

Innovance Ltd

Directors' Report

The directors of Innovance Ltd (the Company) submit this annual financial report for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Officers

The names and particulars of the officers of the company during or since the end of the financial year are:

D A Brookes – Director appointed 22 December 2005

R J S Greenslade – Director appointed 22 December 2005

D G Whiting – Director appointed 22 December 2005

S W J Evans – Secretary appointed 22 December 2005 Resigned 29 September 2006

D C Stephens – Secretary appointed 29 September 2006

Principal Activities

The principal activity of the Company during the financial year was Pharmaceutical Manufacturer.

Operating Results

The net result after providing for income tax and extraordinary items was a profit of \$0.

Review of Operations

The Company was incorporated on 22 December 2005 and has conducted preliminary investigations pending commencement of actual operations.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Company other than that referred to in the financial statements or the notes to those financial statements.

Innovance

Directors' Report

Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Dividends

In respect of the financial year ended 30 June 2006, no dividends have been paid or are payable.

Indemnification of Officers

The Company under its Constitution agrees to indemnify every director and officer of the Company against liability incurred as a director or officer to the extent permitted by the Corporations Act 2001.

The Company also agrees to indemnify every director, secretary, and other officer of the Company against any liability incurred in defending any legal proceedings.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Director



Adelaide

Date:

30/10/06

Innovance

Directors' Declaration

The directors declare that:

- (a) The attached financial statements and the notes to those financial statements comply with Accounting Standards;
- (b) The attached financial statements and the notes to those financial statements give a true and fair view of the financial position and performance of the Company;
- (c) In the directors' opinion, the attached financial statements and the notes to those financial statements are in accordance with the Corporations Act 2001; and
- (d) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

Director



Adelaide

Dated: 30/10/06

Innovance

Independent Audit Report

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is enclosed.

Signed in accordance with a resolution of the directors made under section 298(2) of the Corporations Act 2001.

On behalf of the Directors.

Director



Adelaide

Dated: 30/10/06



Chartered Accountants
& Business Advisers

Auditor Independence Declaration

To the Directors of Innovance Limited

As lead engagement partner for the audit of Innovance Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act, 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

Chartered Accountants

P J WHELAN
Partner

Signed at Adelaide, this 30th day of October 2006.

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Innovance Ltd

ACN 117 330 757

Income Statement for the period ended 30 June 2006.

	\$
Revenue	-
Expenses	<u>(2,695)</u>
Loss for Period before Income Tax	(2,695)
Income Tax Expense	<u>-</u>
Loss for the Period after Income Tax	<u><u>(2,695)</u></u>

Innovance Ltd

ACN 117 330 757

Balance Sheet
as at 30 June 2006

	Audited 30 June 2006
	\$
Current Assets	
Cash	750
Total Current Assets	750
Total Assets	750
Current Liabilities	
Payables	2,695
Total Current Liabilities	2,695
Total Liabilities	2,695
Net Assets	<u>(1,945)</u>
Shareholders Equity	
Issued Capital	750
Retained Earnings	(2,695)
Total Shareholders Equity	<u>(1,945)</u>

Innovance Ltd

ACN 117 330 757

Statement of Changes in Equity for the period ended 30 June 2006.

	Ordinary Shares \$	Retained Earnings \$
Balance 22 December 2005	-	-
Issued ordinary shares	750	
Loss to 30 June 2006		(2,695)
Balance 30 June 2006	<u>750</u>	<u>(2,695)</u>

Innovance Ltd

ACN 117 330 757

Statement of Cash Flows
For the Financial Period ended 30 June 2006

	Note	2006 \$
Cash Flows from Investing Activities		
Payment for Establishment Costs		<u>(2,695)</u>
Net Cash provided by/(used in) investing activities	11(b)	<u>(2,695)</u>
Cash Flows from Financing Activities		
Proceeds from issue of shares		750
Proceeds from borrowing		<u>2,695</u>
Net cash provided by/(used in) financing activities	11(b)	<u>3,445</u>
Cash at the Beginning of the Financial Year		<u>750</u>
Cash at the End of the Financial Year	11(a)	<u><u>750</u></u>

To be read in conjunction with the attached notes.

Innovance Ltd

ACN 117 330 757

30 June 2006

Note 1 Introduction

(a) Background

Innovance Ltd is an unlisted public company incorporated in Australian.

(b) Operations and Principal Activities

Innovance Ltd was incorporated on 22 December 2005 and has not traded to 30 June 2006. The company intends investing in the biotechnology sector.

Note 2 Summary of Significant Accounting Policies

(a) Overall Policy

The financial report is a general purpose financial report which as been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with Australian equivalents to IFRS (AIFRS) ensuring that the financial report comprising the company's financial statements and notes comply with IFRS.

(b) Accounts Payable

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(c) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(d) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i.) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii.) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) **Income Tax**

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability settled.

(g) **Receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(h) **Revenue Recognition**

Revenues from fees, interest and other are brought to account on an accruals basis.

3. Remuneration of Auditors

Auditor of the company

Auditing the financial report
Other services

-
-
-

4. Current Payables

Other Creditors

2,695
2,695

5. Contributed Equity

75,000 ordinary shares paid to 1 cent

750

6. Segment Information

Business Segment

The company did not trade during the period to 30 June 2006.

Geographical Segment

The Company operates in Australia.

7. Related Party Disclosures

(a) Directors' Remuneration

The names of the directors who have held office during the year are:

D L Brookes
R J S Greenslade
D G Whiting
P Ford

No directors' remuneration was paid or incurred by the company during the financial year.

(b) Transactions with related parties have taken place at arms length and in the ordinary course of business.

Mr S W J Evans, the secretary of the Company (resigned 29 September 2006) is a principal of RJC Evans & Co Pty Ltd Accountants which provided services and disbursements relating to the incorporation and preliminary costs of the company.

8. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial positions as follows:

Cash

\$

750

- (b) Reconciliation of (Loss)/Profit From ordinary Activities after Related Income Tax to Net Cash Flows from Operating Activities.

(Loss)/Profit from ordinary activities after related income tax	-
Unrealised (Gain)/Loss from revaluation of investment	-
Changes in net assets:	
Decrease/(increase) in current assets	-
Increase/(Decrease) in payables	2,695
(Decrease)/Increase in provisions	-
Increase in capital	750
Net cash provided by operating activities	3,445

9. Financial Instruments

- (a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The following table details the Company's exposure to interest rate risk as at the 30 June 2006:

2006	Average Interest Rate \$	Variable Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial Assets				
Cash	-		750	750
Receivables	-			
Current tax assets	-		-	-
Other current financial assets	-		-	-
			750	750
Financial Liabilities				
Trade payables	-		2,695	2,695
Provisions	-		-	-
	-		2,695	2,695

- (b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties. The Company measures credit risk on a fair value basis.

The Company does not have significant credit risk exposure to any single counterparty except for the cash balance which is with two banks.

10. Additional Company Information

Innovance Ltd is a company, incorporated and operating in Australia.

Registered Office and Principal Place of Business

C/- HLB Mann Judd
82 Fullarton Road
Norwood SA 5067



Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT TO MEMBERS OF INNOVANCE LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and the directors' declaration for Innovance Limited (the company), for the period 22 December 2005 to 30 June 2006

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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The PKF International Association is an association of legally independent firms



Chartered Accountants
& Business Advisers

Audit opinion

In our opinion, the financial report of Innovance Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the period 22 December 2005 to 30 June 2006; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

A stylized signature of the PKF firm, written in black ink.

PKF
Chartered Accountants

A handwritten signature in black ink, appearing to read 'P J Whelan'.

P J WHELAN
Partner

Signed at Adelaide this 30th day of October 2006.