



LOOKING TO THE FUTURE



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...AND SEEING SIGNIFICANT REASONS FOR CHANGE.

Adverse global developments unfolding.

1

Continuing difficult business environment.

2

Comprehensive strategic review of operations.

3

Value-creating opportunity arising.

4



Directors' report

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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 2011 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, FASFA, CFP, CIAM, A&CIPANZIP, Dip LI, AICD, JP
Executive Chairman

Elected as Executive Chairman on 26 November 2008

Tony Noun has more than 25 years professional and commercial experience with a proven track record of success in managing start-up operations as well as small, medium and large national and international companies.

Tony's commercial experience, from both an investor and management perspective, spans a diverse range of industries including financial services, health care, hospitality, manufacturing as well as sales and marketing.

Tony is presently an active director for a number of national and international companies that cover a broad range of industries and professional disciplines and brings to the Board extensive financial and corporate expertise.

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

Denis Pidcock MBA, BEng
Independent Non-Executive Director

Appointed as Director on 13 May 2008

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

Appointed as Director on 13 October 2008

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 the 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.

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

Alfred Kobylanski B.Bus, CPA, ACIS, Tax Agent
Chief Financial Officer

Appointed Alternate Director to all the Directors on 25 February 2011

Alfred has around 30 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.

Furthermore, 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.

2. COMPANY SECRETARY

Renuka Sharma Solicitor and ACIS

Company Secretary and In-house Counsel

Appointed as Secretary on 17 April 2007 and In-house Counsel on 15 February 2010

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, and considerable experience in creating quality systems to ISO 9001 Standards.

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 ¹ | |
|-----------------------------|----------------|----|---|---|
| | A | B | A | B |
| T Noun | 12 | 12 | 2 | 2 |
| D Pidcock | 11 | 12 | 2 | 2 |
| C Wright | 12 | 12 | 2 | 2 |
| A Kobylanski (As alternate) | 1 | 5 | 0 | 1 |

A - Number of meetings attended

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

¹ 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 to the Audit and Risk Management and Remuneration and Nomination sub-committees and undertook the tasks of the committees.

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 2011 is as follows:

| | 30 June 2010 | Number of Ordinary Shares | | | 30 June 2011 |
|-------------------------------|--------------|---------------------------|---------------|-----------|--------------|
| | | Acquired | Sale/Transfer | Cancelled | |
| Tony Noun | 4,961,875 | - | - | - | 4,961,875 |
| Alfred Kobylanski (Alternate) | 3,150,000 | - | - | - | 3,150,000 |

5. CORPORATE GOVERNANCE STATEMENT

The Directors of Inventis Limited are committed to achieving the highest standard of corporate governance and the Company has adopted certain of 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 the Group and effective oversight of its Management.

5. CORPORATE GOVERNANCE STATEMENT CONT.

The Board meets regularly to discharge its duties and each Director has signed an appointment letter setting out his/her rights and obligations as well as certain expectations. At the time of appointment, each Director is provided with an induction pack consisting of all relevant documents relating to the Corporate Governance.

The main functions of the Board as stated in the Company's Board Charter are:

- > Setting the Group's 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 the Group;
- > Identifying the principal risks faced by the Group 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 Executive Chairman, approving other key executive appointments and dismissals of those reporting to the Executive Chairman as well as planning for executive succession;
- > Overseeing and evaluating the performance of the Executive Chairman 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.

The Board ensures that it receives weekly updates from the Executive Chairman with regard to the delegated authority.

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 (KPIs) are set for measuring their performance in the probation period as well for the year ahead.

The Board has set up the performance of the General Managers and the Chief Financial Officer according to the business plans of their respective divisions and the achievement of the targets stated therein.

The respective General Managers and the Chief Financial Officer consult with the senior executives directly reporting to them and set the KPIs for each of them.

In the financial year ended 30 June 2011, the performance evaluation of all the employees was conducted in June-July 2011 according to the KPIs set for each of the employee in the previous financial year.

5.1.4 Board and its performance

a. Composition of the Board and Board processes

During the year ended 30 June 2011 the Board had a majority of Directors who were independent.

During the period and until the date of reporting, the Board consisted of three Directors, two of whom were Non-Executive, Independent Directors and one being the Executive Chairman. The Chairman does not have a right of veto under the Company's Constitution.

Each Director has the right to access all relevant Group 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 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 Denis Pidcock has been appointed as a Lead Independent Director to ensure that in such discussions, the Executive Director does not influence the Non-Executive 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 Tony Noun, as the Chairperson. The principle recommendations 2.2 and 2.3 are not adopted by the Company at this stage. The reason is that Tony Noun was the Managing Director and has knowledge and experience in relation to the operations of each division of the Group; and therefore is well positioned to drive the Group forward. Consequently at this stage the Chairman and the Managing Director positions are held by the same person but the person is fully accountable to the other two Directors who receive weekly reports on the Chairperson's activities.

In addition, Denis Pidcock was appointed Lead Independent Director to ensure the independence of the Board is maintained.

c. Evaluation of the performance of the Board

The Board is in the process of evaluating the performance of the Board for the financial year ended 30 June 2011. A continuing education program is in place under which the latest updates are provided to the Directors at each meeting. The Chairperson and the Company Secretary also advise via email to the Directors of any significant changes relevant to the performance of the duties of Directors or of the Board as a whole.

5.2 Audit and Risk Management Committee

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

The Executive Chairman and Chief Financial Officer declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial report for the financial year ended 30 June 2011 complies with accounting standards and presents a true and fair view of the Company's financial condition and operational results.

The role of the Audit and Risk Management Committee now performed by the Board is:

- > Fulfill 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;
- > Assess 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. CORPORATE GOVERNANCE STATEMENT CONT.

5.2 Audit and Risk Management Committee cont.

5.2.1 Risk management, compliance and control

The Group strives to ensure that its products are of the highest standard. Towards this aim it has achieved and has undertaken a program to maintain 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 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
- > **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. Further details of the Company's policies relating to interest rate management and credit risk management are included in the Financial Statements;
- > Occupational 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;
- > 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 Nomination Committee now performed by the Board is to:

- > Design appropriate remuneration policies and monitor their implementation with respect to executives, senior managers, non-executive directors and other key employees;
- > Design incentive schemes to enhance corporate and individual performance;
- > Design retention strategies for executives and senior management;
- > Review the composition of the Board and competencies of Board members;
- > Appoint and evaluate the Executive Chairman;
- > Design and implement succession planning for Board members and senior executives; and
- > Processes for the evaluation of the performance of the Executive Chairman and Directors.

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.

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:

a. Executive Directors and senior executives

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

The Board 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. 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 predetermined targets set by the general manager 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.

b. 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 Chairman determines remuneration of the Non-Executive Directors and reviews 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.

The current base remuneration for Non-Executive Directors was last reviewed with effect from 1st July, 2008.

c. Retirement allowances

No retirement allowances exist for Directors. The executives and Executive Chairman employed on a full time basis receive a superannuation guarantee contribution as required by the Federal Government, which is currently 9%, but do not receive any other retirement benefits. Some individuals have however chosen to sacrifice part of their salary to increase payments towards superannuation.

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. 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. CORPORATE GOVERNANCE STATEMENT CONT.

5.4 Remuneration Report - audited cont.

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

Executive Directors and senior executives

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

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 are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses. Any changes are 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.

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 Director determines payments to the Non-Executive Directors and reviews their remuneration 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.

Directors' fees

The current base remuneration for Non-Executive Directors was last reviewed with effect from 1 July 2008.

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

Retirement allowances for Directors

No retirement allowances exist for Directors.

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

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.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. 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.

Retirement benefits

The Directors and executives receive a superannuation guarantee contribution required by government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Short-term incentives

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.

Consequences of performance on shareholders wealth

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

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|-------------|-------------|-----------|--------------|---------|
| Net (loss)/profit attributable to equity holders of the parent (\$) | (1,016,340) | (1,993,035) | 3,005,451 | (24,871,002) | 614,576 |
| Basic (loss)/earnings per share | (1.0)c | (1.9)c | 2.8c | (22.03)c | 0.91c |
| Dividends paid (\$) | - | - | - | - | 657,029 |
| Return on capital employed (%) | (24) | (38) | 40 | (293) | 3 |

Net profit is considered as one of the financial performance targets in setting STI. Net profits amounts have been calculated in accordance with Australian Accounting Standards (AASBs).

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.

B. 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:

Robyn Himmelberg – General Manager, Inventis Technology Pty Limited.

Julian Measroch – General Manger, Gregory Commercial Furniture Pty Limited during part of the year.

Charles Wright – Acting General Manager, Gregory Commercial Furniture Pty Limited during part of the year.

Steven Gilming – Chief Executive Officer, Gregory Commercial Furniture Pty Limited during part of the year.

Parent Entity:

Alfred Kobylanski – Chief Financial Officer.

Renuka Sharma – Company Secretary.

5. CORPORATE GOVERNANCE STATEMENT CONT.

5.4 Remuneration Report - audited cont.

B. Details of remuneration cont.

| | | Short Term Employment Benefit | | | | Total | Post-employment | Other Long Term | Total Remuneration Including Benefits | Proportion of Remuneration Performance Related |
|---|-------------|-------------------------------|-----------------------------|---------------------------|------------------------------------|----------------|--------------------------|--------------------|---------------------------------------|--|
| | | Salary & Fees | Other Benefits ¹ | Cash & Bonus ² | Non-Monetary Benefits ¹ | | Super-annuation Benefits | Long Service Leave | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | |
| Non-Executive Directors | | | | | | | | | | |
| Mr. Denis Pidcock | 2011 | 44,004 | - | - | - | 44,004 | 3,960 | - | 47,964 | - |
| | 2010 | 44,004 | - | - | - | 44,004 | 3,960 | - | 47,964 | - |
| Mr. Charles Wright | 2011 | 51,150 | - | - | - | 51,150 | - | - | 51,150 | - |
| Appointed Director on 13 October 2008 | 2010 | 46,200 | - | - | - | 46,200 | - | - | 46,200 | - |
| Executive Directors | | | | | | | | | | |
| Mr. Tony Noun | 2011 | 254,750 | - | - | - | 254,750 | 23,200 | - | 277,950 | - |
| Executive Chairman | 2010 | 200,000 | - | - | - | 200,000 | 22,360 | - | 222,360 | - |
| Other Key Management Personnel | | | | | | | | | | |
| Mr. Alfred Kobylanski | 2011 | 125,825 | - | 9,175 | - | 135,000 | 50,000 | - | 185,000 | 4.9 |
| Chief Financial Officer. | 2010 | 151,400 | - | - | - | 151,400 | 24,000 | - | 175,400 | - |
| Ms. Renuka Sharma | 2011 | 75,000 | 720 | 6,881 | - | 82,601 | 7,369 | - | 89,970 | 7.6 |
| Company Secretary | 2010 | 75,000 | 720 | - | - | 75,720 | 6,750 | - | 82,470 | - |
| Mrs. Robyn Himmelberg | 2011 | 180,000 | - | - | 11,218 | 191,218 | 15,000 | 3,000 | 209,218 | - |
| General Manager - Technology Division | 2010 | 180,000 | - | - | 8,039 | 188,039 | 15,000 | 3,000 | 206,039 | - |
| Mr. Julian Measroch | 2011 | 58,342 | - | - | - | 58,342 | 13,502 | - | 71,844 | - |
| General Manager – Furniture Division (17 August 2009 - 31 January 2011) | 2010 | 126,470 | - | - | - | 126,470 | 43,849 | - | 170,319 | - |
| Mr. Charles Wright | 2011 | 60,500 | - | - | - | 60,500 | - | - | 60,500 | - |
| Acting General Manager – Furniture Division (1 October 2010 - 31 March 2011) | 2010 | - | - | - | - | - | - | - | - | - |
| Mr. Steven Gilming | 2011 | 36,817 | 5,087 | - | - | 41,904 | 3,314 | - | 45,218 | - |
| Chief Executive Officer – Furniture Division (Appointed on 17 March 2011) | 2010 | - | - | - | - | - | - | - | - | - |

1. None of the Directors or other Key Management Personnel received termination benefits or share based payments.

2. As the Divisions did not meet the KPIs as per their respective business plans, no bonus was paid to the senior management of the Divisions.

C. Service agreements

It is the Group's policy that service contracts for key management personnel, excluding the Company Secretary, are unlimited in term but capable of termination on 3 months' notice and that the Group retains the right to terminate the contract immediately, by making payment equal to 3 months' pay in lieu of notice except in case of misconduct.

The Group has entered into service contracts with each key management person, excluding the Executive Chairman, and the Company Secretary, that are capable of termination on three months' notice. The Group retains the right to terminate a contract immediately by making payment equal to three months' pay in lieu of notice except in the case of misconduct. 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. The contract is for an unspecified term and may be terminated by either party by giving three (3) months written notice at any time or payment in lieu.

Alfred Kobylanski is the Chief Financial Officer of the Group and receives remuneration in accordance with a contract of employment dated 1 October 2007. The contract is for an unspecified term and may be terminated by either party by giving three (3) months written notice at any time or payment in lieu.

Steven Gilming is the Chief Executive Officer of Gregory Commercial Furniture Pty Limited and receives remuneration in accordance with a contract of employment dated 1 March 2011. The contract is for an unspecified term and may be terminated by either party by giving three (3) months written notice at any time or payment in lieu.

Robyn Himmelberg is the General Manager of Inventis Technology Pty Limited and receives remuneration in accordance with a contract of employment dated 24 February 2006, as amended from time to time, and the contract is subject to three (3) months written notice either way or payment in lieu.

Renuka Sharma, Company Secretary and In-house Counsel for the Group has a contract of employment for an unspecified term which is capable of termination on one (1) month's notice by either side or payment in lieu.

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, the Company Secretary and relevant Group executives as other key management personnel are set out in the tables opposite.

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 post CPI increase, are presently set at \$49,547 per annum, with the Non-Executive Chairperson set at \$99,168 per annum. As the current Chairperson is an Executive Director he is not being paid this additional fee. Also some of the Directors have agreed to be paid less than the amount set out as per their agreements.

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.

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.

5. CORPORATE GOVERNANCE STATEMENT CONT.

5.4 Remuneration Report - audited cont.

D. Additional disclosures cont.

Options cont.

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.

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 is:

- > To establish and maintain appropriate legal and ethical standards in dealings with business associates, advisers and regulators, competitors, employees and any other stakeholders of Inventis;
- > For any Director and Senior Executive to declare any conflict of interest when it arises and Directors must keep 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;
- > To maintain appropriate core Company values and objectives;
- > To fulfil responsibilities to shareholders by delivering shareholder value;
- > To ensure the usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- > To fulfil responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced;
- > To maintain employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and donations;
- > To maintain employees privacy by the appropriate use of privileged or confidential information;
- > To avoid conflicts of interest;
- > To prevent Directors and senior executives from taking advantage of property, information or position for personal gain;
- > To maintain confidentiality of corporate information;
- > To ensure that the Company, Directors and all employees are fair in their dealings;
- > To ensure compliance with laws; and
- > To establish a basis for reporting of unethical behaviour.

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.

5.6 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.

5. CORPORATE GOVERNANCE STATEMENT CONT.

5.6 Communication with shareholders cont.

5.6.1 Timely and continuous disclosure cont.

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;
- > 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

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|-------------|-------------|-----------|--------------|---------|
| Net (loss)/profit attributable to equity holders of the parent (\$) | (1,016,340) | (1,993,035) | 3,005,451 | (24,871,002) | 614,576 |
| Basic (loss)/earnings per share | (1.0) | (1.9)c | 2.8c | (22.03)c | 0.91c |
| Dividends paid (\$) | - | - | - | - | 657,029 |
| Dividends per share | - | - | - | - | 1c |

The amounts disclosed above for the years 2007-2011 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 103,983,735 (2010: 103,983,735) and as of the date of filing this report the number of shares on issue were 103,983,735. At the reporting date the share capital of the Group stood at \$27,673,414 (2010: \$27,692,398) and net equity stood at \$4,295,415 (2010: \$5,192,556).

Liquidity and funding

As at the reporting date, cash and cash equivalents on hand of the Group stood at \$223,455 (2010: \$327,755).

Total current assets stood at \$12,867,403 (2010: \$13,257,770) and current liabilities stood at \$16,196,164 (2010: \$15,131,383) making the liquidity ratio 0.79 (2010: 0.88). Included in the current assets are assets classified as held for sale relating to Alpha Aviation Group (in liquidation and receivership) of \$1,248,296 (2010: \$1,443,225) and in current liabilities are liabilities classified as held for sale \$5,760,800 (2010: \$6,406,185) when these amounts have been excluded the liquidity ratio is 1.11 (2010: 1.35).

The Group has available to it \$4.0 million in funding of which \$2.0 million has been activated and as at the reporting date \$2.0 million, was unused.

Cash flows from operations

In the financial year net cash inflows of the Group from operating activities were \$312,831 (2010: \$650,230).

Net cash inflows from investing activities during the financial year were \$435,316 (2010: \$283,973) of which \$248,725 (2010: \$94,000) for purchase of plant and equipment and \$6,000 (2010: \$94,000) was expended on development.

In the financial year there was a net decrease in cash and cash equivalents of \$105,147 (2010: increase of \$94,449).

4. PRINCIPAL BUSINESSES

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

Technology Division

Revenue for the Technology Division was \$12.8 million and is on par with the last financial year's results. The Division recorded an EBITDA of \$1.9 million which is a decrease of \$0.4 million on last financial year.

To better position the Technology Division in an ever increasing competitive global market, the primary strategy continues to be diversification. Thus, the SafeZone brand entered the market with a number of applications in the Rail and Industrial OH&S areas, active development of "green" products; security solutions for educational institutions; and securing distribution rights for complementary product ranges.

Sale of Technology Division

During the year the Company entered into an agreement with a third party to sell the companies in the Technology Division for USD 23 million.

As announced to the Market on 7 September 2011, the Board is keeping its options open with regard to the settlement delays caused by the buyer.

The Board has considered the appropriate accounting treatment under accounting standards for reporting the results, assets and liabilities of the Technology Division. In view of the delays and other issues experienced on this sale transaction, as at the reporting date, the Board held the view that the Technology Division should not be classified as a disposal group on the basis that the completion of the deal was not highly probable. Accordingly, the results, assets and liabilities of the Technology Division are included in continuing operations in line with prior years.

Furniture Division

The revenue for the Furniture Division was \$13.9 million, a decrease of \$0.5 million on last financial year. The Division recorded an EBITDA loss of \$1.1 million which is an increase of \$0.7 million over the last financial year largely due to a reduction in revenue.

The Commercial furniture segment continues to suffer from the economic downturn, however, we have been able to maintain and enhance our position in the market, relative to our competitors. This outcome was achieved because of underlying strategy of the Division to manage its channels to market; streamline and rationalise its product offering; and establish key supplier relationships in addition to lean manufacturing in both Australia and New Zealand.

5. REVIEW OF OPERATIONS AND ACTIVITIES

Financial Review

The consolidated results for the financial year ended 30 June 2011 are:

| (In thousands of AUD) | 2011 | 2010 |
|---|---------|---------|
| Sales continuing operations | 27,074 | 27,241 |
| Sales discontinued operations | (3) | 94 |
| Loss from continuing operations after tax | (1,260) | (1,367) |
| Profit/(loss) from discontinued operation after tax | 244 | (626) |
| Loss after tax for the period | (1,016) | (1,993) |

Segment results

Segmental information for the year ended 30 June 2011 is:

| (In thousands of AUD) | Sales | EBITDA |
|---|--------|---------|
| 2011 Actuals | | |
| Furniture Division | 13,951 | (1,131) |
| Technology Division | 12,821 | 1,933 |
| Corporate Division | 302 | (1,838) |
| Total continuing operations | 27,074 | (1,036) |
| Discontinued operations (Aviation Division) | (3) | 497 |
| | 27,071 | (539) |

Strategy and future performance

The Board and Senior Management have established a clear strategy to restore the long-term profitability of the Group to re-establish its ability to deliver sustained shareholder value. The major focus now for the Group is to continue to lower its cost of production and increase its profits and operating cash flow through increased sales.

Further disclosure of the Group's business strategies and prospects for future years have not been included as this would be likely to result in unreasonable prejudice to the Group.

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of \$15,986 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
- > 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

During the year, KPMG, the Group's auditor, has performed tax compliance services in addition to their statutory duties. 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:

| (In thousands of AUD) | Consolidated Entity | |
|---------------------------------------|---------------------|------|
| | 2011 | 2010 |
| Audit services | | |
| Auditors of the Company | | |
| KPMG Australia: | | |
| Audit and review of financial reports | 110 | 118 |
| KPMG overseas: | | |
| Audit and review of financial reports | 13 | 12 |
| | 123 | 130 |
| Other services | | |
| Total auditor's remuneration | 10 | 11 |
| | 133 | 141 |

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 20 and forms part of the Directors' Report for the financial year ended 30 June 2011.

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



Charles Wright
Director

Dated at Sydney this 30th day of September 2011.



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 2011 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.

A handwritten signature of 'KPMG' in black ink, written in a cursive, slightly slanted style.

KPMG

A handwritten signature in black ink, appearing to read 'Carlo Pasqualini', written in a cursive style.

Carlo Pasqualini
Partner

Sydney
30 September 2011

for the year ended 30 June 2011

| (In thousands of AUD) | Note | Consolidated Entity | |
|---|------|---------------------|----------------|
| | | 2011 | 2010 |
| Continuing operations | | | |
| Revenue | | 27,074 | 27,241 |
| Cost of sales | | (15,484) | (14,643) |
| Gross Profit | | 11,590 | 12,598 |
| Other income | | 137 | 58 |
| Expenses | | | |
| Manufacturing and operations | | (3,075) | (3,605) |
| Engineering and quality assurance | | (1,709) | (1,590) |
| Administration | | (4,535) | (4,344) |
| Sales and marketing | | (3,993) | (3,606) |
| Results from operating activities | 9 | (1,585) | (489) |
| Finance income | | 148 | 48 |
| Finance expense | | (503) | (207) |
| Net finance expense | 10 | (355) | (159) |
| Loss before income tax | | (1,940) | (648) |
| Income tax benefit/(expense) | 11 | 680 | (719) |
| Loss from continuing operations | | (1,260) | (1,367) |
| Discontinued operation | | | |
| Profit/(loss) from discontinued operation, net of income tax | 7 | 244 | (626) |
| Loss for the period | | (1,016) | (1,993) |
| Other comprehensive income | | | |
| Foreign currency translation differences for foreign operations - continuing operations | | 81 | (179) |
| Foreign currency translation differences for foreign operations - discontinued operations | | 54 | (114) |
| Other comprehensive income for the period, net of income tax | | 135 | (293) |
| Total comprehensive income for the period | | (881) | (2,286) |
| (Loss)/earnings per share | | | |
| Basic loss per share | 24 | (1.0)c | (1.9)c |
| Diluted loss per share | 24 | (1.0)c | (1.9)c |
| Continuing operations | | | |
| Basic loss per share | 24 | (1.2)c | (1.3)c |
| Diluted loss per share | 24 | (1.2)c | (1.3)c |

The Notes on pages 26 to 66 are an integral part of these Financial Statements.

3 Statement of Changes in Equity

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

for the year ended 30 June 2011

| Consolidated Entity (In thousands of AUD) | Attributable to Equity Holders of the Company | | | | Total Equity |
|--|---|------------------------|--------------------------------------|--|-----------------|
| | Share Capital | Revaluation Reserve | Foreign Currency Retranslation | (Accumulated Losses)/Retained Earnings | |
| Balance at 1 July 2009 | 27,721 | 404 | (967) | (19,650) | 7,508 |
| Total comprehensive income for the period | | | | | |
| Profit or loss | - | - | - | (1,993) | (1,993) |
| <i>Other comprehensive income</i> | | | | | |
| Foreign currency translation differences for foreign operations – continuing operations | - | - | (179) | - | (179) |
| Foreign currency translation differences for foreign operations – discontinued operations | - | - | (114) | - | (114) |
| Total other comprehensive income | - | - | (293) | - | (293) |
| Total comprehensive income for the period | - | - | (293) | (1,993) | (2,286) |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | |
| Other | (29) | - | - | - | (29) |
| Total contributions by and distributions to owners | (29) | - | - | - | (29) |
| Total transactions with owners | (29) | - | - | - | (29) |
| Balance at 30 June 2010 | 27,692 | 404 | (1,260) | (21,643) | 5,193 |
| Balance at 1 July 2010 | 27,692 | 404 | (1,260) | (21,643) | 5,193 |
| Total comprehensive income for the period | | | | | |
| Profit or loss | - | - | - | (1,016) | (1,016) |
| <i>Other comprehensive income</i> | | | | | |
| Foreign currency translation differences for foreign operations – continuing operations | - | - | 81 | - | 81 |
| Foreign currency translation differences for foreign operations – discontinued operations | - | - | 54 | - | 54 |
| Total other comprehensive income | - | - | 135 | - | 135 |
| Total comprehensive income for the period | - | - | 135 | (1,016) | (881) |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | |
| Other | (19) | - | - | 2 | (17) |
| Total contributions by and distributions to owners | (19) | - | - | 2 | (17) |
| Total transactions with owners | (19) | - | - | 2 | (17) |
| Balance at 30 June 2011 | 27,673 | 404 | (1,125) | (22,657) | 4,295 |

The Notes on pages 26 to 66 are an integral part of these Financial Statements.

4 Statement of Financial Position

as at 30 June 2011

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

| (In thousands of AUD) | Note | Consolidated Entity | |
|---|---------|---------------------|---------------|
| | | 2011 | 2010 |
| Assets | | | |
| Cash and cash equivalents | 12 | 223 | 328 |
| Trade and other receivables | 13 | 6,375 | 5,776 |
| Inventories | 14 | 4,071 | 4,628 |
| Prepayments | | 75 | 208 |
| Assets classified as held for sale | 8 | 2,123 | 2,318 |
| Total current assets | | 12,867 | 13,258 |
| Non-current assets | | | |
| Property, plant and equipment | 17 | 1,193 | 1,112 |
| Other financial assets | 15 | 27 | 36 |
| Deferred tax assets | 16(iii) | 1,928 | 1,209 |
| Intangible assets | 18 | 4,633 | 5,158 |
| Total non-current assets | | 7,781 | 7,515 |
| Total assets | | 20,648 | 20,773 |
| Liabilities | | | |
| Trade and other payables | 19 | 6,193 | 4,780 |
| Interest-bearing liabilities | 20 | 2,679 | 2,614 |
| Employee benefits | 22 | 1,564 | 1,331 |
| Liabilities classified as held for sale | 8 | 5,760 | 6,406 |
| Total current liabilities | | 16,196 | 15,131 |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 20 | - | 307 |
| Employee benefits | 22 | 157 | 142 |
| Total non-current liabilities | | 157 | 449 |
| Total liabilities | | 16,353 | 15,580 |
| Net assets | | 4,295 | 5,193 |
| Equity | | | |
| Share capital | 23 | 27,673 | 27,692 |
| Reserves | 23 | (721) | (856) |
| Accumulated losses | | (22,657) | (21,643) |
| Total equity | | 4,295 | 5,193 |

The Notes on pages 26 to 66 are an integral part of these Financial Statements.

5 Statement of Cash Flows

INVENTIS LIMITED AND ITS CONTROLLED ENTITIES

for the year ended 30 June 2011

| (In thousands of AUD) | Note | Consolidated Entity | |
|---|------|---------------------|--------------|
| | | 2011 | 2010 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 29,429 | 30,546 |
| Payments to suppliers and employees | | (28,869) | (29,710) |
| Cash generated from operations | | 560 | 836 |
| Interest received | | 8 | 21 |
| Income taxes paid | | (255) | (207) |
| Net cash from operating activities | 32 | 313 | 650 |
| Cash flows from investing activities | | | |
| Purchase of fixed assets | | (249) | (94) |
| Development expenditure | | (6) | (94) |
| Proceeds from sale of fixed assets and assets held for sale | | 690 | 472 |
| Net cash from investing activities | | 435 | 284 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 650 | - |
| Repayment of borrowings | | (1,503) | (840) |
| Net cash used in financing activities | | (853) | (840) |
| Net (decrease)/increase in cash and cash equivalents | | (105) | 94 |
| Cash and cash equivalents at 1 July | | 328 | 234 |
| Cash and cash equivalents at 30 June | 12 | 223 | 328 |

The Notes on pages 26 to 66 are an integral part of these Financial Statements.

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NOTE 1

REPORTING ENTITY

Inventis Limited (the "Company") is a company domiciled in Australia and incorporated in Australia. The address of the Company's registered office is Suite 12, 1 Box Road, Caringbah, NSW 2229. The Financial Statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is 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 Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Financial Statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Financial Statements were authorised for issue by the Board of Directors on 30 September 2011.

(b) Basis of measurement

The 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 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.

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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- > Note 7 – Discontinued operations
- > Note 8 – Assets and liabilities held for sale
- > Note 16(ii) and (iii) – Tax assets and liabilities
- > Note 18 – Intangible assets

In addition, the following critical judgement has been applied:

During the year the Company entered into an agreement with a third party to sell the companies in the Technology Division for USD 23 million. The Directors have considered the appropriate accounting treatment under accounting standards for reporting the results, assets and liabilities of the Technology Division. In view of the delays and other issues experienced on this sale transaction, as at the reporting date, the Board held the view that the Technology Division should not be classified as a disposal group on the basis that the completion of the deal was not highly probable. Accordingly, the results, assets and liabilities of the Technology Division are included in continuing operations in line with prior years.

(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. A number of wholly owned and controlled group entities, the “Les Bleus Group” (refer Note 7) are in receivership and liquidation (refer Note 2(b) for the basis of accounting for this Group).

For the year ended 30 June 2011, the Group recorded a loss after tax of \$1.3 million from continuing operations, and had a working capital deficiency of \$3.3 million.

In relation to the Directors’ assessment of the going concern assumption, the Directors have considered the following:

- > The Directors have reviewed the profit and loss forecasts for the financial year ended 30 June 2012 and 30 June 2013 and note that the Group is forecast to generate profits from continuing operation in both years.
- > The Group has a net deficiency in current assets of \$3.3 million. The Directors ultimately expect that at the completion of the receivership and liquidation of Les Bleus Group, there will be a gain recognised of approximately \$4.5 million arising from the derecognition of net liabilities held for sale, resulting in an improvement in the working capital position of the Group by this amount. In relation to liabilities held for sale for the Les Bleus Group, the Consolidated Entity has not provided any guarantees to any creditors or financiers for the liabilities of Les Bleus.
- > The Directors have reviewed the cash flow forecasts relating to the remaining furniture and technology operations 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 that these financial statements have been approved.
- > Banking facilities of \$4.0 million are available to the Group as at 30 June 2011. The Group does not expect to require funding beyond this facility in the foreseeable future, or at least one year from the signing of these financial statements. Of the available facilities, \$2.0 million was drawn down at 30 June 2011, leaving \$2.0 million in unutilised facilities.
- > The Group is in an overall net asset position at 30 June 2011 of \$4.3 million which includes the negative impact of Les Bleus Group.

The Directors have therefore 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 and available facilities. 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.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Principles of consolidation

The Financial Statements incorporate the assets and liabilities of all subsidiaries of Inventis Limited ("Company" or "Parent Entity") as at 30 June 2011 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.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer Note 3(a)(ii)).

(ii) 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.

(iii) 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 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.

(iv) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases.

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

(b) Les Bleus – Liquidation basis of accounting

As Les Bleus Group (refer Note 7) has been placed into liquidation and receivership, the financial position and results relating to those entities at 30 June 2011 have been accounted for on a basis other than going concern in the Financial Statements for the year ended 30 June 2011.

Accordingly, all assets and liabilities relating to these companies have been classified as current and all assets have been written-down to their estimated realisable values at 30 June 2011 and for the comparative period.

(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 that 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.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES CONT.

(d) Financial instruments

(i) Non-derivative financial instruments

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).

(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**

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is 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.

(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 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.

The estimated useful lives 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.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES CONT.

(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:

Gregory Commercial Furniture Pty Limited

| | |
|-----------------------|---------|
| Brand Name "Gregory" | 6 years |
| Intellectual Property | 2 years |

Opentec Solutions Pty Limited

| | |
|------------------------|---------|
| Intellectual Property | 6 years |
| Customer relationships | 6 years |

Impart Special Products Pty Limited

| | |
|------------------------|---------|
| Intellectual Property | 5 years |
| Customer relationships | 5 years |

Damba Furniture Pty Limited

| | |
|------------------------|---------|
| Customer relationships | 5 years |
| Brand Name | 5 years |

(iii) 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.

(iv) 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.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES CONT.

(i) Impairment cont.

(i) Non-derivative financial assets cont.

Loans and receivables cont.

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.

(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.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES CONT.

(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.

(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.

(q) 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.

(r) 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.

(s) 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 comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(t) 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.

(u) 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.

(v) Presentation of financial statements

A number of new standards, amendments to standards and interpretations are effective for annual reports beginning after 1 July 2010, and have not been applied in preparing these Financial Statements. None of these is expected to have a significant effect on the Financial Statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 Financial Statements and could change the classification and measurement of financial assets and liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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.

(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 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 \$4.0 million of which \$4.0 million has been activated and as at the reporting date \$2 million, was used.

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.

NOTE 5

FINANCIAL RISK MANAGEMENT CONT.

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 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. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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.

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.

for the year ended 30 June 2011

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

| (In thousands of AUD) | Furniture Division | | Technology Division | | Aviation (discontinued) | | Total | |
|---|--------------------|---------|---------------------|---------|-------------------------|---------|----------|----------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Total revenue | 14,508 | 15,412 | 12,821 | 12,802 | (3) | 94 | 27,326 | 28,308 |
| Inter-segment revenue | (557) | (973) | - | - | - | - | (557) | (973) |
| Total external revenue | 13,951 | 14,439 | 12,821 | 12,802 | (3) | 94 | 26,769 | 27,335 |
| Interest revenue | 1 | 14 | 1 | 1 | - | 4 | 2 | 19 |
| Interest expense | - | - | 9 | - | 253 | 288 | 262 | 288 |
| Depreciation and amortisation | 259 | 353 | 364 | 516 | - | - | 623 | 869 |
| Capital expenditure | 182 | 55 | 51 | 14 | - | - | 233 | 69 |
| Reportable segment profit/(loss) before income tax | 1,188 | 969 | (1,342) | (6,644) | 244 | (626) | 90 | (6,301) |
| Other material non-cash items included in segment profit/(loss): | | | | | | | | |
| Related party loan (forgiven)/impairment | (2,594) | 1,774 | 2,902 | (8,488) | - | - | 308 | (6,714) |
| Reportable segment assets | 10,415 | 9,442 | 10,549 | 10,008 | 1,248 | 1,443 | 22,212 | 20,893 |
| Reportable segment liabilities | (7,002) | (6,666) | (3,673) | (2,306) | (5,761) | (6,406) | (16,436) | (15,378) |

Other material items 2011

| (In thousands of AUD) | Reportable Segment Totals | Corporate Eliminations | Consolidated Totals |
|--|---------------------------|------------------------|---------------------|
| Interest revenue | 2 | 6 | 8 |
| Interest expense | 262 | 246 | 508 |
| Capital expenditure | 233 | 16 | 249 |
| Depreciation and amortisation | (623) | (34) | (657) |
| Intercompany loan impairment/forgiveness | 308 | (308) | - |

Other material items 2010

| (In thousands of AUD) | Reportable Segment Totals | Corporate Eliminations | Consolidated Totals |
|---|---------------------------|------------------------|---------------------|
| Interest revenue | 19 | 2 | 21 |
| Interest expense | (288) | (207) | (495) |
| Capital expenditure | 69 | 26 | 95 |
| Depreciation and amortisation | (869) | (54) | (923) |
| Related Party loan impairment/forgiveness | (6,714) | 6,714 | - |

NOTE 6

SEGMENT REPORTING CONT.

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

| (In thousands of AUD) | 2011 | 2010 |
|--|----------|----------|
| Revenues | | |
| Total revenue for reportable segments | 27,326 | 28,308 |
| Elimination of inter-segment revenue | (557) | (973) |
| Elimination of discontinued operations | 3 | (94) |
| Corporate revenues | 302 | - |
| Consolidated revenue from continuing operations | 27,074 | 27,241 |
| Profit or loss | | |
| Total profit/(loss) for reportable segments | 90 | (6,301) |
| Elimination of inter-segment profits/(loss) | 17 | 95 |
| Elimination of discontinued operations | (244) | 626 |
| Elimination of related party loan impairment/forgiveness | (308) | 6,714 |
| Unallocated amounts: other corporate expenses | (1,495) | (1,782) |
| Consolidated loss before income tax from continuing operations | (1,940) | (648) |
| Assets | | |
| Total assets for reportable segments | 22,212 | 20,893 |
| Eliminations and other corporate assets | (1,564) | (120) |
| Consolidated total assets | 20,648 | 20,773 |
| Liabilities | | |
| Total liabilities for reportable segments | (16,435) | (15,378) |
| Eliminations and other corporate liabilities | 82 | (202) |
| Consolidated total liabilities | (16,353) | (15,580) |

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

| (In thousands of AUD) | 2011 | | 2010 | |
|-----------------------|----------|--------------------|----------|--------------------|
| | Revenues | Non-current Assets | Revenues | Non-current Assets |
| Australia | 24,612 | 7,598 | 25,184 | 7,355 |
| New Zealand | 2,714 | 183 | 3,124 | 160 |
| Total | 27,326 | 7,781 | 28,308 | 7,515 |

Major customer

Revenue from three customers of the Group's Technology Division represents approximately \$7.0 million (2010: \$7.8 million) of the segment's total revenues of \$12.8 million (2010: \$12.8 million).

NOTE 7

DISCONTINUED OPERATION

Les Bleus Group (formerly "Alpha Aviation")

On 22 January 2008, the Board of Directors of Inventis Limited appointed a Liquidator to its New Zealand based wholly owned subsidiaries Alpha Aviation Limited, Alpha Aviation Manufacturing Limited and Alpha Aviation Marketing Limited. The action of placing these companies in liquidation was taken by the Board as a result of the failure of Alpha Aviation to meet its projected output of aircraft and the consequential impact that this had on the funding requirements of the Alpha Aviation Group.

On the same day, the Bank of New Zealand Limited appointed a Receiver to the above three companies.

On 18 February 2008, the Bank of New Zealand appointed a Receiver to the remaining wholly owned subsidiaries in the Alpha Aviation Group, namely, Alpha Aviation Investments Limited, Alpha Aviation Design Limited, Alpha Aviation Leasing Limited, Alpha Aviation Property Limited and A&CL Properties (2005) Limited.

On 22 June 2009 part of the assets of the Alpha Aviation Group were sold by the Receiver and the name of the companies were changed by the Receiver from Alpha Aviation to Les Bleus. The exact nature of the disposal or the terms and conditions have not been disclosed by the Receiver.

The values used to calculate the trading in the discontinued operation and disposal of assets are based upon the Receiver's reports lodged with the NZ companies Office, cash reports provided to the Company and other information that was deemed suitable to release by the Receiver.

A consequence of the above events in future reporting periods is that the net deficiency in assets of \$4.5 million currently recognised in the Financial Statements at 30 June 2011 relating to Les Bleus Group, is expected to be reversed (or part thereof) due to the Group not having any obligations to settle outstanding liabilities. The estimated timing of any of the above events is unknown at the date of this report.

NOTE 7

DISCONTINUED OPERATION CONT.

Les Bleus Group cont.

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|--------------|
| | 2011 | 2010 |
| Results of discontinued operations | | |
| Revenue | (3) | 94 |
| Other revenue | 59 | - |
| Expenses | (191) | (517) |
| Profit on the disposal of assets | 632 | 81 |
| Results from operating activities | 497 | (342) |
| Finance income | - | 4 |
| Finance expense | (253) | (288) |
| Net finance costs | (253) | (284) |
| Income tax expense | - | - |
| Results from operating activities, net of income tax | 244 | (626) |
| Profit/(loss) for the period | 244 | (626) |
| Basic (loss)/earnings per share | 0.2c | (0.6)c |
| Diluted (loss)/earnings per share | 0.2c | (0.6)c |
| Cash flows used in discontinued operations | | |
| Net cash used in operating activities | (135) | (220) |
| Net cash from investing activities | 631 | 374 |
| Net cash used in financing activities | (625) | (325) |
| Net cash used in discontinued operations | (129) | (171) |

NOTE 8

ASSETS AND LIABILITIES HELD FOR SALE

(i) Les Bleus Group is presented as a disposal group held for sale following the appointment of the Liquidator and Receiver on 22 January 2008, to sell the facilities due to the failure of Les Bleus to meet its projected output. Efforts of the Receiver to sell the disposal group have commenced and the expected settlement of the disposal group is not known at the date of this report.

| (In thousands of AUD) | Consolidated Entity | |
|--|---------------------|-------|
| | 2011 | 2010 |
| Assets classified as held for sale – Les Bleus Group | | |
| Cash and cash equivalents | 6 | 135 |
| Property, plant and equipment | 1,242 | 1,308 |
| | 1,248 | 1,443 |
| Liabilities classified as held for sale – Les Bleus Group | | |
| Trade and other payables | 2,775 | 2,883 |
| Loans and borrowings | 2,985 | 3,523 |
| | 5,760 | 6,406 |

(ii) Other assets held for sale (land and buildings) by other Group entities at 30 June 2011 amount to \$875,000 (2010: \$875,000).

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2009 valuation was based on an independent valuation of the property performed by Macquarie Bell Pty Limited registered property valuers dated 8th January 2008.

The property is currently being marketed and is classified as held for sale at 30 June 2011. The valuation at 30 June 2011 has been reviewed by the Directors and concluded to be stated at fair value.

NOTE 9

EXPENSES

(i) Personnel expenses

| (In thousands of AUD) | Consolidated Entity | |
|--|---------------------|-------|
| | 2011 | 2010 |
| Wages and salaries | 6,847 | 7,129 |
| Other associated personnel expenses | 1,612 | 1,454 |
| Contributions to defined contribution plans | 689 | 627 |
| Decrease in liability for annual leave | (24) | (32) |
| Increase in liability for long-service leave | 61 | 38 |
| Termination benefits | 28 | 111 |
| | 9,213 | 9,327 |

(ii) (Loss)/profit includes the following specific expenses

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|-------|
| | 2011 | 2010 |
| Depreciation | 126 | 445 |
| Amortisation | 531 | 478 |
| Research and development | 1,709 | 1,590 |
| Rental expense on operating leases: minimum lease payment | 1,153 | 1,025 |
| Impairment of financial assets | 11 | (48) |
| Net profit/(loss) on disposal of assets held for sale (continuing operations) | 5 | (46) |
| Net profit/(loss) on disposal of non-current assets (discontinued operations) | 632 | 81 |

NOTE 10

FINANCE INCOME AND FINANCE EXPENSES

Recognised in profit or loss

| (In thousands of AUD) | Consolidated Entity | |
|--|---------------------|--------------|
| | 2011 | 2010 |
| Interest income on bank deposits | 8 | 17 |
| Net foreign exchange gains | 140 | 31 |
| Finance income | 148 | 48 |
| Interest expense on financial liabilities measured at amortised cost | (255) | (207) |
| Net foreign exchange loss | (248) | - |
| Finance expense | (503) | (207) |
| Net finance expense | (355) | (159) |

NOTE 11

INCOME TAX EXPENSE

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|------------|
| | 2011 | 2010 |
| Current tax expense | | |
| Current period | - | - |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | (271) | 148 |
| Adjustment for prior periods (tax losses recognised/derecognised) | (409) | 571 |
| Income tax (benefit)/expense | (680) | 719 |

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

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|--------------|
| | 2011 | 2010 |
| Total income tax expense | | |
| Loss from continuing operations excluding income tax | (1,940) | (648) |
| Profit/(loss) from discontinued operations excluding income tax | 244 | (626) |
| Loss excluding income tax | (1,696) | (1,274) |
| Income tax benefit using the Company's domestic tax rate of 30% | 509 | 382 |
| Foreign jurisdiction losses not recognised | (232) | (418) |
| Non-deductible expenses/non-taxable income | (6) | (112) |
| Prior year tax losses recognised/(derecognised) | 409 | (571) |
| Tax benefit/(expense) | 680 | (719) |

Income tax recognised directly in equity

| (In thousands of AUD) | Consolidated Entity | |
|--|---------------------|------|
| | 2011 | 2010 |
| Income tax on income and expense recognised directly in equity | (40) | 1 |
| Total income tax recognised directly in equity | (40) | 1 |

NOTE 12

CASH AND CASH EQUIVALENTS

| (In thousands of AUD) | Consolidated Entity | |
|--|---------------------|------|
| | 2011 | 2010 |
| Bank balances | 223 | 328 |
| Cash and cash equivalents in the Statement of Cash Flows | 223 | 328 |

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

| (In thousands of AUD) | Consolidated Entity | |
|-------------------------------|---------------------|-------|
| | 2011 | 2010 |
| Current | | |
| Trade receivables | 6,403 | 5,782 |
| Provision for impairment loss | (41) | (45) |
| Other receivables | 13 | 39 |
| | 6,375 | 5,776 |

(i) Bad and doubtful trade receivables

The Group has recognised a recovery of \$nil (2010: \$nil) in respect of bad debts during the year ended 30 June 2011. 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.

(ii) 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.

(iii) 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 \$524,945 of trade receivables denominated in NZ Dollars (2010: \$326,724) and \$11,943 of trade receivables denominated in US Dollars (2010: \$25,136).

NOTE 14

INVENTORIES

| (In thousands of AUD) | Consolidated Entity | |
|--|---------------------|-------|
| | 2011 | 2010 |
| Raw materials and consumables | 3,355 | 3,409 |
| Work in progress | 285 | 584 |
| Finished goods | 435 | 563 |
| Stock in transit | (4) | 72 |
| Inventories stated at lower of cost and net realisable value | 4,071 | 4,628 |

In the 2011 financial year raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to \$15,000,000 (2010: \$13,800,000). The provision for impairment of \$200,000 (2010: \$200,000) has been recognised in relation to certain obsolete inventories.

NOTE 15

OTHER FINANCIAL ASSETS

| (In thousands of AUD) | Consolidated Entity | |
|-----------------------|---------------------|------|
| | 2011 | 2010 |
| Non-current | | |
| Rental deposits | 24 | 33 |
| Other investments | 3 | 3 |
| | 27 | 36 |

NOTE 16

TAX ASSETS AND LIABILITIES

(i) Current tax assets and liabilities

The current tax asset for the Group was nil at 30 June 2011 (2010: \$nil) and represents the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the relevant authority.

(ii) Unrecognised deferred tax assets

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

| (In thousands of AUD) | Consolidated Entity | |
|-----------------------|---------------------|-------|
| | 2011 | 2010 |
| Tax losses | 3,174 | 2,104 |

The deductible temporary differences and tax losses 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.

(iii) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| (In thousands of AUD) | Assets | | Liabilities | | Net | |
|------------------------------|--------|-------|-------------|-------|-------|-------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Consolidated | | | | | | |
| Property, plant & equipment | 1 | 2 | (184) | (187) | (183) | (185) |
| Intangible assets | 668 | 668 | (38) | (116) | 630 | 552 |
| Inventories | 29 | 32 | - | - | 29 | 32 |
| Employee benefits | 392 | 367 | - | - | 392 | 367 |
| Bad and doubtful debts | 12 | 11 | - | - | 12 | 11 |
| Accruals | 43 | 11 | - | - | 43 | 11 |
| Other items | 90 | 81 | (2) | (161) | 88 | (80) |
| Tax loss carry-forwards | 917 | 501 | - | - | 917 | 501 |
| Net tax (assets) liabilities | 2,152 | 1,673 | (224) | (464) | 1,928 | 1,209 |

Deferred tax assets have been recognised in relation to tax losses carried forward as management considered it probable that future taxable profits would be available against which they could be utilised. Management based their assessment on the historical profits earned by continuing operations and future estimated profits for its operations in Australia and New Zealand by reference to profit and loss forecasts for the next 3 years.

Deferred tax assets and liabilities have been offset as 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.

(iv) Movements in unrecognised deferred tax assets and liabilities during the year

| (In thousands of AUD) | Balance 30 June 2010 | Additions | Balance 30 June 2011 |
|------------------------------|-------------------------|-----------|-------------------------|
| Tax losses – Les Bleus Group | 1,303 | (244) | 1,059 |
| – GCF (NZ) | 801 | 1,314 | 2,115 |
| | 2,104 | 1,070 | 3,174 |

NOTE 17

PROPERTY, PLANT AND EQUIPMENT

| (In thousands of AUD) | Land and Buildings | Leasehold Improvements | Plant and Equipment | Fixtures and Fittings | Motor Vehicles | Total |
|--------------------------------|--------------------|------------------------|---------------------|-----------------------|----------------|--------------|
| | Fair Value | Cost | Cost | Cost | Cost | |
| Consolidated - 2011 | | | | | | |
| Balance at 1 July | - | 201 | 631 | 185 | 95 | 1,112 |
| Additions | - | 25 | 184 | 22 | 18 | 249 |
| Depreciation for the year | - | (16) | (53) | (25) | (14) | (108) |
| Disposals | - | (35) | (12) | (3) | (10) | (60) |
| Balance at 30 June | - | 175 | 750 | 179 | 89 | 1,193 |
| At 30 June | | | | | | |
| Cost or fair value | - | 309 | 2,693 | 503 | 276 | 3,781 |
| Accumulated depreciation | - | (134) | (1,943) | (324) | (187) | (2,588) |
| Carrying amount | - | 175 | 750 | 179 | 89 | 1,193 |
| Carrying amounts | | | | | | |
| At beginning of financial year | - | 201 | 631 | 185 | 95 | 1,112 |
| At end of financial year | - | 175 | 750 | 179 | 89 | 1,193 |
| Consolidated - 2010 | | | | | | |
| Balance at 1 July | 875 | 288 | 882 | 199 | 115 | 2,359 |
| Additions | - | 10 | 67 | 14 | 4 | 95 |
| Depreciation for the year | - | (95) | (207) | (28) | (21) | (351) |
| Reclassification | (875) | - | - | - | (1) | (876) |
| Disposals | - | (2) | (111) | - | (2) | (115) |
| Balance at 30 June | - | 201 | 631 | 185 | 95 | 1,112 |
| At 30 June | | | | | | |
| Cost or fair value | - | 330 | 2,502 | 509 | 312 | 3,653 |
| Accumulated depreciation | - | (129) | (1,871) | (324) | (217) | (2,541) |
| Carrying amount | - | 201 | 631 | 185 | 95 | 1,112 |
| Carrying amounts | | | | | | |
| At beginning of financial year | 875 | 288 | 882 | 199 | 115 | 2,359 |
| At end of financial year | - | 201 | 631 | 185 | 95 | 1,112 |

Impairment loss

An Impairment loss of \$nil (2010: 75,000) has been recognised through profit or loss on the re-measurement of the assets of the disposal group to the lower of its carrying amount and its fair value less costs to sell.

NOTE 18

INTANGIBLE ASSETS

| (In thousands of AUD) | Goodwill | Patents and Trademarks | Intellectual Property | Customer Relationships | Development Costs | Total |
|---|--------------|------------------------|-----------------------|------------------------|-------------------|--------------|
| Consolidated - 2011 | | | | | | |
| Balance at 1 July | 3,061 | 356 | 126 | 239 | 1,376 | 5,158 |
| Capitalisation of Project | - | - | - | - | 6 | 6 |
| Amortisation for the year | - | (155) | (107) | (91) | (178) | (531) |
| Balance at 30 June | 3,061 | 201 | 19 | 148 | 1,204 | 4,633 |
| At 30 June 2011 | | | | | | |
| Cost | 15,197 | 1,773 | 1,051 | 1,087 | 1,586 | 20,694 |
| Accumulated amortisation and impairment | (12,136) | (1,572) | (1,032) | (939) | (382) | (16,061) |
| Carrying amount | 3,061 | 201 | 19 | 148 | 1,204 | 4,633 |
| Carrying amounts | | | | | | |
| At beginning of financial year | 3,061 | 356 | 126 | 239 | 1,376 | 5,158 |
| At end of financial year | 3,061 | 201 | 19 | 148 | 1,204 | 4,633 |
| Consolidated - 2010 | | | | | | |
| Balance at 1 July | 3,061 | 491 | 233 | 329 | 1,428 | 5,542 |
| Capitalisation of Project | - | 20 | - | - | 74 | 94 |
| Amortisation for the year | - | (155) | (107) | (90) | (126) | (478) |
| Balance at 30 June | 3,061 | 356 | 126 | 239 | 1,376 | 5,158 |
| At 30 June 2010 | | | | | | |
| Cost | 15,197 | 1,773 | 1,051 | 1,087 | 1,580 | 20,688 |
| Accumulated amortisation and impairment | (12,136) | (1,417) | (925) | (848) | (204) | (15,530) |
| Carrying amount | 3,061 | 356 | 126 | 239 | 1,376 | 5,158 |
| Carrying amounts | | | | | | |
| At beginning of financial year | 3,061 | 491 | 233 | 329 | 1,428 | 5,542 |
| At end of financial year | 3,061 | 356 | 126 | 239 | 1,376 | 5,158 |

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.

NOTE 18

INTANGIBLE ASSETS CONT.

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:

| (In thousands of AUD) | Consolidated Entity | |
|--|---------------------|-------|
| | 2011 | 2010 |
| Gregory Commercial Furniture Pty Limited | 1,382 | 1,382 |
| Damba Furniture Pty Limited | 1,183 | 1,183 |
| Impart Special Products | 496 | 496 |
| | 3,061 | 3,061 |

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 ("GCF")
- > Damba Furniture Pty Limited ("Damba")
- > Impart Special Products

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:

2011 Value in use assumptions:

Cash flows were projected based on the Management approved forecast for the financial year ending 30 June 2012 and cash flows for further 4 year period to 30 June 2016 were extrapolated using a constant growth rate.

A terminal value amount was included in the Value in Use (VIU) calculations based on the forecast cash flows for the period ended 30 June 2017.

| | Gregory Commercial Furniture Pty Limited | Impart Special Products | Damba Furniture Pty Limited |
|--|---|----------------------------|-----------------------------------|
| Revenue growth in approved forecast for the year ended 30 June 2012 | 15.0% | 74% | 15% |
| Annual average revenue growth per annum 2013 - 2016 | 8.1% | 3.0% | 8.1% |
| Inflation per annum | 4.2% | 4.2% | 4.2% |
| Average price growth per annum | 5.8% | 3.3% | 5.8% |
| Cost growth per annum | 3.0% | 3.0% | 3.0% |
| Pre-tax discount rate | 11.3% | 11.3% | 11.3% |

Sensitivity analysis

The above assumptions for GCF and Damba are particularly sensitive in the following areas:

- > To the extent anticipated revenue growth rates are lower than forecast, impairment losses up to the carrying values of goodwill may be incurred.

2010 value in use assumptions:

Cash flows were projected based on the Management approved forecast for the financial year ending 30 June 2011 and cash flows for a further 4 year period to 30 June 2015 were extrapolated using a constant growth rate.

A terminal value amount was included in the VIU calculations based on forecast cash flows for the period ended 30 June 2016.

| | Gregory Commercial Furniture Pty Limited | Impart Special Products | Damba Furniture Pty Limited |
|--|---|----------------------------|-----------------------------------|
| Revenue growth in approved forecast for the year ended 30 June 2011 | 10.80% | 61.12% | 41.30% |
| Annual revenue growth per annum 2010 - 2015 | 3.50% | 3.50% | 3.50% |
| Inflation per annum | 4.20% | 4.20% | 4.20% |
| Price growth per annum | 3.50% | 3.50% | 3.50% |
| Cost growth per annum | 3.30% | 3.30% | 3.30% |
| Pre-tax discount rate | 15.90% | 15.90% | 15.90% |

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).

NOTE 19**TRADE AND OTHER PAYABLES**

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|-------|
| | 2011 | 2010 |
| Trade payables | 4,617 | 3,465 |
| Other trade payables | 335 | 508 |
| GST payable | 263 | 106 |
| Non-trade payables and accrued expenses | 978 | 701 |
| | 6,193 | 4,780 |

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.

| (In thousands of AUD) | 2011 | 2010 |
|---|-------|-------|
| Current liabilities | | |
| Current portion of foreign exchange loan | | |
| - commercial bill (NZD) | - | 104 |
| Commercial bill (AUD) | - | 360 |
| Current portion of finance lease liabilities | - | 10 |
| Loan from related party (Note 27(ii)) | 646 | - |
| Debtors finance facility | 2,033 | 2,140 |
| | 2,679 | 2,614 |
| Non-current liabilities | | |
| Foreign exchange loan - commercial bill (NZD) | - | 158 |
| Commercial bill (AUD) | - | 149 |
| Finance lease liabilities | - | - |
| | - | 307 |

NOTE 20

INTEREST-BEARING LIABILITIES CONT.

(i) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

| Currency | Interest Rate | Year of Maturity | 2011 | | 2010 | |
|----------|----------------|------------------|------------|-----------------|------------|-----------------|
| | | | Face Value | Carrying Amount | Face Value | Carrying Amount |
| NZD | 4.70% | | - | - | 262 | 262 |
| AUD | 5.36% | | - | - | 509 | 509 |
| AUD | | 2011 | 646 | 646 | 10 | 10 |
| AUD | 7.56% - 11.81% | | 2,033 | 2,033 | 2,140 | 2,140 |

(ii) Finance lease liabilities

The Group leases various plant and equipment with a carrying amount of \$5,861 (2010: \$5,861) under finance leases expiring within three years. Under the terms of the leases, the Group has the option to acquire the leased assets for between a nominal value and 20% of the agreed fair value on expiry of the leases.

Finance lease liabilities of the group are payable as follows:

| (In thousands of AUD) | Future Minimum Lease Payments | Interest | Present Value of Minimum Lease Payments | Future Lease Minimum Lease Payments | Interest | Present Value of Minimum Lease Payments |
|----------------------------|-------------------------------|----------|---|-------------------------------------|----------|---|
| | 2011 | 2011 | 2011 | 2010 | 2010 | 2010 |
| Less than one year | - | - | - | 11 | 1 | 10 |
| Between one and five years | - | - | - | - | - | - |
| More than five years | - | - | - | - | - | - |
| | - | - | - | 11 | 1 | 10 |

NOTE 21

OPERATING LEASES

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

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|-------|
| | 2011 | 2010 |
| Within one year | 1,046 | 1,047 |
| Later than one year but not later than five years | 2,244 | 3,622 |
| | 3,290 | 4,669 |

The weighted average interest rate implicit in the leases is approximately 12.18% (2010: 12.18%).

The Group leases a number of warehouses, 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 2011 \$1,152,588 (2010: \$1,225,092) was recognised as an expense in the income statement in respect of operating leases.

NOTE 22

EMPLOYEE BENEFITS

| (In thousands of AUD) | Consolidated Entity | |
|---------------------------------------|---------------------|-------|
| | 2011 | 2010 |
| Current | | |
| Liability for annual leave | 711 | 735 |
| Liability for long service leave | 389 | 343 |
| Other employee related | 464 | 253 |
| Total employee benefits - current | 1,564 | 1,331 |
| Non-current | | |
| Liability for long service leave | 157 | 142 |
| Total employee benefits - non-current | 157 | 142 |

NOTE 23

CAPITAL AND RESERVES

(i) Share capital

| | Consolidated Entity | |
|--|---------------------|-------------|
| | 2011 | 2010 |
| On issue at beginning of the year | 103,983,735 | 103,983,735 |
| On issue at the end of the year - fully paid | 103,983,735 | 103,983,735 |

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.

No share options have been issued.

(ii) Translation reserve

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

(iii) Revaluation reserve

The revaluation reserve relates to the revaluation of property.

(iv) Dividends

No dividends were recognised in the current year by the Group (2010: NIL).

(v) 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 (2010: \$1,590,864) 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:

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

NOTE 24

EARNINGS/(LOSS) PER SHARE

(i) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share at 30 June 2011 was based on the losses attributable to ordinary shareholders of \$1,016,340 (2010: losses of \$1,993,035) and a weighted average number of ordinary shares outstanding of 103,983,735 (2010: 103,983,735). The calculation of basic loss per share for continuing operations at 30 June 2011 was based on the losses attributable to ordinary shareholders for continuing operations of \$1,260,053 (2010: losses of \$1,366,692).

(ii) Weighted average number of ordinary shares

| | Consolidated Entity | |
|---|---------------------|-------------|
| | 2011 | 2010 |
| Issued ordinary shares at beginning of the period | 103,983,735 | 103,983,735 |
| Weighted average number of ordinary shares at the end of the period | 103,983,735 | 103,983,735 |

(iii) Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2011 was based on the losses attributable to ordinary shareholders of \$1,016,340 (2010: \$1,993,035) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 103,983,735 (2010: 103,983,735). The calculation of diluted loss per share for continuing operations at 30 June 2011 was based on the losses attributable to ordinary shareholders for continuing operations of \$1,260,053 (2010: \$1,366,692).

(iv) Loss attributable to ordinary shareholders (diluted)

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|---------|
| | 2011 | 2010 |
| Net profit/(loss) attributable to ordinary shareholders (basic) | (1,016) | (1,993) |
| Weighted average number of ordinary shares at the end of the period | (1,016) | (1,993) |

(v) Loss attributable to ordinary shareholders – continuing operations (diluted)

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|---------|
| | 2011 | 2010 |
| Net loss from continuing operations attributable to ordinary shareholders (basic) | (1,260) | (1,367) |
| Net loss from continuing operations attributable to ordinary shareholders (diluted) | (1,260) | (1,367) |

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

| | Consolidated Entity | |
|---|---------------------|-------------|
| | 2011 | 2010 |
| Weighted average number of ordinary shares (basic) | 103,983,735 | 103,983,735 |
| Effect of share options on issue | - | - |
| Weighted average number of ordinary shares (diluted) at 30 June | 103,983,735 | 103,983,735 |

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

NOTE 25

FINANCIAL INSTRUMENTS

(i) 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:

| (In thousands of AUD) | Note | Consolidated Entity | |
|-----------------------------|------|---------------------|-------|
| | | 2011 | 2010 |
| Cash and cash equivalents | 12 | 223 | 328 |
| Trade and other receivables | 13 | 6,375 | 5,776 |
| | | 6,598 | 6,104 |

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

| (In thousands of AUD) | Note | Consolidated Entity | |
|-----------------------|------|---------------------|-------|
| | | 2011 | 2010 |
| Australia | | 5,840 | 5,389 |
| New Zealand | | 527 | 329 |
| Other | | 36 | 64 |
| | 13 | 6,403 | 5,782 |

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

| (In thousands of AUD) | Note | Consolidated Entity | |
|-----------------------|------|---------------------|-------|
| | | 2011 | 2010 |
| End user customer | | 2,000 | 2,140 |
| Distributors | | 835 | 1,628 |
| Government | | 3,568 | 2,014 |
| | 13 | 6,403 | 5,782 |

The Group has three significant customers, an Australian distributor, a Government customer and one end-user customers, which accounted for \$3,052,377 of the trade receivables as at 30 June 2011 (2010: \$2,554,535). Trade receivable balances greater than \$5,000 are covered by Debtor Insurance (2010: same position).

(ii) Impairment losses

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

| (In thousands of AUD) | Gross | Impairment | Gross | Impairment |
|---------------------------|-------|------------|-------|------------|
| | 2011 | 2011 | 2010 | 2010 |
| Consolidated | | | | |
| Current | 4,472 | - | 3,253 | - |
| Past due 30 days | 1,266 | - | 2,116 | - |
| Past due 60 days | 400 | - | 229 | - |
| Past due 90 days and over | 265 | 40 | 184 | 45 |
| | 6,403 | 40 | 5,782 | 45 |

NOTE 25

FINANCIAL INSTRUMENTS CONT.

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

| (In thousands of AUD) | Consolidated Entity | |
|--------------------------|---------------------|------|
| | 2011 | 2010 |
| Balance 1 July | 45 | 85 |
| Impairment loss reversed | (5) | (40) |
| Balance at 30 June | 40 | 45 |

The impairment loss provision of \$40,217 (2010: \$45,038) 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.

(iii) Currency risk

Exposure to currency risk

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

| (In thousands of dollars) | Consolidated Entity | |
|------------------------------|---------------------|----------------|
| | NZD | USD |
| 30 June 2011 | | |
| Trade receivables | 522 | 12 |
| Trade payables | (758) | (1,763) |
| Net exposure | (236) | (1,751) |
| Estimated forecast sales | 4,799 | 1,010 |
| Estimated forecast purchases | (3,004) | (7,960) |
| Gross exposure | 1,559 | (8,701) |
| 30 June 2010 | | |
| Trade receivables | 327 | 25 |
| Secured bank loan | (262) | - |
| Trade payables | (367) | (641) |
| Net exposure | (302) | (616) |
| Estimated forecast sales | 4,903 | 909 |
| Estimated forecast purchases | (196) | (8,054) |
| Gross exposure | 4,405 | (7,761) |

The following significant rates applied during the year:

| | Reporting Date | | | |
|----------------|----------------|--------|-----------|--------|
| | Average Rate | | Spot Rate | |
| | 2011 | 2010 | 2011 | 2010 |
| NZD 1.00 = AUD | 0.7679 | 0.7971 | 0.7720 | 0.8110 |
| USD 1.00 = AUD | 0.9423 | 1.1352 | 0.9312 | 1.1733 |

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 2010.

| (In thousands of dollars) | 30-Jun-11 | | 30-Jun-10 | |
|---------------------------|-----------|----------------|-----------|----------------|
| | Equity | Profit or Loss | Equity | Profit or Loss |
| Consolidated | | | | |
| NZD | 2,123 | (72) | 983 | (195) |

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.

(iv) 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) | Consolidated Carrying Amount | |
|-------------------------------------|------------------------------|---------|
| | 2011 | 2010 |
| Fixed rate instruments | | |
| Financial assets | | |
| Cash and cash equivalents | 223 | 328 |
| Trade debtors and other receivables | 6,375 | 5,776 |
| | 6,598 | 6,104 |
| Financial liabilities | | |
| Trade and other payables | (6,193) | (4,780) |
| Finance lease liabilities | - | (10) |
| | (6,193) | (4,790) |
| | 405 | 1,314 |
| Variable rate instruments | | |
| Financial liabilities | | |
| Debtors financing facility | (2,033) | (2,140) |
| Commercial bill line | - | (509) |
| Secured bank loans | - | (262) |
| | (2,033) | (2,911) |

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 2010.

NOTE 25

FINANCIAL INSTRUMENTS CONT.

(iv) Interest rate risk cont.

| (In thousands of AUD) | Consolidated Profit and Loss | |
|---------------------------|------------------------------|-------------------|
| | Increase 100bp | Decrease 100bp |
| 30 June 2011 | | |
| Variable rate instruments | (22) | 22 |
| 30 June 2010 | | |
| Variable rate instruments | (27) | 27 |

(v) 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.

| (In thousands of AUD) | Average | Total | 6 Months or Less | 6-12 Months | 1-2 Years | 2-5 Years | More than 5 Years |
|----------------------------------|------------------|-------|---------------------|----------------|--------------|--------------|----------------------|
| | Interest Rate | | | | | | |
| Consolidated 2011 | | | | | | | |
| Variable rate instruments | | | | | | | |
| Debtors financing facility | 9.60% | 2,033 | 2,033 | - | - | - | - |
| Carrying amount | | 2,033 | 2,033 | - | - | - | - |
| Consolidated 2010 | | | | | | | |
| Fixed rate instruments | | | | | | | |
| Finance lease liabilities | 12.18% | 10 | 6 | 4 | - | - | - |
| | | 10 | 6 | 4 | - | - | - |
| Variable rate instruments | | | | | | | |
| Commercial bill line | 5.36% | 509 | 180 | 180 | 149 | - | - |
| NZ secured bank loans | 4.70% | 262 | 52 | 52 | 104 | 54 | - |
| Debtors financing facility | 9.49% | 2,140 | 2,140 | - | - | - | - |
| Carrying amount | | 2,911 | 2,372 | 232 | 253 | 54 | - |

(vi) Estimation of fair values

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

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

| (In thousands of AUD) | 2011 | | 2010 | |
|-----------------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Consolidated | | | | |
| Trade and other receivables | 6,375 | 6,375 | 5,776 | 5,776 |
| Cash and cash equivalents | 223 | 223 | 328 | 328 |
| Secured bank loans | - | - | (771) | (771) |
| Finance lease liabilities | - | - | (10) | (10) |
| Debtors financing facility | (2,033) | (2,033) | (2,140) | (2,140) |
| Trade and other payables | (6,193) | (6,193) | (4,780) | (4,780) |

(vii) 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 2011 plus an adequate constant credit spread, and are as follows:

| | 2011 | 2010 |
|----------------------|----------------|----------------|
| Loans and borrowings | 7.50% - 11.81% | 4.70% - 11.50% |
| Leases | - | 8.80% - 12.18% |

NOTE 26**CAPITAL AND OTHER COMMITMENTS**

| (In thousands of AUD) | Consolidated Entity | |
|--|---------------------|------|
| | 2011 | 2010 |
| 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

Charles Wright
Denis Pidcock

Executive Directors

Tony Noun
Alfred Kobylanski (Alternate Director)

Executives

Alfred Kobylanski (Chief Financial Officer)
Robyn Himmelberg (General Manager – Technology Division)
Julian Measroch (General Manager – Furniture Division – resigned 31 January 2011)
Renuka Sharma (Company Secretary)
Charles Wright (Acting General Manager – Furniture Division – 01 October 2010 - 31 March 2011)
Steven Gilming (Chief Executive Officer – Furniture Division – appointed on 21 March 2011)

NOTE 27

RELATED PARTIES CONT.

(i) Key management personnel compensation

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

| (In thousands of AUD) | Consolidated Entity | |
|------------------------------|---------------------|---------|
| | 2011 | 2010 |
| Short term employee benefits | 919,469 | 850,997 |
| Other long term benefits | 3,000 | 3,000 |
| Post-employment benefits | 116,345 | 117,752 |
| Termination benefits | - | - |
| Share-based payments | - | - |
| | 1,038,814 | 971,749 |

(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 2 to 19.

The Group paid interest of \$21,476 (2010: \$nil) to an entity associated with Mr Tony Noun.

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 Group received a loan advance of \$646,000 from THN Pty Limited during the year. As at 30 June 2011 \$646,000 was outstanding. THN Pty Limited is an entity associated with Mr Tony Noun. The loan is payable on demand and bears interest at the rate of 7.87% p.a. Subsequent to the reporting date, the loan was fully repaid by the Consolidated Entity.

(iv) Other key management personnel transactions

The Group paid rent of \$118,832 (2010: \$116,965) 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.

The Group paid printing of \$38,045 (2010: \$52,652) to an entity associated with Mrs Robyn Himmelberg.

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) 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:

for the year ended 30 June 2011

| | Held at 1 July 2010 | Purchases | Sales/ Transfers | Held at 30 June 2011 |
|-------------------|------------------------|-----------|---------------------|-------------------------|
| Directors | | | | |
| Tony Noun | 4,961,875 | - | - | 4,961,875 |
| Executives | | | | |
| Alfred Kobylanski | 3,150,000 | - | - | 3,150,000 |
| Robyn Himmelberg | 12,920,887 | - | - | 12,920,887 |
| Renuka Sharma | 25,000 | - | - | 25,000 |
| David Richards | 13,454,414 | - | - | 13,454,414 |

| | Held at 1 July 2009 | Purchases | Sales/ Transfers | Held at 30 June 2010 |
|-------------------|------------------------|-----------|---------------------|-------------------------|
| Directors | | | | |
| Tony Noun | 4,432,952 | 528,923 | - | 4,961,875 |
| Executives | | | | |
| Alfred Kobylanski | 3,150,000 | - | - | 3,150,000 |
| Robyn Himmelberg | 12,920,887 | - | - | 12,920,887 |
| Renuka Sharma | 25,000 | - | - | 25,000 |
| David Richards | 13,454,414 | - | - | 13,454,414 |

Changes in 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 2011 | Purchases | Sales/ Transfers | Held at 15 Sep 2011 |
|-------------------|------------------------|-----------|---------------------|------------------------|
| Directors | | | | |
| Tony Noun | 4,961,875 | - | - | 4,961,875 |
| Executives | | | | |
| Alfred Kobylanski | 3,150,000 | - | - | 3,150,000 |
| Robyn Himmelberg | 12,920,887 | - | - | 12,920,887 |
| Renuka Sharma | 25,000 | - | - | 25,000 |
| David Richards | 13,454,414 | - | - | 13,454,414 |

NOTE 28

GROUP ENTITIES

(i) Significant subsidiaries

The 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 | | |
|--|--|--|-------------|------|-----|
| | | | 2011 | 2010 | |
| 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 | 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 | 100 | 100 | |
| | Les Bleus Investments Limited (In receivership and formerly called Alpha Aviation Investments Limited) | New Zealand | 100 | 100 | |
| | Les Bleus Design Limited (In receivership and formerly called Alpha Aviation Design Limited) | New Zealand | 100 | 100 | |
| | Les Bleus Marketing Limited (In receivership and in liquidation and formerly called Alpha Aviation Marketing Limited) | New Zealand | 100 | 100 | |
| | Les Bleus Property Limited (In receivership and formerly called Alpha Aviation Property Limited) | New Zealand | 100 | 100 | |
| | Les Bleus Leasing Limited (In receivership and formerly called Alpha Aviation Leasing Limited) | New Zealand | 100 | 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 | 100 | 100 |
| | Les Bleus Property Limited (In receivership and formerly called Alpha Aviation Property Limited) | A&CL Properties (2005) Limited (In receivership) | New Zealand | 100 | 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 2011 the parent company of the Group was Inventis Limited.

| (In thousands of AUD) | Parent Entity | |
|--|---------------|----------|
| | 2011 | 2010 |
| Results of the parent entity | | |
| (Loss)/profit for the period | (943) | 3,422 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | (943) | 3,422 |
| Financial position of parent entity at year end | | |
| Current assets | 1,331 | 3,147 |
| Total assets | 17,103 | 18,757 |
| Current liabilities | 430 | 1,038 |
| Total liabilities | 844 | 1,539 |
| Total equity of the parent entity comprising of | | |
| Share capital | 36,610 | 36,629 |
| Accumulated losses | (20,352) | (19,411) |
| Total equity | 16,258 | 17,218 |

NOTE 30

SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 31

AUDITOR'S REMUNERATION

| (In AUD) | Consolidated Entity | |
|---------------------------------------|---------------------|---------|
| | 2011 | 2010 |
| Audit services | | |
| Auditors of the Company | | |
| KPMG Australia: | | |
| Audit and review of financial reports | 110,000 | 118,000 |
| KPMG overseas: | | |
| Audit and review of financial reports | 13,000 | 12,000 |
| | 123,000 | 130,000 |
| Other services | 10,000 | 11,000 |
| Total auditor's remuneration | 133,000 | 141,000 |

NOTE 32

RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| (In thousands of AUD) | Consolidated Entity | |
|---|---------------------|------------|
| | 2011 | 2010 |
| Cash flow from operating activities | | |
| Loss after tax | (1,016) | (1,993) |
| Adjustments for non-cash items: | | |
| Depreciation | 126 | 446 |
| Amortisation of intangible assets | 531 | 478 |
| Net interest costs/(income) | 500 | 474 |
| Unrealised foreign exchange losses | (239) | (89) |
| (Gain)/loss on sale of property, plant and equipment | (638) | 35 |
| Income tax (benefit)/expense | (680) | 719 |
| Operating profit before changes in working capital | (1,416) | 70 |
| (Increase) in trade and other receivables | (599) | (19) |
| Decrease in prepayments | 133 | (15) |
| Decrease in inventories | 557 | 78 |
| Decrease in assets held for sale | 195 | - |
| Increase in trade and other payables | 1,441 | 744 |
| Increase/(decrease) in employee benefits | 248 | (22) |
| Interest received | 8 | 21 |
| Interest paid | (254) | (207) |
| Income tax (paid)/refunded | - | - |
| Net cash outflow from operating activities | 313 | 650 |

8 Directors' Declaration

1. In the opinion of the Directors of Inventis Limited ('the Company'):

- (a) the Financial Statements on pages 21 to 66 and the Remuneration Report in the Directors' Report, set out on pages 9 to 14, 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 2011 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);
- (c) 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 2011.

Signed in accordance with a resolution of the Directors:



Tony Noun
Director



Charles Wright
Director

Dated at Sydney this 30th day of September 2011.



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 2011, and consolidated statement of 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*.



Basis of qualified opinion

As stated in notes 7 and 8 of the financial report, during the 2008 financial year, the Les Bleus Group of companies ("Les Bleus", formerly Alpha Aviation), being wholly-owned subsidiaries of the company, were placed into liquidation and receivership. The receiver has not provided 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 Group relating to its performance and cash flows for the year ended 30 June 2011 and its financial position at 30 June 2011 including 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 2011 financial report and remuneration 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 paragraphs 5.4 of the directors' report for the year ended 30 June 2011. 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.

Qualified auditor's opinion

Except for the adjustments, if any, to the 30 June 2011 financial report that we might have become aware of had it not been for the limitation of scope described above in the basis of qualified opinion paragraph in our report on the financial report, in our opinion, the remuneration report of Inventis Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Sydney

30 September 2011

Carlo Pasqualini
Partner

9 ASX Additional Information

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

SHAREHOLDINGS (AS AT 30 JUNE 2011)

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 | 21,400,000 |
| Baldman Investments Pty Limited and Associates | 13,454,414 |
| Mr Gunter Himmelberg and Mrs Robyn Himmelberg and Associates | 12,920,877 |
| Draycom Investments Pty Limited and Associates | 11,472,706 |

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 | 13,646 |
| 1,001 - 5,000 | 506,637 |
| 5,001 - 10,000 | 608,807 |
| 10,001 - 100,000 | 3,865,064 |
| 100,001 - 9,999,999,999 | 98,989,581 |
| Rounding total | 103,983,735 |

The number of shareholders holding less than a marketable parcel of ordinary shares is 168 as at 31 August 2011.

Unmarketable parcels

| | Minimum Parcel Size | Holders | Units |
|--|---------------------|---------|---------|
| Minimum \$ 500.00 parcel at \$ 0.08 per unit | 6,250 | 168 | 555,783 |

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 Exchange.

On-market buy-back

There is no current on-market buy-back.

Twenty largest shareholders

| Rank | Name | Units | % of Units |
|---|---|-------------------|--------------|
| 1. | REN Nominees Pty Limited <REN Family A/C> | 21,400,000 | 20.58 |
| 2. | Baldman Investments Pty Limited <Richards Family A/C> | 8,101,883 | 7.79 |
| 3. | Mr Gunter Himmelberg and Mrs Robyn Himmelberg <Himmelberg Super Fund A/C> | 7,124,693 | 6.85 |
| 4. | Draycom Investments Pty Limited | 5,882,449 | 5.66 |
| 5. | Bungan Nominees Pty Limited <P G SUPER A/C> | 4,800,000 | 4.62 |
| 6. | Himmelberg Investments Pty Limited | 4,424,233 | 4.25 |
| 7. | Draycom Investments Pty Limited <Drayton Super Fund A/C> | 4,218,306 | 4.06 |
| 8. | Mr David Richards and Mrs Penelope Richards <Baldman Super Fund A/C> | 3,980,580 | 3.83 |
| 9. | Mr Tony Hassan Noun | 3,761,875 | 3.62 |
| 10. | Baseline Professional Services Pty Limited <Kobylanski Super Fund A/C> | 3,100,000 | 2.98 |
| 11. | Izard Pacific Aviation Limited | 2,750,464 | 2.65 |
| 12. | SOCIETE C E A P R | 1,915,258 | 1.84 |
| 13. | Mr Ross Wayne Carman and Mrs Helen Therese Carman <Carmans Super Fund A/C> | 1,735,951 | 1.67 |
| 14. | Heartland Seventeen Investments Limited | 1,491,092 | 1.43 |
| 15. | Rimelton Pty Limited <Rimelton Super Fund A/C> | 1,371,951 | 1.32 |
| 16. | Ms Anna Nathan and Mr Michael Benjamin | 1,114,160 | 1.07 |
| 17. | Dr Rebecca Chin | 1,000,000 | 0.96 |
| 18. | Forsyth Barr Custodians Limited <Forsyth Barr Limited - Nominee A/C> | 1,000,000 | 0.96 |
| 19. | Carman Nominees Pty Limited | 924,764 | 0.89 |
| 20. | M & D LittleJohn Pty Limited <M & D LittleJohn S/F A/C> | 800,000 | 0.77 |
| Totals: Top 20 holders of ORDINARY FULLY PAID SHARES | | 80,897,659 | 77.80 |
| Total remaining holders balance | | 23,086,076 | 22.20 |

OFFICES AND OFFICERS

Tony H Noun, Executive Chairman

Denis Pidcock, Non-Executive Director

Charles Wright, Non-Executive Director

Alfred Kobylanski, Chief Financial Officer

Steven Gilming, Chief Executive Officer, Furniture Division

Robyn Himmelberg, General Manager, Technology Division

COMPANY SECRETARY

Renuka Sharma, ACIS and Solicitor

Principal Registered Office

Inventis Limited

Suite 12
1 Box Road
Caringbah NSW 2229

Telephone: +61 2 8578 8900

Facsimile: +61 2 9540 9731

Locations 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 Philips Fox

201 Elizabeth Street
Sydney NSW 2000

AND

HWL Ebsworth Lawyers

Level 14, Australia Square
264-278 George Street
Sydney NSW 2000

