure of Alpha Aviation to meet its projected output of aircraft and the consequential impact that this has had on the funding requirements of Alpha Aviation.

Sales of Alpha aircraft have been very strong and at the time of the Liquidation and Receivership, Alpha Aviation had produced and sold 20 aircraft and had on hand confirmed orders for a further 16 aircraft and options for 14 aircraft.

Production of the Alpha aircraft has been the greatest challenge for Alpha Aviation and the objective has always been to change the production methods of the aircraft from a "one off" hand crafted aircraft into a "production line" aircraft that could be made in quantity, quickly and the same way every time.

Alpha Aviation had not yet achieved this aim for various reasons including the state of the drawings, tools and jigs acquired from the vendor of the aircraft.

In addition, the manufacturing model originally adopted by Alpha Aviation assumed that only painting and assembly would be carried out in-house and that all component manufacturing would be done by contract component manufacturers. This approach to manufacturing of the aircraft proved to be a significant issue for Alpha Aviation with speed of delivery, quality and cost of manufacture of the component parts and the aircraft becoming major issues.

Management at Alpha Aviation had developed solutions for these problems that would allow the Alpha aircraft to be manufactured as a production line aircraft and at a rate that would meet the output requirements of the production facility and at a cost that would lead to acceptable margins. However, in order to implement these solutions significant additional capital investment was required to implement a productivity improvement programme, increase stock holdings and provide for additional capital expenditure.

It was always intended by the Board of Inventis that the required capital for Alpha Aviation would be provided from:

- An Issue of 25 million shares expected to raise \$11.25 million (before costs); and
- A Strategic Investment Fund Grant (SIF) of \$3 million from the New Zealand Government.

The Company embarked on a two-stage capital raising programme on 16 May 2007, the first stage of which was completed with the issue of 10 million Shares at 45 cents per share to the Directors of Alpha Aviation and/or their Associates (most of whom are also Inventis Directors), raising \$4.5 million.

The remaining 15 million shares were offered to the public at 45 cents each pursuant to a Prospectus dated 16 May 2007. Despite extensive road shows by the management of Inventis and the manager of the issue Intersuisse Limited, only 4,603,109 shares were placed raising \$2,071,399.05 (after costs of the issue) and leaving a shortfall of approximately \$5 million.

On 10 August 2007 Alpha Aviation filed with agencies of the New Zealand Government an application for a SIF grant of \$3 million dollars. Alpha Aviation had been strongly encouraged by New Zealand Trade and Enterprise (NZTE) to make this application as it was anticipated that when Alpha Aviation reached full production capacity a further production facility would be built in Hamilton, New Zealand, to produce in Joint Venture with EADS Socata, the TB 20 aircraft:

- Export Revenues for New Zealand would reach \$95 million;
- There would be an increase in the New Zealand GDP by over \$35 million, during the construction phase;
- Net New Zealand household Income would increase by \$16 million;
- 438 extra direct and indirect jobs in New Zealand would be created; as well as
- Increasing the Employee Skill Base and Technological Capability of New Zealand.

These benefits to New Zealand were outlined in an economic study conducted by Dr Warren Hughes, Associate Professor of the University of Waikato.

Despite the fact that Alpha Aviation would provide many spill over benefits to the economy of New Zealand and met many of the criteria regarded as important economic strategies by the New Zealand Ministry of Economic Development¹, Alpha

¹ In March 2006 Cabinet of the New Zealand Government agreed that Economic Transformation would be one of the Government's three priorities for the next decade. This direction builds on the Government's Growth and Innovation Framework ("GIF"). GIF provided a framework for lifting New Zealand's innovation and economic performance. Economic Transformation continues the Government's long term commitment to improving income per capita through innovation and raising productivity in an environmentally sustainable way with the five themes of Economic Transformation being:

- Growing globally competitive firms;
- World class infrastructure;
- Innovative and productive workplaces;
- Auckland as an internationally competitive city; and
- Environmental sustainability

Aviation was unable to convince the agencies of the New Zealand Government to jointly fund with Inventis, the \$6 million productivity improvement programme.

Undeterred, the management of Inventis has made numerous presentations throughout 2007 and even in 2008 to Venture Capital funds and individuals both here and overseas, in an attempt to try and raise the required capital elsewhere. However severe contraction of venture capital markets and eventually share markets worldwide, has prevented Inventis from raising the required capital or securing a joint venture partner in Alpha Aviation.

The failure of Inventis to secure required funding which was critical to the success of Alpha Aviation led to the decision made by the Board of Inventis to place Alpha Aviation in Liquidation.

The effect of the Liquidation and Receivership of Alpha Aviation (assuming that the Bank of New Zealand places all Alpha Group companies in Receivership) on the:

- Revenue projections for 2008 and 2009; and
- Net tangible assets as at 30 June 2008,

of Inventis are estimated to be as follows:

| \$000 | Prospectus dated 16/5/2007 | AGM 21/11/2007 | Reforecast as at 24/1/2008 |
|--------------------------|-------------------------------|-------------------|-------------------------------|
| Year Ending 30 June 2008 | | | |
| Revenue | 62,213 | 53,834 | 47,999 |
| Net Profit after Tax | 754 | (423) | (21,854) |
| Net Tangible Assets | | | 12,526 |

Included in the estimated result for the year ended is a complete provision for the diminution of value of the loans and investment in Alpha Aviation of \$20.5 million.

| | | | |
|--------------------------|--------|--|--------|
| Year Ending 30 June 2009 | | | |
| Revenue | 81,166 | | 59,184 |
| Net Profit after Tax | 7,202 | | 5,445 |
| Net Tangible Assets | | | 17,971 |

As may be seen from the above table, the action taken by the Inventis Board while incurring a significant loss this year leaves the Company with two profitable entities, Commercial Furniture and Inventis Technology and the financial resources to maintain the development of these entities as outlined in the Prospectus.



Ian Winlaw
Chairman