

Innovance Ltd

ABN 15 117 330 757

Half Year Report

for the half year ended 31 December 2006

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Directors' Report

The directors of Innovance Ltd submit their report for the half-year ended 31 December 2006.

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr David L Brookes,
Mr Patrick D Ford,
Mr Robert J S Greenslade.

Review of Operations

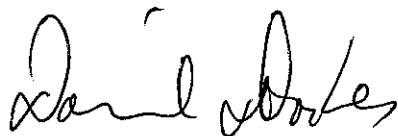
The main activities for the half-year ending 31 December 2006 involved the process of establishing Innovance's Initial Public Offering (IPO). The support of investors during this early phase was greatly appreciated, as the Company headed towards a National Stock Exchange (NSX) listing.

Innovance continues to review prospective biotechnology projects and we hope to find suitable investments in this or other areas.

Auditor's independence declaration

The auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half year ended 31 December 2006.

Signed in accordance with a resolution of the directors.



Dr David L Brookes
Director

14th March 2007



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

**To : The Directors
Innovance Limited**

As lead engagement partner for the review of Innovance Limited for the half year 31 December 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 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.


PKF

Chartered Accountants


P J Whelan
Partner

Signed in Adelaide this 14th day of March 2007

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Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	Half year ended 31 Dec 2006 \$'000	Period ended 31 Dec 2005 \$'000
Revenue		547	-
Other expenses		(54,694)	(2,695)
Profit/(Loss) before income tax expense		(54,147)	(2,695)
Income tax expense		-	-
Profit/(Loss) for the period		(54,147)	(2,695)
Profit/(Loss) attributable to members of the entity		(54,147)	(2,695)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(6.64)	(3.59)
Diluted earnings per share		(6.64)	(3.59)

The income statement is to be read in conjunction with the notes to the consolidated interim financial report.

Balance Sheet

AS AT 31 DECEMBER 2006

	Note	31 December 2006 \$	30 June 2006 \$
CURRENT ASSETS			
Cash and cash equivalents		87,743	750
Other current assets		2,960	-
TOTAL CURRENT ASSETS		90,703	750
TOTAL ASSETS		90,703	750
CURRENT LIABILITIES			
Trade and other payables		15,695	2,695
TOTAL CURRENT LIABILITIES		15,695	2,695
TOTAL LIABILITIES		15,695	2,695
NET ASSETS		75,008	(1,945)
EQUITY			
Contributed equity	3	105,750	750
Retained earnings		(56,842)	(2,695)
Reserves		26,100	-
TOTAL EQUITY		75,008	(1,945)

The balance sheet is to be read in conjunction with the notes to the consolidated interim financial report.

Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

Note	Share Capital Ordinary \$	Retained Earnings \$	Share Option Reserve \$	Total \$
Balance at 22 December 2005	-	-	-	-
Profit attributable to members of the entity	-	(2,695)	-	(2,695)
Shares issued via placement	750	-	-	750
Balance at 31 December 2005	750	(2,695)	-	(1,945)
Balance at 1 July 2006	750	(2,695)	-	(1,945)
Profit attributable to members of the parent entity	-	(54,147)	-	(54,147)
Shares issued via placement	105,000	-	26,100	131,100
Balance at 31 December 2006	105,750	(56,842)	26,100	75,008

The statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	Half year ended 31 Dec 2006 \$'000	Half year ended 31 Dec 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(17,804)	-
Interest received	547	-
NET CASH USED IN OPERATING ACTIVITIES	(17,257)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for establishment costs	-	(2,695)
NET CASH USED IN INVESTING ACTIVITIES	-	(2,695)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	105,000	750
Transaction costs of issue of shares	(750)	-
Proceeds from borrowings	-	2,695
NET CASH PROVIDED BY FINANCING ACTIVITIES	104,250	3,445
Net increase/(decrease) in cash and cash equivalents	86,993	750
Cash at the beginning of the reporting period	750	-
CASH AT THE END OF THE REPORTING PERIOD	87,743	750

The cash flow statement is to be read in conjunction with the notes to the consolidated interim financial report.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

Innovance Ltd (the "Company") is a company domiciled in Australia.

The annual financial report of the entity as at and for the period ended 30 June 2006 is available upon request from the Company's registered office.

b. Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the consolidated entity as at and for the period ended 30 June 2006.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

d. Trade and other receivables

Trade and other receivables are recognised at cost and carried at original invoice amount less allowances for impairment losses. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

e. Trade and other payables

Trade payables and other payables are stated at cost.

f. Share Capital

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

g. Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

i. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of Goods and Services Tax (GST).

2. SEGMENT INFORMATION

The Company operates in the pharmaceutical sector solely within Australia.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

3. ISSUED CAPITAL

	As at 31 Dec 06 \$	As at 30 Jun 06 \$
Fully paid ordinary shares	105,750	750
	105,750	750
	Half year ended 31 Dec 06	
	Number	\$
Ordinary shares		
Balance at beginning of financial year	75,000	750
Shares issued during the period	1,833,333	105,000
Balance at end of financial year	1,908,333	105,750

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

Of the 1,833,333 shares issued during the period, 83,333 are held in escrow for a period of one year from the date of listing on the National Stock Exchange of Australia (see note 4); a further 825,000 are held in escrow for a period of two years from the same date.

4. SUBSEQUENT EVENTS

In a Prospectus dated 17 November 2006, 5,000,000 Ordinary Shares were offered at an application price of \$0.10 per share, with a right to accept oversubscriptions of 10,000,000 Shares at \$0.10 per share.

On 9 February 2007, Innovance was listed on the National Stock Exchange of Australia (NSX). As a result of the Initial Public Offering, an additional 13,870,000 Ordinary Shares were issued at \$0.10, raising \$1,387,000, before expenses.

Directors' Declaration

In accordance with a resolution of the directors of Innovance Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) give a true and fair view of the financial position as at 30 June 2006 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Dr David L Brookes
Director

14th March 2007



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

TO MEMBERS OF INNOVANCE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Innovance Limited, which comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and directors' declaration for the half-year ended 31 December 2006.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Innovance Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Innovance Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PKF
Chartered Accountants

P J WHELAN
Partner

Signed at Adelaide this 14th day of March 2007.

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