

Ladies and Gentlemen,

On the face of it Powerlan showed some significant progress in 2008/2009, with revenues growing 72% compared with the previous year (55% if Omnix is excluded) and the operating performance improving compared with the same period in 2007/2008. However, the business faced a number of challenges, the impact of which is being seen in the current financial year.

The Global Financial Crisis has had a severe impact on our business, as new technology projects were deferred in all the markets serviced by Powerlan's software companies. The worst impact was experienced in the global telecom marketplace which is serviced by Clarity and Omnix, where very little new business was awarded during the year and intense price competition broke out between suppliers for whatever business was available. However, Clarity and Omnix entered the year with a significant backlog of orders and secured new business from existing customers which supported the top line growth reported for the year by both companies.

Both IMX Software and ConverterTechnology suffered a less dramatic drought of new orders, but had less in the way of order backlog to sustain them. Despite this, both businesses showed encouraging 50% plus growth in revenues compared with the previous year.

In the latter part of the year the problems created by the financial crisis were compounded by unfavourable changes in the exchange rate. Most of our income comes from overseas markets and is denominated in US dollars, while the majority of our costs remain fixed in Australian dollars. We have been moving towards contracting in local currencies, where possible, and using more local staff to create a natural hedge, so the impact of the currency shift was less than it was the last time the Australian dollar peaked, but as for many other Australian exporters it is having a significant unfavourable impact on business performance.

All in all it was a difficult year for our businesses, and we were only able to meet our objectives of continued annual growth, continual product improvement and enhanced market positioning by assuming more debt from CPS. While we could have sought to address the challenging economic environment by contracting and operating at near breakeven, we did not do this. We believed, and continue to believe, that to do so would be detrimental to the long-term value of the businesses so sought to grow and improve the underlying value of the assets, funded by debt.

Despite the difficulties we experienced in closing new business during 2008/2009 and the first few months of the current financial year, we believe that the underlying businesses are in good shape, the product portfolios have advanced significantly and the right management teams are in place to continue to further develop those businesses.

However, the Powerlan debt situation and resulting interest payments will make future organic growth slow and difficult to achieve, particularly if the businesses only have limited access to the working capital required to fund that growth.

And although we are seeing the signs of a return to more normal economic conditions, it will take a number of years for the organic growth strategy to achieve the results necessary to pay back the debt from free cash flow and eventually reach the original objective of a sizeable debt free Powerlan.

It's my view that because of the general improvement in market sentiment and also because a number of opportunities have been identified, in part on the back of the Global Financial Crisis, the time is right for some bold steps to be taken to quickly move Powerlan to a much more substantial organisation, rather than continue with our existing organic self funded evolution.

The financial crisis has created many reasonably priced acquisition opportunities that might enable us to get to the end result more quickly, provided the necessary funding for those acquisitions is available. We have started exploring these opportunities and I believe that we will come to the conclusion that this is the best course for the future.

In this year, 2009/2010, we have already acquired the minority interests in Omnix with loan funds from CPS, and have begun integrating Clarity and Omnix as part of the plan to create a truly global telecommunication software company spanning the technical needs of a Telco from planning the roll out of a new network right through to the ongoing network operation. The organisations are

being merged which we believe will create a much stronger organisation in the market and deliver considerable synergistic benefits in the future. We are also looking for additional telecom software organisations with synergistic products and a customer base to acquire or merge with. I believe that provided we can acquire the right synergistic businesses at the right prices, revenue of at least \$75 million per annum within two years is a realistic target for the Clarity/Omnix division.

We are also exploring potential merger or acquisition opportunities for both IMX Software and ConverterTechnology, and, once again, provided that we can find the right targets at the right prices, I believe that \$15 million revenue for each of those businesses within 2 years is not an unrealistic proposition.

On the above bases the Powerlan businesses' combined revenues would be around \$100 million per annum, a much more reasonably sized business, and where we want to be. Of course careful and competent management will convert revenue to acceptable profits and I believe that we now have the management teams that will achieve that result.

On present indications I expect that Powerlan will need to raise in the order of \$50 - 60 million to repay the current debt and provide the necessary funding to bring the potential target companies together and achieve the desired annual revenues of \$100 million.

When suitable acquisition or merger targets are identified, the Board will consider a capital raising of this order of magnitude. At that time it will be CPS' intention to participate, and I believe that the calibre of the target businesses will encourage others to participate as well.

As the strategy develops we will attempt to find highly synergistic target companies that will appropriately reward our present shareholders, the owners of the acquisition targets and new investors in the Powerlan group. After a thorough review the Board has determined not to undertake the previously proposed selective capital reduction, as that was felt to be sub-optimal for all shareholders, but I believe that the strategy I have just outlined is more likely to achieve the returns our shareholders are looking for.

Also, as part of this process we intend to redeem the unmarketable parcels, thereby reducing the total number of shareholders from the current number of some 5,300 to approximately 300, and we will attempt to buy or redeem the shares held by ANZ (ex OPES Prime) and will also investigate the consolidation of the existing shares, thereby reducing the number of shares on the market.

We believe we have at last got a platform from which to add substantial value to Powerlan, and hope that as a result of this aggressive growth strategy our patient shareholders will now start to see the value of their holding increase over the next few years.