



Inventis Limited  
2013 Annual Report



Inventis Limited  
ABN: 40 084 068 673

<b>Contents</b>	<b>Page</b>
Directors' Report (including Corporate Governance Statement and Remuneration Report)	4
Lead Auditor's Independence Declaration	24
Statement of Profit or Loss and Other Comprehensive Income	25
Statement of Changes in Equity	26
Statement of Financial Position	28
Statement of Cash Flows	29
Index to Notes to the Financial Statements	30
Notes to the Financial Statements	31
Directors' Declaration	66
Independent Auditor's Report	67
ASX Additional Information	70
Corporate Directory	72

<b>DIRECTORS REPORT</b>	Page
<b>Section 1</b>	
Directors	4
Company Secretary	5
Directors' Meetings	6
Directors' Interests	6
Corporate Governance Statement including Remuneration Report	6
<b>Section 2</b>	
Principal Activities	20
Financial Review	20
Financial Condition	20
Principal Businesses	21
Review of Operations and Activities	22
Significant Changes in the State of Affairs	22
Dividends	22
Events Subsequent to the Reporting Date	22
Indemnification and Insurance of Officers and Auditors	22
Non-Audit Services	23
Proceedings on Behalf of the Company	23
Lead Auditor's Independence Declaration	23
Rounding	23

## DIRECTORS' REPORT

The Directors present their report together with the financial report of the Group, being Inventis Limited ("the Company") and its subsidiaries ("Inventis"), for the financial year ended 30 June 2013 and the auditor's report thereon.

### SECTION 1:

#### 1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

**Tony Noun** MBA, FAIM, CFP, CIAM, A&CIPANZIP, Dip LI, AICD, JP  
**Executive Chairman (Part-time)**

Tony Noun has more than 25 years professional and commercial experience with a proven track record of success. Tony's commercial experience, from both an investor and manager perspective, enables him to bring extensive financial and corporate experience to lead the Board and Management of Inventis Limited.

Tony is also an active director for a number of national and international companies that cover a broad range of industries and professional disciplines including financial services, health care, hospitality, manufacturing as well as sales and marketing.

Directorships held in other listed entities in the last 3 years - NIL.

**Denis Pidcock** MBA, BEng  
**Independent Non-Executive Director**  
13 May 2008 – 8 February 2013 and 21 June 2013 – 9 July 2013

**Alternate Director**  
With effect 8 February 2013

Denis has extensive experience in both senior level executive management and non-executive directorship roles across a wide range of industry fields in private, public and government corporations as well as considerable international involvement in Europe, the United States and South East Asia.

With a background in marketing, project design, financial and administrative management, compliance management and management of domestic and international merger and acquisition transactions, Denis brings a wealth of experience to Inventis Limited.

Directorships held in other listed entities in the last 3 years – Mariner Corporation Limited (15 June 2009 - 9 November 2010).

**Charles Wright**  
**Independent Non-Executive Director**  
13 October 2008 – 21 June 2013

Charles has over 30 years experience as chairman and director of a number of private, not for profit and government organisations and has been instrumental in restructuring/re-establishing a positive platform for many organisations to enhance their future direction and create stakeholder value.

Currently, he is the Chairman of Sydney based advisory services firm, Wright Corporate Group. He is also a director of Interface Partners and Chairman of Legacy Australia.

Charles brings to the Company a range of contacts, knowledge and skills that open doors and provide opportunities for Inventis and its range of products as well as considerable experience in a number of disciplines, including corporate strategic direction and restructuring.

Directorships held in other listed entities in the last 3 years – NIL.

## **SECTION 1 (continued)**

### **1. DIRECTORS (continued)**

**Alfred Kobylanski** B.Bus, CPA, ACIS, ACSA, Tax Agent  
**Alternate Director**

Alfred has 34 years experience in finance and management within multi-national organisations in Australia and in the United Kingdom. This experience includes manufacturing, information technology and financial services in both emerging and established markets.

Alfred's background in finance, general management, corporate governance as well as his knowledge of manufacturing and service organisations adds to the substantive body of knowledge at the Board and Senior Management level.

Directorships held in other listed entities in the last 3 years – NIL.

**Peter Bobbin** B.Com, LL.B, M.Tax, CTA  
**Appointed Non Executive Director on 8 February 2013**

Peter has practised as a solicitor for the last 25 years and is also a former accountant who specialises in taxation strategy planning and commercial law. Clients that have employed his services range from personal businesses to multi national operations. Peter is a frequent guest speaker for a range of professional bodies and universities.

Peter has for the past 18 years been the managing principal of his legal practice which today employs almost 50 staff and is a subsidiary of an ASX listed public company. Peter is a director of the subsidiary company and holds a range of other directorships, including a role for a public charity.

Directorships held in other listed entities in the last 3 years – NIL.

**Anthony Mankarios** MBA, CFTP, FAICD  
**Appointed Non-executive Director on 9 July 2013**

An Executive Director of Joyce Corporation Limited, Anthony is an experienced director and manager who has played a key role in Joyce's underlying business growth performance since 2010. He is also a non-executive director of KWB Group Pty Ltd, which is a fast growing kitchen connection and wallspan business; and Chairman of Man Investments and Consultants as well as being involved in a number of other private companies.

Anthony was the CEO of Oldfields Holdings Ltd, who led them on their path to growth success from 2003 (until 2010), that enabled them to become a market leader in both Aluminium scaffold and paint applications. He also played a key role in the restructuring of this group and completed numerous finance and capital raising exercises.

His experience over the last 26 years spans a number of different sectors ranging from retail, wholesale and distribution, manufacturing as well as furniture retail / Importing and Franchise businesses in Australia and in Asia.

Directorships held in other listed entities in the last 3 years – Joyce Corporation Limited.

### **2. COMPANY SECRETARY**

**Renuka Sharma** Solicitor, ACIS, ACSA, ATI, JP  
**Company Secretary and In-house Counsel**

Renuka has over the last 12 years held positions as Assistant Company Secretary, Company Secretary and Assistant to the Director, Finance and Administration of a number of companies in India, Australia and the United Kingdom. Prior to this, she practised as an Advocate at Delhi High Court and the Supreme Court of India for 5 years.

Renuka brings to Inventis experience in corporate secretarial, legal and financial management as well as considerable experience in creating quality systems to ISO 9001 Standards.

## SECTION 1 (continued)

### 3. DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Board Meetings		External Auditor and the Board <sup>1</sup>	
	A	B	A	B
T Noun	12	12	2	2
D Pidcock	8	8	2	2
C Wright	12	12	2	2
P Bobbin	5	5	1	1

A – Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

<sup>1</sup> The external auditor met with the Board twice during the year together with management. With effect from 26 November 2008, following the restructure of the Board, the Board revoked the delegation of the Audit and Risk Management sub-committee as well as the Remuneration and Nomination sub-committee and undertook the tasks of these sub-committees itself.

### 4. DIRECTORS' INTERESTS

The relevant interest of each Director that held office during the year in the ordinary shares issued by Inventis Limited, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at 30 June 2013 is as follows:

Director	30 June 2012	Number of Ordinary Shares			30 June 2013
		Acquired	Sale / Transfer	Cancelled	
T Noun	12,401,500	9,846,000	800,000	-	21,447,500
A Kobylanski	6,400,000	6,300,000	-	-	12,700,000
P Bobbin	-	85,700,000	-	-	85,700,000

## 5. CORPORATE GOVERNANCE STATEMENT INCLUDING REMUNERATION REPORT

The Directors of Inventis Limited are committed to achieving the highest standard of corporate governance. Except where specified in this statement, the Company has adopted the ASX Guidelines on "Corporate Governance Principles and Recommendations – Second Edition".

The Company website has a dedicated section dealing with its corporate governance on which can be found its corporate governance charter and policies.

### 5.1 Board and Management

#### 5.1.1 Role of the Board

The role of the Board is to provide strategic guidance for Inventis and effective oversight of its Management.

The Board meets regularly to discharge its duties. The main functions of the Board as stated in the Company's Board Charter are:

- Setting Inventis' vision and deciding upon its business strategies and objectives;
- Appointing the leadership to put the strategies into effect;
- Monitoring the operational and financial position and performance of Inventis;

## **SECTION 1 (continued)**

### **5. CORPORATE GOVERNANCE STATEMENT (continued)**

#### **5.1 Board and Management (continued)**

##### **5.1.1 Role of the Board (continued)**

- Identifying the principal risks faced by Inventis and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;
- Ensuring that Inventis' financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- Ensuring that investors and the market are fully informed of all material developments, in a timely manner;
- Appointing, and where appropriate, removing the Chairman and the Managing Director, approving other key executive appointments and dismissals of those reporting to the Managing Director as well as planning for executive succession;
- Overseeing and evaluating the performance of the Chairman and the Managing Director and other senior executives in the context of Inventis' strategies and objectives;
- Approving budgets and business plans and monitoring the progress of major capital expenditures, capital management as well as acquisitions and divestures;
- Ensuring compliance with all relevant laws, government regulators and accounting standards; and
- Ensuring that the business of Inventis and its subsidiaries is conducted openly and ethically.

##### **5.1.2 Board's Delegation of Authority**

The Board has delegated the day to day functions of the business to be performed by the senior executives under the guidance of the Executive Chairman (Part-time).

The Board ensures that it receives monthly reports from each senior executive and updates from the Executive Chairman (Part-time) with regard to the delegated authority, as and when requested by the Directors.

##### **5.1.3 Evaluation of performance of the Senior Executives**

At the appointment stage, each senior executive is provided with their job description along with the appointment letter and key performance indicators are set for measuring their performance in the probation period as well for the year ahead.

The Remuneration and Nomination Committee has set up the performance of the Managing Directors and the Chief Financial Officer according to the business plans of their respective divisions and the achievement of the targets stated therein.

The respective Managing Directors and the Chief Financial Officer consult with the senior executives directly reporting to them and set the Key performance indicators (KPIs) for each of them.

In the financial year ended 30 June 2013, due to restructuring of the businesses, no performance reviews were conducted.

##### **5.1.4 Board and its performance**

###### **(a) Composition of the Board and Board Processes**

During the period and until the date of reporting, the Board comprised of an Executive Chairman (Part-time) and two non-executive directors.

Each director has the right to access all relevant company information and to the Company's executives and, subject to prior consultation with the Executive Chairman and after obtaining the approvals of the fee payable for the advice, may seek independent professional advice from a suitably qualified adviser

## **SECTION 1 (continued)**

### **5. CORPORATE GOVERNANCE STATEMENT (continued)**

#### **5.1 Board and Management (continued)**

##### **5.1.4 Board and its performance (continued)**

###### **(a) Composition of the Board and Board Processes (continued)**

at the Company's expense. A copy of the advice received by the Director is made available to all other members of the Board.

In case of conferring in the presence of the Executive Chairman, Mr Peter Bobbin has been appointed as a Lead director to ensure that in such discussions, the executive director does not influence the non-executive / Independent directors.

At the time of appointment of a director or a senior executive, such director or senior executive discloses all interests to the Board. The Board puts in place a plan for management in case of any conflicts of interests. All the directors and senior executives are then required to inform any change in their interests at every Board Meeting. This process assists the Board to determine the independence of a director. The Company has put in place processes to ensure timely disclosure to the market of any changes in a director's interest.

###### **(b) The Chairperson**

On 26 November 2008, the Board decided to change the structure of the Board to ensure the independence of the Board is maintained.

It was decided that for the time being the minimum number of directors comprise the Board.

The Independent non-executive directors appointed the then Managing Director Mr Tony Noun as the Chairperson. In fact Mr Noun is an Executive Chairman. The principle recommendations 2.2 and 2.3 are not adopted by the Company at this stage. The reason being Mr Tony Noun has been the Managing Director and has knowledge with regard to operations of each division of the Group and hence is competent to drive the Company into the right direction. Under the leadership of the Executive Chairman, each Division has a senior executive who heads that Division and reports to the Executive Chairman.

In addition, Mr Peter Bobbin has been appointed as a lead director to ensure the independence of the Board is maintained.

##### **5.1.5 Evaluation of the Performance of the Board**

Due to change in the composition of the Board, the Board will not be evaluating the performance of the Board.

#### **5.2 Audit and Risk Management Committee**

Since 26 November 2008, the Board has revoked the powers of its sub-committees and resolved that the Board as a whole will exercise the powers of Audit and Risk Management Committee.

The role of the Audit and Risk Management Committee is to provide advice and assistance to the Board to allow it to:

- Fulfil its audit, accounting and reporting obligations;
- Review the annual, half-year and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASB's), and assessing whether the financial information is adequate for shareholder needs;
- Assess corporate risk assessment processes;
- Assess whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;



## **SECTION 1 (continued)**

### **5. CORPORATE GOVERNANCE STATEMENT (continued)**

#### **5.2 Audit and Risk Management Committee (continued)**

- Provide advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- Assess the adequacy of the internal control framework and the Company's code of ethical standards;
- Organise, review and report on any special reviews or investigations deemed necessary by the Board;
- Assess potential fraud situations and ensure prompt and appropriate rectification of any deficiencies or breakdowns identified in systems;
- Monitor the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;
- Address any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions; and
- Review the performance of the external auditors on an annual basis.

#### **5.2.1 Oversight of the Risk Management System**

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented a Risk Management System for assessing, monitoring, and managing operational, financial reporting, and compliance risks for the Group. The Executive Chairman (Part-Time) and the Chief Financial Officer have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group, and material associates and joint ventures.

#### **5.2.2 Risk Profile**

The Audit and Risk Management Committee reports quarterly on the status of risks through integrated risk management programmes aimed at ensuring risks are identified, assessed, and appropriately managed. Each business operational unit is responsible and accountable for implementing and managing the standards required by the programmes.

Major risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

The Audit and Risk Management Committee has direct access to any employee, the external auditors or any other independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be carried out effectively.

#### **5.2.3 Risk Management, Compliance and Control**

The Group strives to ensure that its products are of the highest standard. Towards this aim it has undertaken a program to achieve AS/NZS ISO 9001:2008 accreditation for each of its business segments.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

The Board's policy on internal control is comprehensive and comprises the Company's internal compliance and control systems, including:

Operating unit controls – Operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals;

Functional speciality reporting – Key areas subject to regular reporting to the Board include Treasury Operations, Environmental, Legal and financial matters; and

## **SECTION 1 (continued)**

### **5. CORPORATE GOVERNANCE STATEMENT (continued)**

#### **5.2 Audit and Risk Management Committee (continued)**

##### **5.2.3 Risk Management, Compliance and Control (continued)**

Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority, and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
- Workplace health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed, monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly;
- Formal ethical standards appraisals are conducted for all employees to ensure that they are complying with the Company's Code of Ethics;
- A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- Environmental regulation compliance.

##### **5.3 Remuneration and Nomination Committee**

On 26 November 2008, the Board revoked the powers of its sub-committees and resolved that the Board as a whole will exercise the powers of Remuneration and Nomination Committee.

The role of the Remuneration and Nominations Committee is to provide recommendations to the Board on matters including:

- Appropriate remuneration policies and monitoring their implementation with respect to executives, senior managers, non-executive Directors and other key employees;
- Incentive schemes designed to enhance corporate and individual performance;
- Retention strategies for executives and senior management;
- Composition of the Board and competencies of Board members;
- Appointment and evaluation of the executive Directors and senior executives;
- Succession planning for Board members and senior executives; and
- Processes for the evaluation of the performance of the Managing Director and Directors.

Currently, the selection process screening for appointment of new directors is done by a third party and the Committee based on the Report of the third party including its recommendation to the Board.

##### **5.3.1 Principles used to determine the Nature and Amount of Remuneration**

The remuneration policy of the Group has been designed to align director and executive objectives with shareholders and business objectives by providing a fixed remuneration component and in many cases offering incentives based on key performance areas affecting the Group's financial results.

## **SECTION 1 (continued)**

### **5. CORPORATE GOVERNANCE STATEMENT (continued)**

#### **5.3 Remuneration and Nomination Committee (continued)**

##### **5.3.1 Principles used to determine the Nature and Amount of Remuneration (continued)**

The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives, and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

##### **5.3.2 Executive Directors and Senior Executives**

The remuneration policy, setting terms and conditions for the Executive Directors and other senior executives, was developed by the Remuneration and Nominations Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.

The Remuneration Committee reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries. Executives are offered a competitive base salary that comprises the fixed component of remuneration and rewards. Reference to external remuneration reports provides analysis to ensure base salary is set to reflect the market for a comparable role.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise at its discretion in relation to approving incentives and bonuses and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

In some parts of the Group commissions are paid. The commission is based upon individual and team pre-determined targets set by the Managing Director of the company concerned and are payable quarterly. Using a predetermined target ensures variable reward is only available when value has been created for Shareholders and when it is consistent with the business plan. The incentive pool is leveraged for performance above the threshold to provide an incentive for executives to out-perform.

##### **5.3.3 Non - Executive Directors**

The Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment, and responsibilities. The Executive Directors' determine remuneration of the Non-executive Directors and review it annually, based on market practice, duties, and accountability. Independent external advice is sought where required. Fees for Non-executive Directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group.

##### **5.3.4 Retirement Allowances**

No retirement allowances exist for Directors. The executives and executive directors employed on a full time basis receive a superannuation guarantee contribution as required by the Federal Government, which is currently 9.25%, but do not receive any other retirement benefits. Some individuals have however chosen to sacrifice part of their salary to increase payments towards superannuation.

## **SECTION 1 (continued)**

### **5. CORPORATE GOVERNANCE STATEMENT (continued)**

#### **5.4 Remuneration Report - audited**

The Remuneration Report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Additional disclosures

#### **A. Principles used to determine the nature and amount of remuneration**

The remuneration policy of the Group has been designed to align Director and executive objectives with shareholders and business objectives by providing a fixed remuneration component and offering incentive based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

#### **Directors' fees**

All remuneration paid to Directors is valued at the cost to the Group and expensed.

#### **Executive pay**

The executive pay and reward framework has three components:

- Base pay and benefits
- Short-term performance incentives
- Other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration. The Group approved its long-term equity linked performance incentives specifically for executives with effect from 1 July 2008.

#### **Base pay and benefits**

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. It includes Super Guarantee Charge at the rate prescribed by the Government from time to time.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. When required, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' contracts.

#### **Benefits**

Executives receive benefits including car allowances.

#### **Short-term performance incentives (STI)**

If the Group achieves a predetermined profit target set by the Board, a short-term incentive (STI) pool is available to executives during the annual review. Cash incentives (bonuses) are payable on 30 September each year. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The incentive pool is leveraged for performance above the threshold to provide an incentive for executives to out-perform.

The Group has a bonus incentive scheme for individual management employees. This is broadly based on the achievement of the Group profit objectives and the achievements of the individual KPIs.

**SECTION 1 (continued)**

**5. CORPORATE GOVERNANCE STATEMENT (continued)**

**5.4 Remuneration Report - audited (continued)**

**A. Principles used to determine the nature and amount of remuneration (continued)**

***Other remuneration such as superannuation***

The Directors and executives receive a superannuation guarantee contribution required by government, which is currently 9.25%, and do not receive any other retirement benefits. However, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

**Consequences of performance on shareholder wealth**

In considering the Group's performance and benefits for shareholder wealth, the Board considers the following indices in respect of the current financial year and the previous four financial years.

	2013	2012	2011	2010	2009
Net Profit / (loss) attributable to equity holders of the parent (\$)	2,947,658	(4,525,798)	(1,016,340)	(1,993,035)	3,005,451
Basic Earnings / (loss) per share	1.6c	(3.8)c	(1.0)c	(1.9)c	2.8c

Dividends, share price and return on capital are not considered in setting STI. The overall level of key management personnel's compensation takes into account the performance of the Group over a number of years.

**A. Details of remuneration**

**Amounts of remuneration**

Details of the remuneration of the Directors and the key management personnel of the Group are set out in the following tables.

The key management personnel of the Group include the Directors listed in the Directors Report and the following executive officers:

**Consolidated Entity:**

Steven Gilming – Managing Director, Gregory Commercial Furniture Pty Limited.

Andrew Skaltsounis – Managing Director, Inventis Technology Pty Limited

**Parent Entity:**

Alfred Kobylanski – Chief Financial Officer.

For the year ended 30 June 2013  
 INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 Directors' report  
**SECTION 1 (continued)**

**5.4 Remuneration Report - audited (continued)**  
**B. Details of remuneration (continued)**

		Short-term					Post-employment	Other long term	Termination Pay	Total including benefits	Proportion of remuneration performance related
		Salary & Fees	Other Benefits	Cash & Bonus	Non-monetary benefits	Total	Superannuation Benefits	Long service leave	Includes Unused Long Service Leave and unused Annual Leave		
<b>Company</b>											
<b>Non-Executive Directors</b>		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Mr. Peter Bobbin</b>	2013	7,334	-	-	-	7,334	1,315	-	-	8,649	-
	2012	-	-	-	-	-	-	-	-	-	-
<b>Mr. Denis Pidcock<sup>1</sup></b>	2013	37,122	-	-	-	37,122	5,790	-	-	42,912	-
	2012	11,364	-	-	-	11,364	1,023	-	-	12,387	-
<b>Mr. Charles Wright<sup>2</sup></b>	2013	60,222	-	-	-	60,222	-	-	-	60,222	-
	2012	49,584	10,000	-	-	59,584	-	-	-	59,584	-
<b>Executive Directors</b>											
<b>Mr. T Noun<sup>3</sup></b>	2013	185,260	-	-	-	185,260	20,282	-	-	205,542	-
	2012	113,749	-	-	-	113,749	14,329	-	-	128,078	-
<b>Other Key Management Personnel</b>											
<b>Mr. Alfred Kobylanski<sup>4</sup></b>	2013	134,235	-	-	-	134,235	24,999	-	-	159,234	-
Chief Financial Officer	2012	134,963	-	-	-	134,963	23,695	-	-	158,658	-

**SECTION 1 (continued)**

**5.4 Remuneration Report - audited (continued)**

**B. Details of remuneration (continued)**

		Short-term					Post-employment	Other long term	Termination Pay	Total including benefits	Proportion of remuneration performance related
		Salary & Fees	Other Benefits	Cash & Bonus	Non-monetary benefits	Total	Superannuation Benefits	Long service leave	Includes Unused Long Service Leave and unused Annual Leave		
<b>Consolidated Entity</b>											
<b>Key Management Personnel</b>											
<b>Mrs. R. Himmelberg</b>	<b>2013</b>	-	-	-	-	-	-	-	-	-	
General Manager - Technology Division (Resigned on 1 February 2012)	2012	105,692	-	-	8,423	114,115	9,202	-	68,209	191,526	
<b>Mr. C Wright</b>	<b>2013</b>	-	-	-	-	-	-	-	-	-	
Acting Managing Director - Technology Division (01/10/2011-30/06/2012)	2012	60,000	-	-	-	60,000	-	-	-	60,000	
<b>Mr Andrew Skaltsounis</b>	<b>2013</b>	<b>118,975</b>	<b>17,846</b>	-	-	<b>136,821</b>	<b>3,926</b>	-	-	<b>140,747</b>	
Managing Director with effect 1 August 2012 and Acting General Manager (1 Feb 2012 – 31 July 2012)	2012	48,464	7,754	-	-	56,217	4,362	-	-	60,579	
<b>Mr. S Gilming</b>	<b>2013</b>	<b>133,623</b>	<b>18,000</b>	-	-	<b>151,623</b>	<b>3,462</b>	-	-	<b>155,085</b>	
Chief Executive Officer - Furniture Division (Appointed on 21 March 2011)	2012	112,904	41,748	-	-	154,652	10,190	-	-	164,842	

Please Note:

<sup>1</sup>The Gross pay of Denis Pidcock includes remuneration owed to him for the year 2011-2012 of \$6,818.

<sup>2</sup>The Gross Fees of Charles Wright includes remuneration owed to him for the year 2011-2012 of \$ 15,588.

<sup>3</sup>The Gross Pay of Tony Noun includes remuneration owed to him for the year 2011-12 of \$31,850.

<sup>4</sup>The Gross Pay of Alfred Kobylanski includes remuneration owed to him for the year 2011-12 of \$4,423.

## **SECTION 1 (continued)**

### **5.4 Remuneration Report - audited (continued)**

#### **C. Service agreements**

It is the Group's policy that service contracts for key management personnel are unlimited in term but capable of termination on notice by either party. The Board has determined a notice period of three months for the Executive Chairman, the Chief Financial Officer and the Divisional Managing Directors.

The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contracts outline the components of compensation paid to the key management personnel but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Tony Noun is the Executive Chairman of the Group and receives remuneration in accordance with a contract of employment dated 1 January 2007, as amended from time to time.

Alfred Kobylanski is the Chief Financial Officer of the Group and receives remuneration in accordance with a contract of employment dated 1 October 2007, as amended from time to time.

Steven Gilming was the Managing Director of Gregory Commercial Furniture Pty Limited and received remuneration in accordance with a contract of employment dated 1 March 2011, as amended from time to time. Steven Gilming resigned on 13 June 2013 and both parties agreed to a shorter notice of period prior to him leaving the Group.

Andrew Skaltsounis is the Managing Director of Inventis Technology Pty Limited and receives remuneration in accordance with a contract of employment dated 1 August 2012, as amended from time to time.

#### **D. Additional disclosures**

##### **Directors' and Executive Officers' Compensation Parent Entity and Group**

Details of the nature and amount of each major element of compensation of each Director of the Parent Company and the Group, the Chief Financial Officer and relevant Group executives as other key management personnel are set out in the tables on pages 14 and 15.

##### **Non-Executive Directors**

Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2004 AGM, is not to exceed \$250,000 per annum and is set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies. Directors' base fees are presently set at \$48,000 per annum, with the Non-Executive Chairperson set at \$98,000 per annum. As the current Chairperson is an Executive Director he is not being paid this additional fee.

Non-Executive Directors do not receive performance related compensation. Directors' fees cover all main Board activities and membership of one committee. Currently there are no sub-committees to the Board.

In the event any non-executive director is required to do an executive role for a short period of time, a separate remuneration amount for the executive role is paid in addition to their director's remuneration.

##### **Options**

The Group has established an Employee Performance Option Plan (EPOP) to assist in the attraction, retention, and motivation of employees, senior executives and Executive Directors of the Group. The EPOP is not available to the Non-Executive Directors.

The EPOP is administered by the Board which may determine:

- Which executives and employees are eligible to participate;
- The criteria relevant to the selection of eligible executives and employees; and
- The ineligibility of an executive or employee to participate in the EPOP if in the Board's opinion participation by that executive or employee would constitute a breach of the rules of EPOP, or of the Company's Constitution, or of the ASX Listing Rules, or of any law of any jurisdictions.



## SECTION 1 (continued)

### 5.4 Remuneration Report - audited (continued)

#### D. Additional disclosures (continued)

A person eligible for participation in the EPOP means either a person who is an employee of the Company or any of its associated entities as an executive or an employee on a full time or part time basis and is declared by the Committee to be eligible to participate in the EPOP.

The EPOP was approved with effect from 1 July 2008. No options have been granted in the period since activation, as at the date of this Report.

### 5.5 Ethical standards and policies

#### 5.5.1 Code of Conduct and Ethics

All Directors, executives, and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the Code of Conduct and Ethics regularly and processes are in place to promote and communicate these policies.

The Code of Conduct and Ethics established by the Board deal with:

- maintaining appropriate legal and ethical standards in dealings with business associates, advisers and regulators, competitors, employees and any other stakeholders of Inventis;
- processes for the directors and senior executives to declare any conflict of interest when it arises and keeping the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist Directors to disclose potential conflicts of interest and Directors' must withdraw themselves from any discussion pertaining to any matter in which a Director has a material personal interest. Details of Director related entity transactions with the Company and the Group are set out in the Financial Statements;
- maintaining appropriate core Company values and objectives;
- processes on fulfilling responsibilities to shareholders by delivering shareholder value;
- ensuring the usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced;
- maintaining employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and donations;
- maintaining employee privacy by the appropriate use of privileged or confidential information;
- avoiding conflicts of interest;
- preventing Directors and senior executives from taking advantage of property, information or position for personal gain;
- maintaining confidentiality of corporate information;
- ensuring that the Company, Directors and all employees are fair in their dealings;
- ensuring compliance with laws; and
- establishing a basis for reporting of unethical behaviour.

## **SECTION 1 (continued)**

### **5.5 Ethical standards and policies (continued)**

#### **5.5.2 Share trading policy**

Directors and senior executives may acquire or dispose of shares in the Company, but are prohibited from dealing in Company shares:

- Except between 3 and 21 days after either the release of the Company's half-year and annual results to the Australian Securities Exchange ('ASX'), the Annual General Meeting or any other major announcement; and
- Whilst in possession of price sensitive information not yet released to the market.

Directors and senior executives are required to:

- Raise the awareness of legal prohibitions including transactions with colleagues and external advisers;
- Provide details of intended trading in the Company's shares;
- Provide subsequent confirmation of the trade;
- Advise of any unusual circumstances where discretions may have been exercised in cases such as financial hardship; and
- Comply with insider trading provisions of the Corporations Act 2001.

If an order has been placed during the trade window and it has not been completely fulfilled, the Board has authority to approve the amount of unfulfilled order to remain in the market after the trading window for such time period as the Board thinks fit.

At each Board meeting, the Chairperson advises the members present including the senior officers, with regard to the Share Trading Policy.

These requirements also apply to all senior officers of the Group.

#### **5.5.3 Environmental policy**

The Group is committed to achieving a high standard of environmental performance. Environmental performance is monitored by the Board and as part of this the Board:

- Sets and communicates the environmental objectives and targets of the Company;
- Monitors progress against these objectives and targets; and
- Implements environmental management plans in areas which may have a significant environmental impact.

Based on the results of enquiries made, the Board is not aware of any significant environmental issues for the period covered by this report.

#### **5.5.4 Equal Opportunity Policy:**

The Company has implemented an Equal Opportunity Policy, the main objectives of this policy are to:

- Ensure all employees are treated with fairness and respect;
- Ensure no employee is discriminated against because of gender or race;
- Ensure all employees have equal access to opportunities that are available at work for enhancement of one's skills and position;
- Promote merit in employment.

The Company is committed to diversity and the Company's objective has and continues to be: to seek, appoint and promote based on skill, experience and capability not gender race or any other criteria.

At one stage the Company had the following as women senior executives:

- Head of the Furniture Division;
- Head of the Technology Division;
- Company Secretary and In-house Counsel; and
- The Human Resources Manager.

## SECTION 1 (continued)

### 5.5 Ethical standards and policies (continued)

#### 5.5.4 Equal Opportunity Policy (continued)

As at 30 June 2013, the Company had the following female staff:

Company Name	Female Staff	Total Staff	Percentage
Corporate Division	1	7	14%
Furniture Division	21	62	34%
Technology Division	13	31	42%

Currently, the Board positions have been restricted to three by the Board and Shareholders. The Company Secretary and In-house Counsel is a female who attends all Board meetings.

### 5.6 Communication with shareholders

#### 5.6.1 Timely and continuous disclosure

##### (a) Policies and processes in place with regard to continuous disclosure

The Company has the following processes in place to ensure continuous disclosure in a timely manner:

Director Disclosure Agreements – The Company has entered into Director Disclosure Agreements as per the Guidance Note 26 of ASX Listing Rules. Each Director understands that in case of change of any interest, he/she has to inform the Company within 3 business days of such change;

Monthly Disclosure – At each monthly Board meeting, the Directors are individually asked of any change in their interests to ensure that if there has been a breach of not informing the Company in time of any change, it is rectified at this stage;

Continuous Disclosure Checklist – There is a continuous disclosure checklist process implemented in the Quality System of the Company under the Corporate Governance Procedure. This checklist is comprehensive and enables the executives to check whether any event or happening of any event is to be disclosed to the market or not at any particular moment of time.

Training – A new measure of provision of training has been introduced to ensure that all executives know their responsibilities with regard to confidentiality, timely disclosure, insider trading, trading policy and other relevant corporate governance matters.

##### (b) Shareholder communication

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure Policy operates as follows:

- The Executive Chairman, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX;
- All matters that are of a nature as to reasonably expect that they would affect the price of the Company's shares are advised to the ASX on the day they are discovered, and all senior executives must follow a 'Continuous Disclosure Discovery' process, which involves monitoring all areas of the Group's internal and external environment;
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it. The full Annual Financial Report is available to all shareholders should they request it;
- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;

**SECTION 1 (continued)**

**5.6 Communication with shareholders (continued)**

**(b) Shareholder communication (continued)**

- All announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- The external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website within one day of public release.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as separate resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the Remuneration Report, and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

**SECTION 2:**

**1. PRINCIPAL ACTIVITIES**

The principal activities of the Group during the course of the financial year were the manufacture and sale of commercial furniture, electronic controllers and computers.

**2. FINANCIAL REVIEW**

	2013	2012	2011	2010	2009
Net Profit / (loss) attributable to equity holders of the parent (\$)	2,947,658	(4,525,798)	(1,016,340)	(1,993,035)	3,005,451
Basic earnings / (loss) per share	1.6c	(3.8)c	(1.0)c	(1.9)c	2.8c
Dividends paid (\$)	-	-	-	-	-
Dividends per share	-	-	-	-	-

The amounts disclosed above for the years 2009-2012 have been extracted from financial statements, prepared under International Financial Reporting Standards (IFRS).

**3. FINANCIAL CONDITION**

**Capital structure**

As at the reporting date the number of shares on issue was 246,428,257 (2012: 157,364,368) and as of the date of filing this report the number of shares on issue were 283,392,487. At the reporting date the share capital of the Group stood at \$29,021,004 (2012: \$28,320,195) and net equity stood at \$3,593,094 (2012: \$315,613).

**Liquidity and funding**

As at the reporting date, cash and cash equivalents on hand of the Group stood at \$165,131 (2012: \$608,753).

Total current assets stood at \$8,165,260 (2012: \$10,293,753) and current liabilities stood at \$9,296,858 (2012: \$15,570,375) making the liquidity ratio 0.878 (2012: 0.66).

The Group has available to it \$6.8 million in funding of which \$3.3 million has been activated and as at the reporting date, \$2.5 million was unused.

## SECTION 2 (continued)

### 3. FINANCIAL CONDITION (continued)

#### Cash flows from operations

In the financial year net cash outflows of the Group from operating activities were (\$1,813,436) (2012: (\$857,385)).

Net cash inflows from investing activities during the financial year were \$609,000 (2012:\$802,711) of which \$26,000 was used (2012: \$56,792) for purchase of plant and equipment.

In the financial year there was a net decrease in cash and cash equivalents of (\$443,851) (2012: increase of \$385,533).

### 4. PRINCIPAL BUSINESSES

A commentary on the two operating divisions is set out below:

**Technology Division:** The Technology Division's revenue for the year was \$8.0m. This is a 17% improvement over the same period last year.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) for the year was a profit of \$0.8m as compared to \$0.05m for the same period last year. This turnaround in profitability is attributed to higher revenue, reduced costs as well as the benefits of the restructure which occurred during the last financial year.

The Technology Division's restructuring and streamlining program is almost complete. This will strengthen its position and ongoing performance.

Government expenditure in Australia has reduced and there is a general tightening of the market as well as a greater focus on imported product. To address this contraction and provide a competitive edge, we have enhanced our supply chain and formed partnerships with quality local and overseas suppliers to enter new markets.

It is also pleasing to note that our proprietary product offering is gaining greater acceptance in both Australian and overseas markets, particularly for SafeZone, as a low cost railway solution, and Emergency Alert Systems, for schools, industry, defence and other applications.

**Furniture Division:** The Furniture Division revenue for the year ended 30 June 2013 was \$12.4m as compared to \$14.7m for the previous financial year.

EBITDA is a loss of \$0.6m as compared to a loss of \$0.4m in the previous financial year. This result is attributable to a loss of AUD \$1.1m for the New Zealand component of the Furniture Division, which was also amplified by the adverse impact of the AUD / NZD exchange rate.

To address the poor performance of our New Zealand operations, the Board has implemented a substantial number of changes including but not limited to, a complete management restructure for both Australia and New Zealand, further streamlining of the business, enhancing procurement and working to improve service, support and sales. Additionally, the Board is exploring all other options to ensure the New Zealand Division's viability and long term success.

Overall, our Gregory Commercial Furniture Division is improving performance by continuing with its procurement strategy, product rationalisation and cost control measures, which have and will continue to improve bottom line results. This underlying growth and strengthening of the bottom line is underpinned by our ergonomic product strengths and capitalising on our major new European partnerships with the likes of Sedus to consolidate and strengthen our market position for a better and brighter future.

**Discontinued Operation - Aviation Division (Les Bleus Group):** On 3 July 2012, the Receivers of the Les Bleus Group of Companies, a wholly owned group, filed a notice at the New Zealand Companies House informing of the end of their Receivership. Responsibility for the three companies which had been in receivership and liquidation since 2008 was transferred to the Liquidators while the responsibility for the rest of the companies was returned to the Directors who authorised deregistration of these companies. These companies were deregistered, as a result the net impact is a profit on de-recognition of Les Bleus Group, recorded under the discontinued operations portions of the accompanying financial statements and notes.

## SECTION 2 (continued)

### 5. REVIEW OF OPERATIONS AND ACTIVITIES

#### Financial Review

The consolidated results for the financial year ended 30 June 2013 are:

\$'000	2013	2012
Sales Continuing Operations	20,517	21,597
(Loss) from Continuing Operations after tax	(2,092)	(4,048)
Profit / (loss) from Discontinued Operation after tax	5,040	(477)
Profit / (loss) after tax for the period	2,948	(4,525)

#### Segmented results

Segmental information for the year ended 30 June 2013 is:

Actuals \$'000	2013		2012	
	Sales	EBITDA	Sales	EBITDA
Furniture Division	12,440	(609)	14,717	(390)
Technology Division	8,056	814	6,874	35
Corporate Division	21	(1,356)	6	(1,272)
Total Continuing Operations	20,517	(1,151)	21,597	(1,627)
Discontinued Operations (Aviation Division)	-	-	-	(281)
	20,517	(1,151)	21,597	(1,908)

### 6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the year up to the date of this Report.

### 7. DIVIDENDS

No dividend has been declared or paid relating to the current year.

### 8. EVENTS SUBSEQUENT TO REPORTING DATE

The Company made a placement of shares under ASX Listing Rule 7.1 to third parties equivalent to 15% of the issued shares on 9 July 2013. The Share placement raised \$0.43m. The number of ordinary shares on issue as at the date of this Report is 283,392,487.

Other than this matter, there have been no material events subsequent to reporting date.

### 9. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Auditor is not indemnified.

#### Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of \$17,575 (2012: \$17,744) in respect of Directors' and Officers' liability insurance for current and former Directors and Officers of the Company. The insurance premiums relate to:

- Costs and expenses incurred by the relevant Officers in defending proceedings, whether civil or criminal and whatever their outcome; and

**SECTION 2 (continued)**

**9. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS (continued)**

**Insurance premiums (continued)**

Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual Officers of the Company.

**10. NON-AUDIT SERVICES**

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise the auditor independence requirement of the Corporation Act 2001. Details of amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services are disclosed below:

<i>(In thousands of AUD)</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Audit Services</b>			
<b>Auditors of the Company</b>			
KPMG Australia:			
Audit and review of financial reports		138,000	132,200
KPMG overseas:			
Audit and review of financial reports		15,000	13,800
		<u>153,000</u>	<u>146,000</u>
Other services		13,000	13,000
<b>Total Auditor's Remuneration</b>		<u>166,000</u>	<u>159,000</u>

**11. PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility for and on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.


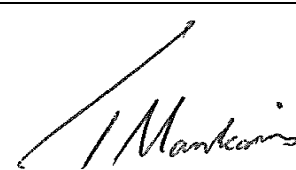
**12. LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The Lead Auditor's Independence Declaration is set out on page 24 and forms part of the Directors' Report for the financial year ended 30 June 2013.

**13. ROUNDING**

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors:

	
Tony Noun Executive Chairman	Anthony Mankarios Director

Dated at Sydney this 30<sup>th</sup> day of September 2013



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Inventis Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Malcolm Kafer  
*Partner*

Sydney

30 September 2013



INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013

<i>(In thousands of AUD)</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Continuing operations</b>			
Revenue		20,517	21,597
Cost of sales		(11,555)	(12,862)
<b>Gross Profit</b>		<b>8,962</b>	<b>8,735</b>
Other income		20	8
<b>Expenses</b>			
Manufacturing & operations		(3,146)	(2,844)
Engineering & quality assurance		(1,215)	(1,419)
Administration		(3,812)	(3,834)
Sales & marketing		(2,285)	(2,989)
<b>Results from operating activities</b>	<b>9</b>	<b>(1,476)</b>	<b>(2,343)</b>
Finance income		380	51
Finance expense		(477)	(351)
<b>Net finance expense</b>	<b>10</b>	<b>(97)</b>	<b>(300)</b>
<b>Loss before income tax</b>		<b>(1,573)</b>	<b>(2,643)</b>
Income tax expense	11	(519)	(1,405)
<b>Loss from continuing operations</b>		<b>(2,092)</b>	<b>(4,048)</b>
<b>Discontinued operation</b>			
Profit / (loss) from discontinued operation, net of income tax	7	5,040	(477)
<b>Profit / (loss) for the period</b>		<b>2,948</b>	<b>(4,525)</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences for foreign operations - continuing operations		(656)	52
Foreign currency translation differences for foreign operations - discontinued operations		242	(154)
<b>Other comprehensive income for the period, net of income tax</b>		<b>(414)</b>	<b>(102)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>2,534</b>	<b>(4,627)</b>
<b>Earnings / (loss) per share</b>			
Basic earnings / (loss) per share	24	1.6c	(3.8)c
Diluted earnings / (loss) per share	24	1.6c	(3.8)c
<b>Continuing operations</b>			
Basic loss per share	24	(1.1)c	(3.4)c
Diluted loss per share	24	(1.1)c	(3.4)c

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 JUNE 2013

Consolidated <i>(In thousands of AUD)</i>	Attributable to equity holders of the Company				
	Share capital	Revaluation reserve	Foreign currency retranslation	(Accumulated losses)	Total equity
Balance at 1 July 2011	27,673	404	(1,125)	(22,657)	4,295
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	-	(4,525)	(4,525)
<i>Other comprehensive income</i>					
Foreign currency translation differences for foreign operations - continuing operations	-	-	52	-	52
Foreign currency translation differences for foreign operations - discontinued operations	-	-	(154)	-	(154)
Total other comprehensive income	-	-	(102)	-	(102)
Total comprehensive income for the period	-	-	(102)	(4,525)	(4,627)
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Renounceable Share Offer	647	-	-	-	647
Total contributions by and distributions to owners	647	-	-	-	647
Total transactions with owners	647	-	-	-	647
<b>Balance at 30 June 2012</b>	<b>28,320</b>	<b>404</b>	<b>(1,227)</b>	<b>(27,182)</b>	<b>315</b>

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013

Consolidated (In thousands of AUD)	Attributable to equity holders of the Company				Total equity
	Share capital	Revaluation reserve	Foreign currency retranslation	(Accumulated losses)	
Balance at 1 July 2012	28,320	404	(1,227)	(27,182)	315
Reserve Transfer	-	(404)	-	404	-
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	2,948	2,948
<i>Other comprehensive income</i>					
Foreign currency translation differences for foreign operations - continuing operations	-	-	(656)	-	(656)
Foreign currency translation differences for foreign operations - discontinued operations	-	-	242	-	242
Total other comprehensive income	-	(404)	(414)	-	(414)
Total comprehensive income for the period	-	(404)	(414)	2,948	2,534
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Issue of ordinary shares	701	-	-	-	701
Other	-	-	-	43	43
Total contributions by and distributions to owners	701	-	-	43	744
Total transactions with owners	701	-	-	43	744
<b>Balance at 30 June 2013</b>	<b>29,021</b>	<b>-</b>	<b>(1,641)</b>	<b>(24,191)</b>	<b>3,593</b>

The notes on pages 31 to 65 are an integral part of these consolidated financial statements.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2013

<i>(In thousands of AUD)</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Assets</b>			
Cash and cash equivalents	12	165	609
Trade and other receivables	13	4,233	5,004
Inventories	14	3,744	3,672
Prepayments		23	83
Assets classified as held for sale	8	-	926
<b>Total current assets</b>		<b>8,165</b>	<b>10,294</b>
<b>Non-current assets</b>			
Property, plant and equipment	17	616	820
Other financial assets	15	44	35
Deferred tax assets	16(ii)	-	523
Intangible assets	18	4,151	4,296
<b>Total non-current assets</b>		<b>4,811</b>	<b>5,674</b>
<b>Total assets</b>		<b>12,976</b>	<b>15,968</b>
<b>Liabilities</b>			
Trade and other payables	19	4,760	5,373
Interest-bearing liabilities	20	3,311	3,263
Employee benefits	22	1,226	1,843
Liabilities classified as held for sale	8	-	5,091
<b>Total current liabilities</b>		<b>9,297</b>	<b>15,570</b>
<b>Non-current liabilities</b>			
Employee benefits	22	86	83
<b>Total non-current liabilities</b>		<b>86</b>	<b>83</b>
<b>Total liabilities</b>		<b>9,383</b>	<b>15,653</b>
<b>Net assets</b>		<b>3,593</b>	<b>315</b>
<b>Equity</b>			
Share capital	23	29,021	28,320
Reserves	23	(1,641)	(823)
Accumulated losses		(23,787)	(27,182)
<b>Total equity</b>		<b>3,593</b>	<b>315</b>

The notes on pages 31 to 65 are an integral part of these consolidated financial statements

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2013

<i>(In thousands of AUD)</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		23,946	26,052
Payments to suppliers and employees		(25,309)	(26,626)
Cash generated from operations		(1,363)	(574)
Interest received		5	12
Interest paid		(456)	(295)
<b>Net cash (used in) /from operating activities</b>	32	(1,814)	(857)
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(26)	(57)
Proceeds from sale of fixed assets and assets held for sale		635	860
<b>Net cash from investing activities</b>		609	803
<b>Cash flows from financing activities</b>			
Proceeds from rights offer		713	641
Proceeds from borrowings		1,056	1,230
Repayment of borrowings		(1,008)	(1,431)
<b>Net cash from financing activities</b>		761	440
<b>Net (decrease) / increase in cash and cash equivalents</b>		(444)	386
Cash and cash equivalents at 1 July		609	223
<b>Cash and cash equivalents at 30 June</b>	12	165	609

The notes on pages 31 to 65 are an integral part of these consolidated financial statements

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
INDEX TO NOTES TO THE FINANCIAL STATEMENTS

**Contents**

Note 1	Reporting entity .....	31
Note 2	Basis of preparation .....	31
Note 3	Significant accounting policies .....	33
Note 4	Determination of fair values.....	41
Note 5	Financial risk management .....	43
Note 6	Segment reporting.....	44
Note 7	Discontinued operation.....	47
Note 8	Assets and liabilities held for sale.....	47
Note 9	Expenses .....	47
Note 10	Finance Income And Finance Expenses Recognised In Profit Or Loss .....	48
Note 11	Income Tax Expense.....	48
Note 12	Cash And Cash Equivalents.....	49
Note 13	Trade And Other Receivables .....	49
Note 14	Inventories.....	49
Note 15	Other Financial Assets .....	50
Note 16	Tax Assets And Liabilities .....	50
Note 17	Property, Plant And Equipment .....	51
Note 18	Intangible Assets.....	52
Note 19	Trade And Other Payables.....	54
Note 20	Interest Bearing Liabilities .....	54
Note 21	Operating Leases .....	55
Note 22	Employee Benefits .....	55
Note 23	Capital And Reserves.....	55
Note 24	Earnings/(Loss) Per Share .....	56
Note 25	Financial Instruments .....	57
Note 26	Capital And Other Commitments.....	61
Note 27	Related Parties.....	61
Note 28	Group Entities.....	63
Note 29	Parent Entity Disclosures .....	64
Note 30	Subsequent Events .....	65
Note 31	Auditor's Remuneration.....	65
Note 32	Reconciliation of (Loss) After Income Tax To Net Cash (Outflow) / Inflow From Operating Activities .....	65

# INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1 REPORTING ENTITY

Inventis Limited (the “Company”) is a company domiciled in Australia and incorporated in Australia. The current address of the Company’s registered office is Unit 4, 199 Parramatta Road Auburn NSW 2144. The Financial Statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group is a “for profit” entity and a manufacturer of products and services including ergonomic office furniture, electronic control systems and ruggedised computing products (see Note 6 – Segment Reporting).

On 28 April 2006, the Company acquired 100% of the issued share capital of Inventis Technology Pty Limited (formerly known as PNE Electronics Pty Limited, hereinafter referred to as ‘Inventis Technology’) and its wholly owned subsidiaries and consideration was paid by way of exchange of shares in the Company, in exchange for all of PNE shares.

Under Australian Accounting Standards, this transaction was accounted for as a business combination. In applying the requirements of AASB 3 “Business Combinations” to the Group:

- Inventis Limited is the legal parent entity of the Group and presents consolidated financial information; and
- Inventis Technology, which is neither the legal parent nor legal acquirer, is deemed to be the accounting parent of the Group.

The consolidated financial information incorporates the assets and liabilities of all entities deemed to be acquired by Inventis Technology, including the Company, and the results of these entities for the period from which those entities are accounted for as being acquired by Inventis Technology.

#### Issued capital

Issued capital is shown on the basis that the acquisition of Inventis Technology at 28 April 2006 by the Company was accounted for as a reverse acquisition. Issued share capital comprises of the share capital of Inventis Technology prior to the reverse acquisition, the share capital deemed to be issued as a result of the acquisition, and the share capital issued by the Company to outside shareholders after the date of the acquisition, net of costs relating to capital raising activities.

The actual number of shares on issue as disclosed in Note 23 is that of the Company.

### NOTE 2 BASIS OF PREPARATION

#### (a) Statement of compliance

The Financial Report has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act, 2001. The Financial Statements were authorised for issue by the Board of Directors on 30 September 2013.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Land and buildings are measured at fair value

The methods used to measure fair values are discussed further in Note 4.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

# INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 2 BASIS OF PREPARATION (continued)

#### (d) Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

- Note 16(ii) and (iii) – Tax assets and liabilities
- Note 18 – Intangible assets

#### (e) Going concern

The financial report has been prepared on the going concern basis of accounting, which assumes, the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2013, the Group recorded a loss of \$2.1m from continuing operations, which included an impairment expense of \$0.5m in deferred tax assets. The Group also incurred net cash outflows from operating activities of \$1.8m for the year ended 30 June 2013. As at 30 June 2013, the Group's current liabilities exceeded its current assets by \$1.1m.

In relation to the Directors' assessment of the ability of the Group to continue as a going concern, and therefore, the basis of preparation of this financial report, the directors have considered the following:

- The Directors have reviewed the cash flow forecasts for the Group and believe that there will be sufficient cash inflows and facilities available to enable the Group to fund its operations for at least 12 months from the date these financial statements have been approved;
- Management have forecast to generate a profit and positive cash flows from continuing operations for the year ended 30 June 2014 and for the year ended 30 June 2015 and the Directors believe this will be the case;
- Management has restructured the Group's businesses, which has lowered its cost base for FY 2014 and future years. Included in 2013 expenses are costs associated with the restructure;
- The Group has a strong pipeline of sales;
- The Directors are confident of raising sufficient new financing to enable the Group to pay its debts as and when they become due and payable through either a Capital Raising or through other financial arrangements. The Group intends undertaking a Capital Raising by means of a convertible preference shares issue (CPS Issue) to existing shareholders. This CPS issue is expected to raise approximately \$2.8m. Further, debtor finance facilities available to the Group remains at AUD 4.0m and NZD 1.0m, which is available subject to achieving sales. The facility is drawn to \$1.56m at the date of this report, and is in compliance with the facility terms. In addition, a new loan facility from related parties has been executed subsequent to the year.

The Directors have concluded that it is appropriate to prepare the financial report on a going concern basis, as they are confident the Group will be able to pay its debts as and when they become due and payable through positive cash flows from continuing operations and new equity funds from the CPS Issue. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.



# INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies set out have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### (a) Basis of consolidation

##### i. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Inventis Limited ("Company" or "Parent Entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Inventis Limited and its subsidiaries together are referred to in these Financial Statements as the Group or the Consolidated Entity.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

##### ii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### iii. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

##### *Acquisitions on or after 1 July 2009*

For acquisitions on or after 1 July 2009, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

##### *Acquisitions between 1 July 2004 and 1 July 2009*

For acquisitions between 1 July 2004 and 1 July 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

#### (b) Les Bleus –basis of accounting

On 3 July 2012, the Receivers of the Les Bleus Group of Companies, a wholly owned group, which had been in receivership since 2008, filed a notice at the New Zealand Companies House informing the end of their Receivership. Responsibility for the three companies which were in receivership and liquidation was transferred to the Liquidators while responsibility for the rest of the companies was returned to the Directors.

These companies were deregistered during the year ended 30 June 2013. As a result, their carrying values have been de-recognised from the statement of financial position and recognised through profit from discontinued operations for the year ended 30 June 2013. For the comparative period, all assets and liabilities relating to those companies were classified as current and all assets were written down to their estimated realisable values, a basis other than the going concern basis.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Foreign currency**

**i. Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**ii. Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the translation reserve in equity.

**(d) Financial instruments**

**i. Non-derivative financial instruments**

The Group initially recognises trade and other receivables at the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables, and other financial assets. Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in Note 3(o).

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Financial instruments (continued)**

**ii. Non-derivative financial liabilities**

All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise interest bearing liabilities and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

**iii. Share capital**

**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**Dividends**

Dividends are recognised as a liability in the period in which they are declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

**(e) Property, plant and equipment**

**i. Recognition and measurement**

Up until the comparative reporting date, land and buildings were recognised at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation was eliminated against the gross carrying amount of the asset and the net amount was restated to the revalued amount of the asset. All other property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised through profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

**ii. Revaluation of property**

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to the revaluation reserve in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in the profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to profit or loss.

**iii. Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Property, plant and equipment (continued)**

**iv. Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis, for assets acquired after 2008 and diminishing value prior to 2008, over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation Rates calculated under the straight line method (unless otherwise stated) for the current and comparative periods are as follows:

Leasehold improvements 2.5%

Plant and equipment 9% -50%

Furniture and fittings 11.25% -40%

Motor vehicles 22.5%

Leased plant and equipment 20% -33%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(f) Intangible assets**

**i. Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(ii).

**Subsequent measurement**

Goodwill is measured at cost less accumulated impairment losses.

**ii. Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs (see note 3(e)(i)). Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

**iii. Intellectual property, customer relationships, patents and trademarks**

Intellectual property, customer relationships and brands have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over their estimated useful lives, which vary from 2 to 6 years.

The Group, on the acquisition of Opentec Solutions Pty Limited, Impart Special Products Pty Limited, Damba Furniture Pty Limited and the restructure of Gregory Commercial Furniture Pty Limited, undertook purchase price allocations and valuation of each company's intangible assets at the date of acquisition or restructure. As a result the Group has determined various amortisation lives of intellectual property, customer relationships and brand names associated with the acquisition of these companies.

The amortisation lives used in the Financial Statements are:

**Impart Special Products Pty Limited**

Intellectual Property 5 years

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Intangible assets (continued)**

**iii. Intellectual property, customer relationships, patents and trademarks (continued)**

Customer relationships 5 years

**Damba Furniture Pty Limited**

Customer relationships 5 years

Brand Name 5 years

**iv. Other intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

**v. Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**vi. Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

**(g) Leases**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's Statement of Financial Position. Costs incurred under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

**(h) Inventories**

Raw materials and stores, work in progress and finished goods are measured at the lower of cost and net realisable value. Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(i) Impairment**

**i. Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

**Loans and receivables**

The Group considers evidence of impairment for trade and other receivables and other financial assets at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Impairment (continued)**

**i. Non-derivative financial assets (continued)**

**Loans and receivables (continued)**

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**ii. Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(j) Non-current assets and liabilities held for sale**

Non-current assets and liabilities or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Employee benefits**

**i. Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**ii. Long service leave**

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the reporting date. Consideration is given to expected future salaries and wage levels, experience of employee departures and periods of service.

Expected future payments are discounted using national government bond rates at reporting date with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

**iii. Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of reporting date are recognised in respect of employees' services rendered up to reporting date and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for wages and salaries are included as part of other payables and liabilities for annual leave are included as part of employee benefits provision.

**iv. Bonus plans**

The Group recognises an expense and a liability for bonuses when the entity is contractually obliged to make such payments or where there is past practice that has created a constructive obligation.

**v. Employee performance option plan**

The Group has an Employee Performance Option Plan ("EPOP") available to assist in the attraction, retention, and motivation of employees, senior executives and Executive Directors of the Group. The EPOP is not available to the Non-Executive Directors of the Group. This plan has been approved with effect from 1 July 2008. No options have been granted to date.

**(l) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(m) Revenue**

A sale is recorded when the goods have been delivered to the customer which is when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, and amounts collected on behalf of third parties.

Revenue from services rendered is recognised in the profit or loss once the service has been rendered.

**(n) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Finance income and finance expenses**

Finance income comprises interest income on funds invested and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognised on financial assets, and foreign currency losses that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**(p) Income tax**

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

**Tax consolidation**

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group with effect from 29 April 2006. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Inventis Limited.

**(q) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.



INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(r) Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (refer Note 3(j)), if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

**(s) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

**(t) Segment reporting**

The Group comprises the following main business segments:

- Furniture Division. The design, manufacture and sale of a range of commercial furniture, which includes office chairs, tables, lounges, and workstations.
- Technology Division. The design and manufacture of custom control and market ready electronic systems, mobile computing solutions and emergency vehicle control systems.
- Other operations discontinued during the 2008 financial year include the design, manufacture and sale of two-seater aircraft.

A corporate head office function provides the Group with finance, human resources and IT services, however this corporate function does not satisfy the requirements for disclosures as a reportable segment.

Information regarding the operations of each reportable segment is included in Note 6. Performance is measured based on segment profit before income tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of each segment. Inter-segment pricing is determined on an arm's length basis.

**(u) Presentation of financial statements**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.

The key changes made to accounting requirements which may be relevant to Inventis Limited, include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

# INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) Presentation of financial statements (continued)

The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Inventis Limited has already been presenting information about financial instruments in Note 1 (d) accounting policies applied on Financial Instruments, Note 5 Financial Risk Management and Note 25 Financial Instruments.

AASB 10: Consolidated Financial Statements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Company has not yet determined the impact of AASB 10 on Inventis Limited's financial statements for the financial year 2014.

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value. The Company has not yet determined the impact of AASB 13 on Inventis Limited's financial statements for future periods.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- for an offer that may be withdrawn – when the employee accepts;
- for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- where the termination is associated with a restructuring of activities under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Company has not yet determined the impact of AASB 13 on Inventis Limited's financial statements for future periods.

### NOTE 4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

#### i. Land and buildings

The fair value of land and buildings is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, and willingly.

#### ii. Intangible assets

The fair value of Identifiable Intangibles are based on the criteria set out in Note 18.

# INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 4 DETERMINATION OF FAIR VALUES (continued)

#### iii. Inventories

The fair value of inventories is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

#### iv. Trade and other receivables

These amounts represent liabilities for goods and services provided by the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### v. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

### NOTE 5 FINANCIAL RISK MANAGEMENT

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- currency risk
- interest rate risk

This Note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

The Group does not require collateral in respect of trade and other receivables.

The Group holds Credit Risk insurance to limit the exposure to any customer and provide protection against bad debts.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of

# INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 5 FINANCIAL RISK MANAGEMENT (continued)

#### Credit risk (continued)

losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains sufficient cash, and the availability of funding through an adequate amount of committed credit facilities including invoice financing facilities totalling \$4.7m of which \$4.7m has been activated and as at the reporting date \$2.3m, was used. The Group also has access to short term loan funding from a related party (refer Note 27(iii)).

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group does not have a significant exposure to equity price risk.

The Group does not enter into derivatives. All market risk transactions are carried out within guidelines set by the Board.

#### Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), but also the New Zealand dollar (NZD) and US dollar (USD). The currencies in which these transactions primarily are denominated are AUD and NZD.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's Technology Division both purchases and sells internationally in USD. International sales and purchases are operated through USD bank accounts. This provides a limited natural hedge against foreign exchange risk. The Group's Furniture Division operates in the New Zealand market and thus has exposure to foreign exchange risk.

#### Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in short-term receivables and payables are not exposed to interest rate risk.

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

#### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as the result from operating activities divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor the Group are subject to externally imposed capital requirements.

### NOTE 6 SEGMENT REPORTING

The Group comprises the following main business segments:

- Furniture Division. The design, manufacture and sale of a range of commercial furniture, which includes office chairs, tables, lounges, and workstations.
- Technology Division. The design and manufacture of custom control and market ready electronic systems, mobile computing solutions and emergency vehicle control systems.
- Other operations discontinued during the 2008 financial year include the design, manufacture and sale of two-seater aircraft.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 6 SEGMENT REPORTING (continued)**

A corporate head office function provides the Group with finance, human resources and IT services, however this corporate function does not satisfy the requirements for disclosures as a reportable segment.

Information regarding the operations of each reportable segment is included below. Performance is measured based on segment profit before income tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of each segment. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

<i>(In thousands of AUD)</i>	Furniture Division		Technology Division		Aviation Division (discontinued)		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Total revenue	12,458	14,941	8,056	6,874	-	-	20,514	21,815
Inter-segment revenue	(18)	(224)	-	-	-	-	(18)	(224)
Total external revenue	12,440	14,717	8,056	6,874	-	-	20,496	21,591
Interest revenue	5	7	-	-	-	-	5	7
Interest expense	241	170	177	151	-	197	418	518
Depreciation and amortisation	93	231	185	459	-	-	278	690
Capital expenditure	9	46	17	10	-	-	26	56
Reportable segment (loss) /profit before income tax	(1,612)	(1,501)	225	(1,486)	5,040	(477)	3,653	(3,464)
Other material non-cash items:								
Related party loan impairment	238	104	-	248	-	-	238	352
Reportable segment assets	7,192	10,130	6,112	7,926	-	51	13,304	18,107
Reportable segment liabilities	(7,341)	(8,231)	(1,786)	(2,749)	-	(5,091)	(9,127)	(16,071)

Other items 2013

<i>(In thousands of AUD)</i>	Reportable segment totals	Corporate / Eliminations	Consolidated totals
Interest revenue	(5)	-	(5)
Interest expense	418	38	456
Capital expenditure	26	-	26
Depreciation and amortisation	278	42	320
Intercompany loan impairment	238	(238)	-

Other items 2012

<i>(In thousands of AUD)</i>	Reportable segment totals	Corporate / Eliminations	Consolidated totals
Interest revenue	(7)	(5)	(12)
Interest expense	518	18	536
Capital Expenditure	56	1	57
Depreciation and amortisation	690	34	724
Related Party loan impairment	352	(352)	-

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 6 SEGMENT REPORTING (continued)**

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

<i>(In thousands of AUD)</i>	2013	2012
<b>Revenues</b>		
Total revenue for reportable segments	20,514	21,815
Elimination of inter-segment revenue	(18)	(224)
Corporate Revenues	21	6
Consolidated revenue from continuing operations	<u>20,517</u>	<u>21,597</u>
<b>Profit or loss</b>		
Total profit / (loss) for reportable segments	3,653	(3,464)
Elimination of inter-segment profits/(loss)	-	(17)
Elimination of discontinued operations	(5,040)	477
Elimination of related party loan impairment	238	352
Unallocated amounts: other corporate expenses	(424)	9
Consolidated loss before income tax from continuing operations	<u>(1,573)</u>	<u>(2,643)</u>
<b>Assets</b>		
Total assets for reportable segments	13,304	18,107
Eliminations and other corporate assets	(328)	(2,139)
Consolidated total assets	<u>12,976</u>	<u>15,968</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	(9,127)	(16,071)
Eliminations and other corporate liabilities	(256)	418
Consolidated total liabilities	<u>(9,383)</u>	<u>(15,653)</u>

**Geographical segments**

The Group operates in two geographical areas being Australia and New Zealand.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

**Geographical information**

<i>(In thousands of AUD)</i>	2013		2012	
	Revenues	Non-current assets	Revenues	Non-current assets
Australia	17,580	4,694	17,643	5,513
New Zealand	2,937	117	4,172	161
Total	<u>20,517</u>	<u>4,811</u>	<u>21,815</u>	<u>5,674</u>

**Les Bleus Group (formerly "Alpha Aviation")**

Company Name	Status
Les Bleus Limited	Deregistered
Les Bleus Manufacturing Limited	Deregistered
Les Bleus Marketing Limited	Deregistered
Les Bleus Investments Limited	Deregistered
Les Bleus Property Limited	Deregistered
Les Bleus Leasing Limited	Deregistered
Les Bleus Design Limited	Deregistered
A&CL Properties (2005) Limited	Deregistered

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 7 DISCONTINUED OPERATION**

Les Bleus Group (formerly "Alpha Aviation")

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
<b>Results of discontinued operations</b>		
Revenue	-	-
Other revenue	-	80
Expenses	-	43
Profit on the disposal of assets	-	(404)
Profit on de-recognition	5,040	-
<b>Results from operating activities</b>	<b>5,040</b>	<b>(281)</b>
Finance income	-	-
Finance expense	-	(196)
<b>Net finance costs</b>	<b>-</b>	<b>(196)</b>
Income tax expense	-	-
<b>Results from operating activities, net of income tax</b>	<b>5,040</b>	<b>(477)</b>
<b>Profit / (loss) for the period</b>	<b>5,040</b>	<b>(477)</b>
Basic earnings / (loss) per share	2.6c	(0.3)c
Diluted earnings / (loss) per share	2.6c	(0.3)c
<b>Cash flows used in discontinued operations</b>		
Net cash used in operating activities	-	(33)
Net cash from investing activities	-	858
Net cash used in financing activities	-	(780)
Net cash used in discontinued operations	-	45

**NOTE 8 ASSETS AND LIABILITIES HELD FOR SALE**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
<b>Assets classified as held for sale</b>		
Cash and cash equivalents - (Les Bleus Group)	-	51
Land and buildings	-	875
	-	926
<b>Liabilities classified as held for sale</b>		
Trade and other payables - (Les Bleus Group)	-	2,801
Loans and borrowings - (Les Bleus Group)	-	2,290
	-	5,091

**NOTE 9 EXPENSES**

**(i) Personnel expenses**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
Wages and salaries	5,520	6,000
Other associated personnel expenses	944	987
Contributions to defined contribution plans	492	529
Increase / (decrease) in liability for annual leave	356	(36)
Increase / (decrease)/Increase in liability for long-service leave	143	(233)
Termination benefits	-	281
	<b>7,455</b>	<b>7,528</b>

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 9 EXPENSES (continued)**

**(ii) Profit / (loss) includes the following specific expenses**

<i>(In thousands of AUD)</i>	2013	2012
Depreciation	178	387
Amortisation	145	337
Research & development	954	1,422
Rental expense on operating leases: minimum lease payment	1,199	1,192
Impairment of financial assets	20	22
Net (loss)/profit on disposal of assets held for sale (continuing operations)	(219)	(17)
Net profit / (loss) on disposal of non-current assets (discontinued operations)	-	(404)

**NOTE 10 FINANCE INCOME AND FINANCE EXPENSES RECOGNISED IN PROFIT OR LOSS**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
Interest income on bank deposits	5	11
Net foreign exchange gain	375	40
<b>Finance income</b>	<b>380</b>	<b>51</b>
Interest expense on financial liabilities measured at amortised cost	(456)	(339)
Net foreign exchange loss	(21)	(12)
<b>Finance expense</b>	<b>(477)</b>	<b>(351)</b>
<b>Net finance expense</b>	<b>(97)</b>	<b>(300)</b>

**NOTE 11 INCOME TAX EXPENSE**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
<b>Current tax expense</b>		
Current period	-	-
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	-	598
Tax losses and temporary differences derecognised for prior years	(519)	(2,003)
<b>Income tax expense</b>	<b>(519)</b>	<b>(1,405)</b>

**Numerical reconciliation between tax (benefit)/expense and pre-tax net (loss)/profit**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
Total income tax expense		
Loss from continuing operations excluding income tax	(1,573)	(2,643)
Profit / (loss) from discontinued operations excluding income tax	5,040	(477)
Profit / (loss) excluding income tax	<b>3,467</b>	<b>(3,120)</b>
Income tax using the Company's domestic tax rate of 30%	1,040	(936)
Foreign jurisdictions losses not recognised	336	471
Non-deductible expenses / non-taxable income	(1,380)	(133)
Derecognition of tax losses and temporary differences for prior periods	523	2,003
<b>Tax expense</b>	<b>519</b>	<b>1,405</b>



INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 11 INCOME TAX EXPENSE (continued)**

**Income tax recognised directly in equity**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
Income tax on income and expense recognised directly in equity	-	-
Total income tax recognised directly in equity	-	-

**NOTE 12 CASH AND CASH EQUIVALENTS**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
Bank balances	165	609
Cash and cash equivalents in the statement of cash flows	165	609

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25.

**NOTE 13 TRADE AND OTHER RECEIVABLES**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
<i>Current</i>		
Trade receivables	4,105	4,909
Provision for impairment loss	(72)	(57)
Other receivables	200	152
	4,233	5,004

**Bad and Doubtful Trade Receivables**

The Group maintains trade receivables insurance which has an excess of \$5,000 per claim and the provision for impairment loss is discussed at Note 25 which includes specific impairment provisions for bad and doubtful debt.

**Other Receivables**

Other receivables amounts primarily comprise GST recoverable and certain balances generally arising from transactions outside the usual operating activities of the Group. Interest and /or security are not normally obtained.

**Effective interest rates and credit risk**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 25.

**Other receivables are non interest-bearing.**

Receivables denominated in currencies other than the functional currency comprise \$471,894 of trade receivables denominated in NZ Dollars (2012: \$1,049,932) and \$10,396 of trade receivables denominated in US Dollars (2012: \$51,113).

**NOTE 14 INVENTORIES**

<i>(In thousands of AUD)</i>	2013	2012
Raw materials and consumables	2,939	3,082
Work in progress	165	196
Finished goods	637	397
Stock in transit	3	(3)
Inventories stated at lower of cost and net realisable value	3,744	3,672

In the 2013 financial year raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to \$11,119,807 (2012: \$12,273,041). An increase in the provision for impairment of \$109,425 (2012: 345,930) has been recognised in relation to certain obsolete inventories.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 15 OTHER FINANCIAL ASSETS**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
<b>Non-current</b>		
Rental deposits	39	32
Other investments	5	3
	<u>44</u>	<u>35</u>

**NOTE 16 TAX ASSETS AND LIABILITIES**

**i. Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
NZ tax losses – GCF(NZ)	1,866	1,524
Tax losses – Australian entities	1,462	1,281
Temporary differences	581	689
	<u>3,909</u>	<u>3,494</u>

The deductible tax losses and temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

**ii. Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

<b>Consolidated</b> <i>(In thousands of AUD)</i>	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Tax losses	-	523	-	-	-	523
Net tax assets	<u>-</u>	<u>523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523</u>

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 17 PROPERTY, PLANT AND EQUIPMENT**

*(In thousands of AUD)*

	2013					2012				
	Leasehold improvements	Plant and equipment	Fixtures and fittings	Motor vehicles	Total	Leasehold improvements	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	Cost	Cost	Cost	Cost		Cost	Cost	Cost	Cost	
Balance at 1 July	32	583	160	45	820	175	750	179	89	1,193
Additions	-	16	-	-	16	3	47	6	1	57
Depreciation for the year	(18)	(115)	(39)	(6)	(178)	(146)	(212)	(25)	(3)	(386)
Disposals	-	(42)	-	-	(42)	-	(2)	-	(42)	(44)
<b>Balance at 30 June</b>	<b>14</b>	<b>442</b>	<b>121</b>	<b>39</b>	<b>616</b>	<b>32</b>	<b>583</b>	<b>160</b>	<b>45</b>	<b>820</b>
<i>At 30 June</i>										
Cost or fair value	71	2,691	511	92	3,365	310	2,734	508	91	3,643
Accumulated depreciation	(58)	(2,249)	(389)	(53)	(2,749)	(278)	(2,151)	(348)	(46)	(2,823)
Carrying amount	13	442	122	39	616	32	583	160	45	820
<b>Carrying amounts</b>										
At beginning of financial year	32	583	160	45	820	175	750	179	89	1,193
At end of financial year	13	442	122	39	616	32	583	160	45	820

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 18 INTANGIBLE ASSETS**

	2013						2012					
	Goodwill	Patents and trademarks	Intellectual Property	Customer Relationships	Development costs	Total	Goodwill	Patents and trademarks	Intellectual Property	Customer Relationships	Development costs	Total
<i>(In thousands of AUD)</i>												
Balance at 1 July	3,061	71	-	132	1,032	4,296	3,061	201	19	148	1,204	4,633
Capitalisation of Project expenses	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation for the year	-	-	-	-	(145)	(145)	-	(130)	(19)	(16)	(172)	(337)
<b>Balance at 30 June</b>	<b>3,061</b>	<b>71</b>	<b>-</b>	<b>132</b>	<b>887</b>	<b>4,151</b>	<b>3,061</b>	<b>71</b>	<b>-</b>	<b>132</b>	<b>1,032</b>	<b>4,296</b>
<i>At 30 June 2013</i>												
Cost	3,137	1,775	-	1,087	1,585	7,584	15,197	1,773	1,051	1,087	1,586	20,694
Accumulated amortisation and impairment	(76)	(1,704)	-	(955)	(698)	(3,433)	(12,136)	(1,702)	(1,051)	(955)	(554)	(16,398)
Carrying amount	<b>3,061</b>	<b>71</b>	<b>-</b>	<b>132</b>	<b>887</b>	<b>4,151</b>	<b>3,061</b>	<b>71</b>	<b>-</b>	<b>132</b>	<b>1,032</b>	<b>4,296</b>
<b>Carrying amounts</b>												
At beginning of financial year	3,061	71	-	132	1,032	4,296	3,061	201	19	148	1,204	4,633
At end of financial year	3,061	71	-	132	887	4,151	3,061	71	-	132	1,032	4,296

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**18. Intangible assets (continued)**  
**Amortisation and impairment charge**

The amortisation is allocated as an expense to Administration expense.

Any impairment loss is recognised through profit or loss and is allocated to Administration expenses for continuing operations.

**Valuation of identifiable intangibles at acquisition (at fair value)**

- Customer Relationships – This was valued on a discounted cash flow basis, taking into account future revenues and likely “churn” rates in customer turnover. The discount rate was based on a weighted average cost of capital for the Company;
- Intellectual Property – This was based on a discounted cash flow of future notional royalties. The royalty was assessed by reference to other comparable transactions and the discount rate takes into account risks and benefits associated with the Intellectual Property;
- Patents and Trademarks – These were also based on a notional royalty basis and were discounted using a weighted average cost of capital for the Company.

**Impairment testing for cash-generating units containing goodwill**

For the purpose of impairment testing, goodwill is allocated to the Group’s operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group’s operating segments reported in Note 6.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

<i>(In thousands of AUD)</i>	<b>2013</b>	<b>2012</b>
Gregory Commercial Furniture Pty Limited	2,565	2,565
Impart Special Products Pty Limited	496	496
	<b>3,061</b>	<b>3,061</b>

For the following entities, the recoverable amount of the cash generating unit of each business was based on its value in use:-

- Gregory Commercial Furniture Pty Limited (“GCFAu”)
- Impart Special Products Pty Limited (“Impart”)

No impairment losses were incurred in the current or prior years.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

**2013 Value in use assumptions:**

Cash flows were projected based on the Management approved forecasts for the financial year ending 30 June 2014 and 30 June 2015 cash flows for further 3 year period to 30 June 2018 were extrapolated using a constant growth rate.

	<b>Gregory Commercial Furniture Pty Limited</b>	<b>Impart Special Products Pty Limited</b>
Revenue growth in approved forecast for year ended 30 June 2014	20.8%	9.2%
Revenue growth in approved forecasts for year ended 30 June 2015	10.0%	0.0%
Annual revenue growth per annum 2016 – 2020	3.0%	1.7%
Inflation per annum	3.0%	3.0%
Price growth per annum	6.6%	3.3%
Cost growth per annum	3.0%	3.0%
Pre-tax discount rate	12.9%	13.8%

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**18. Intangible assets (continued)**

**2012 Value in use assumptions:**

Cash flows were projected based on the Management approved forecast for the financial year ending 30 June 2013 and 30 June 2014 cash flows for further 4 year period to 30 June 2018 were extrapolated using a constant growth rate.

	<b>Gregory Commercial Furniture Pty Limited</b>	<b>Impart Special Products Pty Limited</b>
Revenue growth in approved forecast for the year ended 30 June 2013	20.7%	(47.0)%
Revenue growth in approved forecast for the year ended 30 June 2014	12.0%	5.0%
Annual revenue growth per annum 2015 – 2018	3.0%-3.5%	2.9%-3.5%
Inflation per annum	3.0%	3.0%
Price growth per annum	4.7%	2.2%-3.3%
Cost growth per annum	3.0%	3.0%
Pre-tax discount rate	15.04%	15.04%

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

Management has performed sensitivity analysis of the value in use impairment models. Assuming other inputs remain constant, the minimum annual growth rates in revenue required over the period 2014-2018 are 4.4% for GCFAu and 3% for Impart at which the intangible assets and other assets are not impaired.

**NOTE 19 TRADE AND OTHER PAYABLES**

<i>(In thousands of AUD)</i>	<b>2013</b>	<b>2012</b>
Trade payables	3,174	3,512
Other trade payables	312	419
GST Payable	392	599
Non-trade payables and accrued expenses	882	843
	<b>4,760</b>	<b>5,373</b>

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 25.

**NOTE 20 INTEREST BEARING LIABILITIES**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 25.

<i>(In thousands of AUD)</i>	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
<b>Current liabilities</b>		
Mortgage loan (secured)	-	600
Loan from related party (Note 27(iii))	1,056	-
Debtors finance facility	2,255	2,663
	<b>3,311</b>	<b>3,263</b>

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 20 INTEREST BEARING LIABILITIES (continued)**

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

Consolidated				2013		2012	
(In thousands of AUD)	Currency	Interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Unsecured Loan	NZD	9.46%-10.24%	2014	1,056	1,056	-	-
Secured Loan	AUD		2014	-	-	600	600
Debtors financing facility	NZD	10.95%	2014	342	342	507	507
Debtors financing facility	AUD	9.46%-10.24%	2014	1,913	1,913	2,156	2,156

The secured loan for the comparative period was secured by a mortgage over the Group's land and buildings.

**NOTE 21 OPERATING LEASES**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

(In thousands of AUD)	2013	2012
Within one year	1,410	1,154
Later than one year but not later than five years	2,195	2,418
	<u>3,605</u>	<u>3,572</u>

The Group leases a number of warehouse, factory facilities and offices under operating leases. The leases run for a period of between 2 and 5 years, with varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Some leases have an option to renew the lease after the expiry date. Lease payments are increased every year to reflect market rent.

During the year ended 30 June 2013 \$1,198,856 (2012: \$1,193,024) was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases.

**NOTE 22 EMPLOYEE BENEFITS**

(In thousands of AUD)	Consolidated	
	2013	2012
<b>Current</b>		
Liability for annual leave	417	675
Liability for long service leave	235	231
Other employee benefits	574	937
Total employee benefits - current	<u>1,226</u>	<u>1,843</u>
<b>Non-current</b>		
Liability for long service leave	86	83
Total employee benefits - non-current	<u>86</u>	<u>83</u>

**NOTE 23 CAPITAL AND RESERVES**

**Share capital**

(In thousands of AUD)	Consolidated	
	2013	2012
On issue at beginning of the year	157,364,368	103,983,735
On issue at the end of the year - fully paid	246,428,257	157,364,368

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 23 CAPITAL AND RESERVES (Continued)**

No share options have been issued.

**Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

**Revaluation reserve**

The revaluation reserve at 30 June 2012 related to the revaluation of property.

**Dividends**

No dividends were recognised in the current year by the Group.

**Dividend franking account**

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$1,539,556 (2012: \$1,539,556) franking credits.

The 30 per cent franking credits are available to shareholders of Inventis Limited for subsequent financial years.

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) Franking credits that will arise from the payment of the current tax liabilities;
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- (d) Franking credits that the entity may be prevented from distributing in subsequent years.

**NOTE 24 EARNINGS/(LOSS) PER SHARE**

**Basic (loss)/earnings per share**

The calculation of basic earnings/(loss) per share at 30 June 2013 was based on the earnings attributable to ordinary shareholders of \$2,947,658 (2012: loss \$4,525,798) and a weighted average number of ordinary shares outstanding of 178,716,621 (2012: 119,735,397). The calculation of basic loss per share for continuing operations at 30 June 2013 was based on the losses attributable to ordinary shareholders for continuing operations of \$2,092,567 (2012: losses of \$4,048,447).

**Weighted average number of ordinary shares**

	Consolidated	
	2013	2012
Issued ordinary shares at beginning of the period	157,364,368	103,983,735
Weighted average number of ordinary shares at the end of the period	178,716,621	119,735,397

**Diluted earnings per share**

The calculation of diluted earnings per share at 30 June 2013 was based on the earnings attributable to ordinary shareholders of \$2,947,658 (2012: \$4,525,798) and a weighted average number of ordinary shares outstanding of 178,716,621 (2012: 119,735,397). The calculation of diluted loss per share for continuing operations at 30 June 2013 was based on the losses attributable to ordinary shareholders for continuing operations of \$2,092,567 (2012: losses of \$4,048,477).

**Profit / (loss) attributable to ordinary shareholders (diluted)**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
Net profit/(loss) attributable to ordinary shareholders (basic)	2,948	(4,525)
Net profit/(loss) attributable to ordinary shareholders (diluted)	2,948	(4,525)



INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**Profit / (loss) attributable to ordinary shareholders – continuing operations (diluted)**

<i>(In thousands of AUD)</i>	Consolidated	
	2013	2012
Net loss from continuing operations attributable to ordinary shareholders (basic)	(2,092)	(4,048)
Net loss from continuing operations attributable to ordinary shareholders (diluted)	(2,092)	(4,048)

**Weighted average number of ordinary shares (diluted)**

	Consolidated	
	2013	2012
Weighted average number of ordinary shares (basic)	178,716,621	119,735,397
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	178,716,621	119,735,397

There were no options outstanding which have a diluted effect on the weighted average number of ordinary shares.

**NOTE 25 FINANCIAL INSTRUMENTS**

**Exposure to Credit Risk**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date was:

<i>(In thousands of AUD)</i>	Note	Consolidated	
		2013	2012
Cash and cash equivalents	12	165	609
Trade and other receivables	13	4,233	5,004
		4,398	5,613

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

<i>(In thousands of AUD)</i>	Note	Consolidated	
		2013	2012
Australia		3,633	3,860
New Zealand		472	1,049
Other		-	-
	13	4,105	4,909

The Group's maximum exposure to credit risk for trade receivables at the reporting date by customer type was:

<i>(In thousands of AUD)</i>	Note	Consolidated	
		2013	2012
End user customer		2,052	2,762
Distributors		515	195
Government		1,538	1,952
	13	4,105	4,909

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 25 FINANCIAL INSTRUMENTS (continued)**

**Impairment Losses**

The Group's receivable aging at the reporting date was as follows:

<b>Consolidated (In thousands of AUD)</b>	<b>Gross 2013</b>	<b>Impairment 2013</b>	<b>Gross 2012</b>	<b>Impairment 2012</b>
Current	2,115	-	2,882	-
Past due 30 days	1,659	-	1,280	-
Past due 60 days	173	-	572	-
Past due 90 days and over	158	72	175	57
	<b>4,105</b>	<b>72</b>	<b>4,909</b>	<b>57</b>

The movement in the allowance for impairment in respect of trade receivables in the consolidated group during the year was as follows:

<b>(In thousands of AUD)</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
Balance 1 July		57	40
Impairment loss recognised		15	17
Balance at 30 June		<b>72</b>	<b>57</b>

The impairment loss provision of \$71,802 (2012: \$57,362) has been determined after specific review of all outstanding amounts greater than 90 days taking into account any likely debtors insurance claims.

The Group believes that no further impairment allowance is necessary in respect of trade receivables than that already identified and provided for.

**Currency risk**

**Exposure to currency risk**

The Group's exposure to foreign currency risk at reporting date was as follows, based upon notional amounts:

<b>(In thousands of AUD)</b>	<b>Note</b>	<b>Consolidated</b>	
		<b>\$NZD</b>	<b>\$USD</b>
<b>30 June 2013</b>			
Trade receivables		560	10
Trade payables		(556)	(614)
<b>Net exposure</b>		<b>4</b>	<b>(604)</b>
Estimated forecast sales		5,299	150
Estimated forecast purchases		(1,208)	(6,604)
<b>Gross Exposure</b>		<b>4,095</b>	<b>(7,058)</b>
<b>30 June 2012</b>			
Trade receivables		1,050	56
Trade payables		(772)	(482)
<b>Net exposure</b>		<b>278</b>	<b>(426)</b>
Estimated forecast sales		6,923	150
Estimated forecast purchases		(2,146)	(3,870)
<b>Gross Exposure</b>		<b>5,055</b>	<b>(4,146)</b>

The following significant rates applied during the year:

	<b>Average rate</b>		<b>Reporting date spot rate</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
NZD 1.00 = AUD	0.8010	0.7794	0.8424	0.7830
USD 1.00 = AUD	0.9749	0.9694	1.0782	0.9813

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 25 FINANCIAL INSTRUMENTS (continued)**

**Sensitivity Analysis**

A 10 percent strengthening of the Australian dollar against the New Zealand dollar at 30 June would have increased/ (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

Consolidated (In thousands of AUD)	30-Jun-13		30-Jun-12	
	Equity	Profit or loss	Equity	Profit or loss
NZD	(1,281)	902	1,184	(157)

A 10 percent weakening of the Australian dollar against the New Zealand dollar as at 30 June would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

**Interest rate risk**

**Profile**

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

(In thousands of AUD)	Note	Consolidated Carrying Amount 2013	2012
<b>Fixed rate instruments</b>			
<i>Financial assets</i>			
Cash and cash equivalents	12	165	609
		165	609
<i>Financial liabilities</i>			
Loan from related party		(1,056)	-
		(1,056)	-
		(891)	609
<b>Variable rate instruments</b>			
<i>Financial liabilities</i>			
Debtors financing facility		(2,255)	(2,663)
Secured Loan		-	(600)
		(2,255)	(3,263)

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through the profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would not have increased or decreased the Group's equity.

**Cash flow sensitivity analysis for variable rate instruments.**

A change of 100 basis points on the interest rates charged would have increased / (decreased) the profit and loss by the amounts shown below which is also the net cash flow effect. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

(In thousands of AUD)	Note	Consolidated Profit and Loss	
		Increase 100bp \$	Decrease 100bp \$
<b>30 June 2013</b>			
Variable rate instruments		(46)	46
<b>30 June 2012</b>			
Variable rate instruments		(24)	24

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

25. Financial instruments (continued)

Effective interest rates and repricing analysis

In respect of interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, re-priced.

Consolidated <i>(In thousands of AUD)</i>	2013							2012						
	Average interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Average interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Variable rate instruments</b>														
Secured Loans		-	-	-	-	-	-	12.28%	600	600	-	-	-	-
Debtors financing facility	10.23%	2,255	2,255	-	-	-	-	10.40%	2,663	2,663	-	-	-	-
Loan from related party	9.85%	1,056	1,056	-	-	-	-		-	-	-	-	-	-
Carrying amount		3,311	3,311	-	-	-	-		3,263	3,263	-	-	-	-

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

25. Financial instruments (continued)

Effective interest rates and repricing analysis

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated (In thousands of AUD)	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	4,233	4,233	5,004	5,004
Cash and cash equivalents	165	165	609	609
Secured loans	-	-	(600)	(600)
Debtors financing facility	(2,255)	(2,255)	(2,663)	(2,663)
Trade and other payables	(4,760)	(4,760)	(5,373)	(5,373)

Estimation of fair values

The methods used in determining fair values of financial instruments are disclosed in Note 4.

Interest rates used for determining fair value

The interest rates used to discount eliminated cash flows, where applicable, are based on the government yield curve at 30 June 2013 plus an adequate constant credit spread, and are as follows:

	2013	2012
Loans and borrowings	9.46%-10.24%	7.72%-13.01%

NOTE 26 CAPITAL AND OTHER COMMITMENTS

(In thousands of AUD)	Note	Consolidated	
		2013	2012
Capital expenditure commitments within twelve months		-	-

NOTE 27 RELATED PARTIES

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors	Executive Directors
Charles Wright (Up to 21 June 2013)	Tony Noun
Denis Pidcock (Up to 8 February 2013)	Alfred Kobylanski (Alternate Director)
Peter Bobbin (From 8 February 2013)	

Executives	
Alfred Kobylanski (Chief Financial Officer)	Renuka Sharma (Company Secretary)
Steven Gilming (Managing Director) Furniture Division	Andrew Skaltsounis (Managing Director) Technology Division

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 27 RELATED PARTIES (continued)**

**i. Key management personnel compensation**

The key management personnel compensation included in 'personnel expenses' (see Note 9(i)) is as follows:

<i>(In thousands of AUD)</i>	<i>Note</i>	<b>2013</b>	<b>2012</b>
Short term employee benefits		424,173	919,469
Other long term benefits		-	-
Post-employment benefits		52,386	116,345
Termination benefits		-	68,209
Share-based payments		-	-
		<b>476,559</b>	<b>1,104,023</b>

**ii. Individual directors and executives compensation disclosures**

Information regarding individual directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' report on pages 12 to 17.

The Company paid interest of \$42,327 (2012: \$NIL) to an entity associated with Tony Noun.

The Company at the time of entering into the initial contract of employment with Tony Noun, acknowledged that he has considerable involvement in the management of other businesses including, but not limited to, the following companies: THN, Cancer Care Associates, Riverina Cancer Care Centre and Northern Cancer Institute; and gave its consent for the use of IVT premises as the registered office for the aforesaid and other related entities, as well as the accommodation of Tony Noun's personal staff, which may be employed by any of the aforesaid entities.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

**iii. Loans from key management personnel and their related parties**

The amount of loan outstanding from an entity associated with Tony Noun as at the reporting date is \$1,056,000 (including interest (2012:\$NIL)).

**iv. Other key management personnel transactions**

The Company paid rent of \$NIL (2012: \$123,418) to entities associated with Mr David Richards and Mrs Robyn Himmelberg for land and buildings in relation to the Sydney operations of the Technology Division.

From time to time, key management personnel of the Group, its subsidiaries or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

**v. Other related party transactions**

At 30 June 2012, the Group owed REN Nominees Pty Limited \$600,000 in respect of a mortgage loan. The loan was fully repaid during the year.

**vi. Movements in shares**

The movement during the reporting period in the number of ordinary shares in Inventis Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	<b>Held at 1 July 2012</b>	<b>Holding at the date of appointment</b>	<b>Purchases</b>	<b>Sales / transfers</b>	<b>Held at 30 June 2013</b>
<b>Directors</b>					
Tony Noun	12,401,500	-	9,846,000	(800,000)	21,447,500
Peter Bobbin	-	85,700,000	-	-	85,700,000
<b>Executives</b>					
Alfred Kobylanski	6,400,000	-	6,300,000	-	12,700,000

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Held at 1 July 2011	Purchases	Sales / transfers	Held at 30 June 2012
<b>Directors</b>				
Tony Noun	4,961,875	7,439,625	-	12,401,500
<b>Executives</b>				
Alfred Kobylanski	3,150,000	3,250,000	-	6,400,000

Changes in shares held by key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue:

	Held at 1 July 2013	Purchases	Sales / transfers	Held at 18 September 2013
<b>Directors</b>				
Tony Noun	21,447,500	-	-	21,447,500
Peter Bobbin	85,700,000	-	-	85,700,000
Anthony Mankarios	-	18,482,115	-	18,482,115
<b>Executives</b>				
Alfred Kobylanski	12,700,000	-	-	12,700,000

**NOTE 28 GROUP ENTITIES**

**Significant subsidiaries**

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Parent Entity	Significant Subsidiaries	Country of Entity	% Interest	
			2013	2012
Inventis Limited	Gregory Commercial Furniture Pty Limited	Australia	100	100
	Inventis Technology Pty Limited (formerly PNE Electronics Pty Limited)	Australia	100	100
	Opentec Solutions Pty Limited	Australia	100	100
	Vibe Furniture Pty Limited	Australia	100	100
	Inventis (NZ) Limited	New Zealand	100	100
Inventis Technology Pty Limited (formerly PNE Electronics Pty Limited)	Impart Special Products Pty Limited	Australia	100	100
	Unattended Retail Media Pty Limited	Australia	100	100
Gregory Commercial Furniture Pty Limited	Damba Furniture Pty Limited	Australia	100	100
	Inservis Pty Limited	Australia	-	33
Inventis (NZ) Limited	Gregory Commercial Furniture (NZ) Limited	New Zealand	100	100
	Les Bleus Limited (In receivership and in liquidation and formerly called Alpha Aviation Limited)	New Zealand	Deregistered	100

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 28 GROUP ENTITIES (continued)**

**Significant subsidiaries (continued)**

Parent Entity	Significant Subsidiaries	Country of Entity	% Interest	
			2013	2012
Inventis (NZ) Limited	Les Bleus Investments Limited (In receivership and formerly called Alpha Aviation Investments Limited)	New Zealand	Deregistered	100
	Les Bleus Design Limited (In receivership and formerly called Alpha Aviation Design Limited)	New Zealand	Deregistered	100
	Les Bleus Marketing Limited (In receivership and in liquidation and formerly called Alpha Aviation Marketing Limited)	New Zealand	Deregistered	100
	Les Bleus Property Limited (In receivership and formerly called Alpha Aviation Property Limited)	New Zealand	Deregistered	100
	Les Bleus Leasing Limited (In receivership and formerly called Alpha Aviation Leasing Limited)	New Zealand	Deregistered	100
Les Bleus Limited (In receivership and in liquidation and formerly called Alpha Aviation Limited)	Les Bleus Manufacturing Limited (In receivership and in liquidation and formerly called Alpha Aviation Manufacturing Limited)	New Zealand	Deregistered	100
Les Bleus Property Limited (in receivership and formerly called Alpha Aviation Property Limited)	A&CL Properties (2005) Limited (In receivership)	New Zealand	Deregistered	100

The proportion of ownership interest is equal to the proportion of voting power held.

**NOTE 29 PARENT ENTITY DISCLOSURES**

As at, and throughout, the financial year ended 30 June 2012 the parent company of the Group was Inventis Limited.

<i>(In thousands of AUD)</i>	Note	Company	
		2013	2012
<b>Results of the parent entity</b>			
Income / (loss) for the period		190	(852)
Other comprehensive income		-	-
Total comprehensive income for the period		190	(852)
<b>Financial position of parent entity at year end</b>			
Current assets		3,472	1,857
Total assets		18,241	16,670
Current liabilities		766	598
Total liabilities		1,292	616
<b>Total equity of the parent entity comprising of:</b>			
Share capital		37,963	37,258
Accumulated losses		(21,013)	(21,204)
<b>Total equity</b>		<b>16,950</b>	<b>16,054</b>



INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 30 SUBSEQUENT EVENTS – SHARE PRIVATE PLACEMENT**

The Company made a placement of shares under the ASX Listing Rule 7.1 to third parties equivalent to 15% of the issued shares on 9 July 2013. The share placement raised \$0.43m. The number of ordinary shares on issue as at the date of this Report is 283,392,487.

Other than this matter, there have been no material events subsequent to reporting date.

**NOTE 31 AUDITOR'S REMUNERATION**

<i>(In AUD)</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>Audit Services</b>			
<b>Auditors of the Company</b>			
KPMG Australia:			
Audit and review of financial reports		138,000	132,200
KPMG overseas:			
Audit and review of financial reports		15,000	13,800
		<b>153,000</b>	<b>146,000</b>
Other services			
		13,000	13,000
<b>Total Auditor's Remuneration</b>		<b>166,000</b>	<b>159,000</b>

**NOTE 32 RECONCILIATION OF (LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**



<i>(In thousands of AUD)</i>	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flow from operating activities</b>		
Profit / loss after tax	2,948	(4,525)
<i>Adjustments for non-cash items:</i>		
Depreciation	175	387
Amortisation of intangible assets	145	337
Net interest costs / (income)	451	525
Unrealised foreign exchange gains / (losses)	328	40
Loss on sale of property, plant and equipment	219	421
Income tax expense	519	1,405
Profit on de-recognition of discontinued operations	(5,040)	-
<b>Operating loss before changes in working capital</b>	<b>(255)</b>	<b>(1,410)</b>
Decrease in trade and other receivables	771	1,371
Decrease/(increase) in prepayments	60	(8)
(Increase)/decrease in inventories	(72)	399
Decrease in assets held for sale	-	1,197
Decrease in trade and other payables	(1,253)	(1,615)
(Decrease)/increase in employee benefits	(614)	205
Decrease in liabilities held for sale	-	(669)
Interest received	5	12
Interest paid	(456)	(339)
<b>Net cash outflow from operating activities</b>	<b>(1,814)</b>	<b>(857)</b>

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**DIRECTORS' DECLARATION**

1. In the opinion of the directors of Inventis Limited ('the Company'):
  - a. the financial statements and notes set out on pages 31 to 65 and the Remuneration report in section 5.4 of the Directors' report, are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance, for the financial year ended on that date; and
    - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.
3. The directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

	
Tony Noun Executive Chairman	Anthony Mankarios Director

Dated at Sydney this 30<sup>th</sup> day of September 2013



## **Independent auditor's report to the members of Inventis Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Inventis Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



## **Independent auditor's report to the members of Inventis Limited (continued)**

### *Basis of qualified opinion*

As noted in Note 3 (b) and Note 7 of the financial report, the Les Bleus (formerly Alpha Aviation) Group of companies ("Les Bleus"), being wholly-owned subsidiaries of the Company, were wound up during the year after having been in voluntary liquidation and receivership. The Receiver did not provide to the Company adequate accounting records to permit the application of appropriate audit procedures. Accordingly, it was not possible to obtain all the information necessary to complete our audit procedures in relation to Les Bleus relating to its performance and cash flows for the year ended 30 June 2013 or the comparative period.

Had we been able to complete our audit procedures in relation to Les Bleus, matters might have come to our attention indicating that adjustments might have been necessary to the 30 June 2013 consolidated financial report including the comparatives.

### *Qualified Auditor's opinion*

In our opinion, except for the effects of adjustments to the financial report relating to Les Bleus, if any, as might have been determined to be necessary had it not been for the limitation of scope to our audit described in the preceding paragraph:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in paragraph 5.4 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.



**Independent auditor's report to the members of Inventis Limited (continued)**

*Qualified auditor's opinion*

In our opinion, except for the effects of adjustments to the Remuneration Report relating to Les Bleus, if any, that might have been necessary had it not been for the limitation of scope to our audit described above in relation to Les Bleus, the Remuneration Report of Inventis Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature in black ink, which appears to read 'Malcolm Kafer'.

Malcolm Kafer  
*Partner*

Sydney  
30 September 2013

# INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

## ASX ADDITIONAL INFORMATION

### ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

#### 1. Shareholdings (as at 30 June 2013)

##### Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number Held
REN Nominees Pty Limited and Associates	87,600,000
Tony Hassan Noun and Associates	22,247,500
David Rex George Littlejohn and Associates	20,380,000
Baldman Investments Pty Limited and Associates	13,454,414
Gunter Himmelberg and Robyn Himmelberg and Associates	12,920,877
Alfred Kobylanski and Associates	12,700,000

#### 2. Voting rights

##### Ordinary shares

Every ordinary share is entitled to one vote when a poll is called, otherwise each member present at the meeting or by proxy has one vote on a show of hands.

##### Distribution of equity security holders

Category	Ordinary Shares
1 -1,000	13,649
1,001 – 5,000	404,058
5,001-10,000	536,213
10,0001-100,000	3,891,656
100,001-9,999,999,999	278,546,911
<b>Rounding Total</b>	<b>283,392,487</b>

The number of shareholders holding less than a marketable parcel of ordinary shares is 238 as at 31 August 2013.

##### Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.0120 per unit	41,667	238	1,804,204

#### 3. Unquoted equity securities

##### Securities Exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Sydney.

##### Other information

Inventis Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares. All ordinary shares are listed on the Australian Securities Exchanges.

##### On-market buy-back

There is no current on-market buy back.

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES  
ASX ADDITIONAL INFORMATION

4. Twenty largest shareholders

Rank	Name	Units at 30 Jun 2013	% of Units
1	REN Nominees Pty Ltd <EN Family A/c>	42,800,000	17.37
2	REN Nominees Pty Ltd <RN Family A/c>	42,800,000	17.37
3	Mr Tony Hassan Noun	17,447,500	7.08
4	Dr David Res George Littlejohn	12,600,000	5.11
5	Baseline Professional Services Pty Limited <Kobylanski Super Fund A/c>	12,500,000	5.07
6	Baldman Investments Pty Limited <Richards Family A/c>	8,101,883	3.29
7	Falafel Investments Pty Limited <Grant Super Fund A/c>	7,499,400	3.04
8	Mr Gunter Himmelberg + Mrs Robyn Himmelberg <Himmelberg Super Fund A/c>	7,124,693	2.89
9	Draycom Investments Pty Limited	5,882,449	2.39
10	Bungan Nominees Pty Ltd <P G Super A/c>	4,800,000	1.95
11	Himmeleberg Investments Pty Limited	4,424,233	1.80
12	Draycom Investments Pty Ltd <Drayton Super Fund A/c>	4,218,306	1.71
13	Mr Paul Anthony Floro	4,200,000	1.70
14	W Brookes Investments Pty Ltd <B & P Super Fund A/c>	4,000,000	1.62
15	Mr David Richards + Mrs Penelope Richards < Baldman Super Fund A/c>	3,980,580	1.62
16	Seyone Partners Pty Limited <Seyone Super Fund A/c>	3,442,000	1.40
17	M & D Littlejohn Pty Limited <M & D Littlejohn S/F A/c>	3,200,000	1.30
18	Brian Paul Hermann + John Charles Erkkila	3,185,550	1.29
19	Izard Pacific Aviation Limited	2,750,464	1.12
20	Wongala Superannuation Pty Limited <Littlejohn Super Fund A/c>	2,400,000	0.97
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES</b>		<b>197,357,058</b>	<b>80.09</b>
<b>Total Remaining Holders Balance</b>		<b>49,071,199</b>	<b>19.91</b>

5. Offices and Officers

Tony H Noun, Executive Chairman  
 Anthony Mankarios, Non-Executive Director  
 Peter Bobbin, Non-Executive Director  
 Alfred Kobylanski, Chief Financial Officer  
 Andrew Skaltsounis, Managing Director, Technology Division

6. Company Secretary

Renuka Sharma

# INVENTIS LIMITED AND ITS CONTROLLED ENTITIES CORPORATE DIRECTORY

Principal Registered Office

## **Inventis Limited**

Unit 4,

199 Parramatta Road

Auburn NSW 2190

Telephone: +61 2 8037 5500

Facsimile: +61 2 8037 5540

## **Location of Share Registries**

Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street

Sydney NSW 2000

Telephone: +61 2 8234 5400

Facsimile: +61 2 8234 5455

## **Auditors**

KPMG

10 Shelley Street

Sydney NSW 2000

## **Solicitors**

DLA Piper

201 Elizabeth Street

Sydney NSW 2000

And

HWL Ebsworth Lawyers

Level 14, Australia Square,

264-278 George Street

Sydney NSW 2000