

# **Innovance Ltd**

**ABN 15 117 330 757**

## **Annual Financial Report**

**for the year ended 30 June 2008**

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## Corporate Information

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This annual report covers Innovance Ltd (ABN 15 117 330 757) as an individual entity and the Group comprising Innovance Ltd and its subsidiary. The Group's functional and presentation currency is AUD \$.

A description of the Group's operations and principal activities is included in the review of operations and activities in the directors' report on pages 5-9. The directors' report is not part of the financial report.

### Directors

Dr David Brookes (Non-Executive Director, Chairman)  
Mr Robert Greenslade (Non-executive Director)  
Mr Stephen Evans (Non-executive Director)

### Company Secretary

Mr Donald Stephens

### Registered Office

C/- HLB Mann Judd (SA) Pty Ltd  
82 Fullarton Road  
NORWOOD SA 5067

### Principal place of business

C/- HLB Mann Judd (SA) Pty Ltd  
82 Fullarton Road  
NORWOOD SA 5067

### Share Registry

Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street  
ADELAIDE SA 5000

### Legal Advisors

O'Loughlins Lawyers  
Level 2, 99 Frome Street  
ADELAIDE SA 5000

### Bankers

National Australia Bank  
180 Greenhill Road  
PARKSIDE SA 5063

### Auditors

PKF  
Level 2, 139 Frome Street  
ADELAIDE SA 5000

## Directors' report

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Your directors submit their report for the year ended 30 June 2008.

### Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dr David Brookes  
Mr Robert Greenslade  
Mr Stephen Evans

### Names, qualifications, experience and special responsibilities

**David Brookes M.B.B.S; F.A.C.R.R.M.**

#### **Non Executive Director/Chairman**

David is a medical graduate of the University of Adelaide who had practiced as a rural general practitioner in the Northern Territory supervising regional paediatric services until 1995. He moved back to Adelaide with his family and practices in the Adelaide Hills. Since 1996 he has been a biotechnology analyst for Taylor Collison Limited in an informal capacity. David also currently is an independent director of Living Cells Technologies Ltd.

**Stephen Evans BA(Acc),AU FAICD**

#### **Non Executive Director**

Stephen Evans is the Managing Director of a leading Adelaide based accounting firm, "RJC Evans & Co" which was established in 1920. Stephen has over 25 years experience in advising small, medium and large corporations in relation to tax, accounting, financial and business related matters. He is a member of the Taxation Institute of Australia, National Institute of Accountants and a Fellow of the Institute of Company Directors. He brings to the Board a wealth of experience in the accounting, financial and taxation fields. Stephen is a non-executive director of WCP Resources Limited and Panax Geothermal Limited and the non-executive chairman of Chesser Resources Ltd.

**Robert Greenslade BA(Ec)**

#### **Non-Executive Director**

Mr Greenslade is a founding director of Adelaide-based boutique investment bank Gryphon Partners Pty Limited specialising in resource transactions in the public and private sectors. Prior to 2002, Mr Greenslade was Group Executive Corporate for Normandy Mining Limited heading up the company's corporate division. Following the takeover of Normandy Mining Limited by Newmont Mining Corporation Inc, he was appointed Vice President of Newmont Capital Limited responsible for the Group's Australian and Asian Pacific corporate and business development activities. Mr Greenslade is also a non-executive director of Ferraus Ltd, Oaks Hotel and Resorts Limited.

## Directors' report

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### Company Secretary

#### **Donald Stephens, BA (Acc), FCA**

Donald Stephens is a Chartered Accountant and corporate adviser with over 20 years experience in the accounting industry, including 14 years as a partner of a firm of Chartered Accountants. He is a non-executive director of Mithril Resources Ltd and Papyrus Australia Ltd and is company secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, FerrAus Ltd, Petrathern Ltd, Toro Energy Ltd, Arasor International Ltd and Chesser Resources Ltd. He holds other directorships with private companies and provides corporate advisory services to a wide range of organisations.

### Principal Activities

Innovance is an investment company. Initially, the focus of the Company will be on investment opportunities in the biotechnology sector, although the Board will consider other investment opportunities.

### Operating result

The Company's loss after providing for income tax amounted to \$ 67,961

### Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payments of dividends has been made.

### Review of Operations

Innovance is an investment company with an Australian focus that is looking for investment opportunities principally in the resource sector and the biotechnology sectors, which are the sectors that the directors have most experience in.

Corporate the company has not issued any new shares since NSX listing on the 8<sup>th</sup> Feb 2007 with the total issued shares being 16,571,833. The current consolidated cash balance of \$1,374,472 reflects a cash backing of 8.3 cents per share.

Operations market volatility has lead to additional caution with project scrutiny, and some projects remain under consideration. While the current circumstances make additional capital raising more difficult, it is the view of the directors that these circumstances may increase opportunities.

The Amadori project, which is contained within Innovance's wholly owned subsidiary "Amadori Pty Ltd" formed on 5<sup>th</sup> July 2007, is nearing completion and will remain within the \$100,000 budget. The provisional patent application that relates to the Amadori project has been assigned from Prof. Elliott to Amadori Pty Ltd. This provisional patent protects the project for 2 years. We are currently seeking expressions of interest amongst food manufacturers regarding the application of the patent to allow commercial production of food/beverages etc that are low in glycation products. Glycation products are being shown from numerous scientific sources to be of increasing health concern; and, to be measurable in humans after consumption of foods prepared with modern techniques. It should be evident in the near future if there is commercial interest in using this IP and we have clear methods and advice to minimise glycation products in food preparation/manufacturing. Prof. Elliott has

## Directors' report

formalised an agreement with Amadori Pty Ltd should there be ongoing commercial activity.

### Significant Changes in State of Affairs

There have been no significant changes to the state of affairs of the Company during the period.

### Likely developments and expected results

The group expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

### Significant events after the balance date

No events have arisen since the end of the financial year which significantly affected the financial position of the Company.

### Share Options

At the date of this report, the following unlisted options to acquire shares in the company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2007	Net Issued/ (Exercised) during Year	Balance at 30 June 2008
9/02/2007	9/02/2012	\$0.10	300,000	-	300,000
9/02/2007	9/02/2012	\$0.10	300,000	-	300,000
9/02/2007	9/02/2012	\$0.10	300,000	-	300,000
2/02/2012	1/02/2012	\$0.20	1,000,000	-	1,000,000
2/02/2012	1/02/2012	\$0.20	30,000,000	-	30,000,000
14/12/2012	14/12/2012	\$0.10	-	300,000	300,000
			31,900,000	300,000	32,200,000

### Interest in shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of Innovance Ltd were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Dr David Brookes	1,175,000	300,000
Mr Robert Greenslade	2,000,000	300,000
Mr Stephen Evans	200,000	300,000

\* Held by directors and entities in which directors have a relevant interest.

## Directors' report

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### Directors' Meetings

The number of meetings of directors held during the year and the number of meetings attended by each director are as follows:

Directors' Meetings		
<b>Number of meetings held</b>	1	
	<b>Number of meetings eligible to attend</b>	<b>Number of meetings attended</b>
Dr David Brookes	1	1
Mr Robert Greenslade	1	1
Mr Stephen Evans	1	1

### Audit Committee

As at the end of the reporting period, the board was yet to form an audit committee.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of \$8,408. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

### Remuneration Report - Audited

This report outlines the remuneration arrangements in place for directors and executives of Innovance Limited.

### Remuneration philosophy

The board is responsible for determining remuneration policies applicable to directors and key management personnel of the Company. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the board to the Company's financial performance.

## Directors' report

	Short-term Benefits	Post Employment	Share-based Payments	Total
	Salary & Fees	Superannuation	Value of Options	
Dr David Brookes				
2008	20,000	1,800	-	<b>21,800</b>
2007	-	-	19,770	19,770
Mr Patrick Ford				
2008	-	-	-	-
2007	-	-	19,770	19,770
Mr Robert Greenslade				
2008	5,500	-	-	<b>5,500</b>
2007	-	-	19,770	19,770
Mr Stephen Evans				
2008	5,500	-	19,770	<b>25,270</b>
2007	-	-	-	-
<b>2008</b>	<b>31,000</b>	<b>1,800</b>	<b>19,770</b>	<b>52,570</b>
<b>2007</b>	<b>-</b>	<b>-</b>	<b>59,310</b>	<b>59,310</b>

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### Auditor independence and non-audit services

PKF in its capacity as auditor of Innovance Limited, has not provided any non-audit services throughout the reporting period. The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 9.

Signed in accordance with a resolution of the board of directors.



David Brookes  
Non-executive director, chairman

Dated 29 September 2008





Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

**To: The Directors  
Innovance Limited**

As lead auditor for the audit of Innovance Limited for the year ended 30 June 2008 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.

This declaration is in respect of Innovance Limited and the entities it controlled during the year.

**PKF**  
Chartered Accountants

**P J Whelan**  
Partner

Signed in Adelaide this 29 day of September 2008

Tel 618 7421 1400 | Fax 618 7421 1499  
adelaide@pkf.com.au | www.pkf.com.au  
A South Australian Partnership | ABN 21 903 784 597  
Level 2 | 139 Frome Street | Adelaide | South Australia 5000  
GPO Box 2505 | Adelaide | South Australia 5001

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## Corporate Governance Statement

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The board of directors is responsible for the corporate governance of Innovance Limited (the Company). Summarised in this statement are the main corporate governance practices that have been developed by the board and were in place at the end of the financial year.

### Board Responsibilities

The board of directors is accountable to shareholders for the performance of the Company and has an overall responsibility for its operations. Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the managing director.

The key responsibilities of the board include:

Developing the strategic direction and related objectives for the Company and monitoring management performance in the achievement of these objectives.

- Adopting budgets and monitoring the financial performance of the Company.
- Reviewing the performance of the managing director.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Company meets its legal and statutory obligations.

### Managing Director and Company Secretary Declaration to the Board of Directors

The declaration made by the managing director and the company secretary to the board with regard to the integrity of the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### Board Composition

At the date of this statement the board consists of three non-executive directors, Mr D Brookes who is chairman of the board, Mr R Greenslade and Mr S Evans.

The board considers this to be an appropriate composition given the size and development of the Company at the present time. The names of directors including details of their qualification and experience are set out in the Directors' Report of this Annual Report.

The composition/membership of the board is subject to review in a number of ways, as outlined below:

- The Company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.
- Board composition is also reviewed periodically either when a vacancy arises or if it is considered that the board would benefit from the services of a new director, given the existing mix of skills and experience of the board which should match the strategic demands of the Company. Once it has been agreed that a new director is to be appointed, a search would be undertaken, sometimes using the services of external consultants. Nominations are subsequently received and reviewed by the board.

## Corporate Governance Statement

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### Board Remuneration

The maximum aggregate annual remuneration which may be paid to non-executive directors is currently \$200,000. This cannot be increased without approval of the Company's shareholders.

Remuneration of the non-executive directors and the managing director are reviewed and approved by the board on an annual basis.

### Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's constitution directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the board believes that a significant conflict exists the director concerned does not receive the relevant board papers, is not present at the meeting whilst the item is considered and takes no part in any decision.

### Director and Senior Management Dealings in Company Securities

The Company's constitution permits directors to acquire securities in the Company, however Company policy prohibits directors and senior management from dealing the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- Any major announcements;
- The release of the Company's half yearly and annual financial results to the National Stock Exchange; and
- The Annual General Meeting.

Directors must advise the chairman of the board before buying or selling securities in the Company. All such transactions are reported to the board. In accordance with the provisions of the Corporations Act and the Listing Rules of the National Stock Exchange, the Company advises the Exchange of any transaction conducted by directors in securities in the Company.

### Board Committees

The board of directors takes ultimate responsibility for corporate governance including the functions of:

- Establishing compensation arrangements of its managing director, chief executive officer and its senior executives and officers
- Appointment and retirement of non-executive directors
- Appointment of auditors
- Areas of business risk
- Maintenance of ethical standards

The board of directors seeks independent professional advice as necessary in carrying out their duties and responsibilities.

## Corporate Governance Statement

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### **External Auditor Attendance at Annual General Meeting**

An external auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders on the auditors' report and the conduct of the audit.

### **Continuous Disclosure**

The Company has a policy that all shareholders and investors have equal access to the Company's information. The chairman ensures that all price sensitive information is disclosed to the NSX in accordance with the continuous disclosure requirements of the Corporation's Act and NSX Listing Rules. The company secretary has primary responsibility for all communications with the NSX.

### **Code of Ethics**

Directors, management and staff are expected to perform their duties for the Company in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

### **The Role of Shareholders**

The board of directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:-

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document);
- The half-yearly report contains summarised financial information and a review of the operations of the Company during the period (the financial report is sent to any shareholder who requests it);
- Notices of all meetings of shareholders.

# Income Statement

## FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2 (a)	92,712	35,819	120,681	35,819
Employee benefits expense	2 (b)	(52,570)	(121,310)	(52,570)	(121,310)
Other expenses	2 (c)	(108,103)	(86,652)	(79,692)	(86,652)
<b>Loss before income tax</b>		<b>(67,961)</b>	<b>(172,143)</b>	<b>(11,581)</b>	<b>(172,143)</b>
Income tax expense		-	-		
<b>Loss for the period</b>		<b>(67,961)</b>	<b>(172,143)</b>	<b>(11,581)</b>	<b>(172,143)</b>
<b>Overall Operations</b>		Cents		Cents	
Basic earnings per share	4	(0.28)		(0.02)	
Diluted earnings per share	4	(0.28)		(0.02)	

*The accompanying notes form part of these financial statements*

# Balance Sheet

## AS AT 30 JUNE 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	1,374,472	1,378,941	1,329,121	1,378,941
Trade and other receivables	6	22,704	34,208	22,531	34,208
<b>TOTAL CURRENT ASSETS</b>		1,397,176	1,413,149	1,351,652	1,413,149
<b>NON-CURRENT ASSETS</b>					
Other financial assets		-	-	100,000	-
<b>TOTAL NON-CURRENT ASSETS</b>		-	-	100,000	-
<b>TOTAL ASSETS</b>		1,397,176	1,413,149	1,451,652	1,413,149
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	8	42,576	10,358	40,672	10,358
<b>TOTAL CURRENT LIABILITIES</b>		42,576	10,358	40,672	10,358
<b>TOTAL LIABILITIES</b>		42,576	10,358	40,672	10,358
<b>NET ASSETS</b>		1,354,600	1,402,791	1,410,980	1,402,791
<b>EQUITY</b>					
Issued capital	9	1,466,803	1,466,803	1,466,803	1,466,803
Reserves	10	141,080	121,310	141,080	121,310
Retained Earnings	11	(253,283)	(185,322)	(196,903)	(185,322)
<b>TOTAL EQUITY</b>		1,354,600	1,402,791	1,410,980	1,402,791

*The accompanying notes form part of these financial statements*

## Statement of Changes in Equity

### FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Group				Company			
	Share Capital Ordinary \$	Accumulated Losses \$	Share Option Reserve \$	Total \$	Share Capital Ordinary \$	Accumulated Losses \$	Share Option Reserve \$	Total \$
<b>Balance at 1 July 2006</b>	750	(2,695)	-	(1,945)	750	(2,695)	-	(1,945)
Loss attributable to members	-	(172,143)	-	(172,143)	-	(172,143)	-	(172,143)
Shares Issued	1,571,350	-	-	1,571,350	1,571,350	-	-	1,571,350
Transaction costs (net of tax)	(105,297)	(10,484)	-	(115,781)	(105,297)	(10,484)	-	(115,781)
Share options issued	-	-	121,310	121,310	-	-	121,310	121,310
<b>Balance at 30 June 2007</b>	<b>1,466,803</b>	<b>(185,322)</b>	<b>121,310</b>	<b>1,402,791</b>	<b>1,466,803</b>	<b>(185,322)</b>	<b>121,310</b>	<b>1,402,791</b>
<b>Balance at 1 July 2007</b>	1,466,803	(185,322)	121,310	1,402,791	1,466,803	(185,322)	121,310	1,402,791
Loss attributable to members	-	(67,961)	-	(67,961)	-	(11,581)	-	(11,581)
Share options issued	-	-	19,770	19,770	-	-	19,770	19,770
<b>Balance at 30 June 2008</b>	<b>1,466,803</b>	<b>(253,283)</b>	<b>141,080</b>	<b>1,354,600</b>	<b>1,466,803</b>	<b>(196,903)</b>	<b>141,080</b>	<b>1,410,980</b>

*The accompanying notes form part of these financial statements*

## Cash Flow Statement

### FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments to suppliers and employees		(108,850)	(89,258)	(67,067)	(89,258)
Receipts from wholly-owned entities		-	-	28,759	-
Interest received		104,381	11,880	88,488	11,880
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>5</b>	<b>(4,469)</b>	<b>(77,378)</b>	<b>50,180</b>	<b>(77,378)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment in subsidiary		-	-	(100,000)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		-	1,571,350	-	1,571,350
Transaction costs of issue of shares		-	(115,781)	-	(115,781)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>-</b>	<b>1,455,569</b>	<b>-</b>	<b>1,455,569</b>
Net increase/(decrease) in cash and cash equivalents		(4,469)	1,378,191	(49,820)	1,378,191
Cash at the beginning of the reporting period		1,378,941	750	1,378,941	750
<b>CASH AT END OF FINANCIAL YEAR</b>	<b>5</b>	<b>1,374,472</b>	<b>1,378,941</b>	<b>1,329,121</b>	<b>1,378,941</b>

*The accompanying notes form part of these financial statements*



# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the *Corporations Act 2001*.

The financial report covers Innovance Ltd as an individual entity and the Group comprising Innovance Ltd and its subsidiary. Innovance Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Innovance Ltd complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### Accounting policies

##### a. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the 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 is 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.

Deferred income assets are recognised to the extent 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 taxation legislation and the anticipation that the company will derive future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

*The accompanying notes form part of these financial statements*

## Notes to the Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2008

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**b. 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. Bank-overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**c. Trade and other payables**

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**d. Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of GST, except where that amount of GST incurred is not recoverable from the Australian Tax 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 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.

**e. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**f. 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).

**g. Share Capital**

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

*The accompanying notes form part of these financial statements*

## Notes to the Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2008

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#### **h. Principles of consolidation**

The consolidated financial statements comprise the financial statements of Innovance Limited and its subsidiaries as at 30 June each year (the Group).

A controlled entity is any entity Innovance Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. The financial statements of the subsidiary are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

#### **i. Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

#### **j. Employee benefits**

##### *Share-based payment transactions*

The Group provides benefits to employees of the Group in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

There is currently one plan in place to provide these benefits, the Employee Share Option Plan (ESOP) which provides benefits to employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised as an expense in the income statement, together with a corresponding increase in the share option reserve, when the options are issued.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.

#### **k. New accounting standards and interpretations**

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The following standards and amendments are available for early adoption but have not been applied by the consolidated entity in these financial statements:

*The accompanying notes form part of these financial statements*

## Notes to the Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2008

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*AASB 8 Operating Segments (effective from 1 January 2009)*

This standard will require the entity to adopt the “management approach” to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures that used in preparing the income statement and balance sheet in which case reconciliations of certain items will be required.

*Revised AASB 132 Borrowing Costs and AASB 2007-6 Amendments (effective from 1 January 2009)*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

*Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable to annual reporting periods commencing on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet, this one being at the beginning of the comparative period. The group intends to apply the revised standard from 1 July 2009.

The application of these standards will not affect the amounts recognised in the financial statements.

*The accompanying notes form part of these financial statements*

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

### 2. REVENUE AND EXPENSES

#### (a) Revenue

Bank interest received or receivable	92,712	35,819	91,922	35,819
Reimbursement from wholly owned subsidiary	-	-	28,759	-
	92,712	35,819	120,681	35,819

#### (b) Employees benefits expense

Wages, salaries, directors fees and other remuneration expenses	32,800		32,800	
Share-based payments expense	19,770	121,310	19,770	121,310
	52,570	121,310	52,570	121,310

#### (c) Other expenses from ordinary activities

Professional fees	31,288	22,680	31,288	22,680
Consultant Fees	-	6,273	-	6,273
Insurance costs	8,408	-	8,408	-
Audit fees	13,545	8,800	13,545	8,800
Research & Development	31,488	25,179	5,334	25,179
Stock exchange fees	5,678	7,853	5,678	7,853
Legal costs	5,195	-	3,464	-
Share registry fees	9,020	8,274	9,020	8,274
Other expenses	3,481	7,593	2,955	7,593
	108,103	86,652	79,692	86,652

### 3. INCOME TAX

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)

Tax effect of permanent differences

Non allowable items

Other deductible items

Future income tax benefit not realised as recognition criteria of AASB 112 not met

(67,961)	(172,143)	(11,581)	(172,143)
(20,388)	(51,643)	(3,474)	(51,643)
15,771	36,393	15,771	36,393
(12,387)	(1,687)	(12,387)	(1,687)
17,004	16,937	90	16,937
-	-	-	-

*The accompanying notes form part of these financial statements*

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

### Income tax losses

Future income tax asset arising from carried forward tax losses and temporary differences not recognised at reporting date as the asset is not regarded as meeting the probable criteria

Timing Difference at 30%

Tax losses at 30%

6,465	6,749	6,749	6,749
10,014	17,099	10,014	17,099
16,479	23,848	16,763	23,848

### 4. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2008 \$	2007 \$
Net loss attributable to ordinary equity holders	(67,961)	(172,143)
	2008	2007
Weighted average number of ordinary shares for basic earnings per share	16,571,833	7,343,365

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account.

### 5. CASH AND CASH EQUIVALENTS

Cash at bank and in hand

Short-term deposits

54,119	30,720	8,768	30,720
1,320,353	1,348,221	1,320,353	1,348,221
1,374,472	1,378,941	1,329,121	1,378,941

The average effective interest rate on short-term bank deposits was 7.93%.

*The accompanying notes form part of these financial statements*

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

### Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at banks and in hand	54,119	30,720	8,768	30,720
Short-term deposits	1,320,353	1,348,221	1,320,353	1,348,221
	<b>1,374,472</b>	<b>1,378,941</b>	<b>1,329,121</b>	<b>1,378,941</b>

### Reconciliation of net profit after tax to net cash flows from operations

Net loss	(67,961)	(172,143)	(11,581)	(172,143)
Share options expensed	19,770	121,310	19,770	121,310
Decrease in trade and other receivables	11,504	(34,208)	11,677	(34,208)
Increase in trade and other payables	32,218	7,663	30,314	7,663
Net cash used in operating activities	<b>(4,469)</b>	<b>(77,378)</b>	<b>50,180</b>	<b>(77,378)</b>

## 6. TRADE AND OTHER RECEIVABLES

Trade receivables	22,704	34,208	22,531	34,208
	<b>22,704</b>	<b>34,208</b>	<b>22,531</b>	<b>34,208</b>

## 7. SHARE-BASED PAYMENTS

The expense recognised in the income statement in relation to share-based payments is disclosed in note 2.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year:

	<b>2008 No.</b>	<b>2008 WAEP</b>
Outstanding at the beginning of the year	31,900,000	
Granted during the year	300,000	0.10
Outstanding at the end of the year	<b>32,200,000</b>	<b>0.10</b>
Exercisable at the end of the year	<b>32,200,000</b>	<b>0.10</b>

The outstanding balance as at 30 June 2008 is represented by:

- A total of 300,000 options exercisable any time until 9 February 2012 with a strike price of \$0.10.
- A total of 300,000 options exercisable any time until 9 February 2012 with a strike price of \$0.10.
- A total of 300,000 options exercisable any time until 9 February 2012 with a strike price of \$0.10.

*The accompanying notes form part of these financial statements*

## Notes to the Financial Statements

### FOR THE YEAR ENDED 30 JUNE 2008

- A total of 1,000,000 options exercisable any time until 9 February 2012 with a strike price of \$0.20.
- A total of 30,000,000 treasury options exercisable any time until 9 February 2012 with a strike price of \$0.20.
- A total of 300,000 options exercisable any time until 14 December 2012 with a strike price of \$0.10.

#### *Contractual life of options*

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 4.15 years.

#### *Exercise price of options*

The range of exercise prices for options outstanding at the end of the year was \$0.10 - \$0.20.

#### *Fair value of options*

The weighted average fair value of options granted during the year was \$0.004.

The fair value of the equity-settled share options granted under the option scheme is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2008:

	2008
Historical volatility (%)	20%
Risk-free interest rate (%)	6%
Expected life of option (years)	5

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

## 8. TRADE AND OTHER PAYABLES (CURRENT)

Trade payables (i)	42,576	10,358	40,672	10,358
	42,576	10,358	40,672	10,358

- i. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the credit risk of current payables is set out in note 14.

*The accompanying notes form part of these financial statements*



# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

### 9. ISSUED CAPITAL

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Issued Capital</b>				
	1,466,803	1,466,803	1,466,803	1,466,803
	1,466,803	1,466,803	1,466,803	1,466,803
	<b>2008</b>		<b>2007</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
Balance at beginning of financial year	16,571,833	1,466,803	75,000	750
Shares issued during the year :				
Seed capital issued	-	-	1,833,333	105,000
Shares issued pursuant to initial public offering	-	-	14,663,500	1,466,350
Transaction costs on share issue	-	-	-	(105,297)
Balance at end of financial year	16,571,833	1,466,803	16,571,833	1,466,803

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

### 10. SHARE OPTION RESERVE

#### Reserves

Share-option reserve	141,080	121,310	141,080	121,310
	141,080	121,310	141,080	121,310

#### Share-option reserve

Balance at beginning of financial year	121,310	-	121,310	-
Options expensed during the year	19,770	121,310	19,770	121,310
Balance at end of financial year	141,080	121,310	141,080	121,310

The share-option reserve records items recognised as expenses on valuation of directors share options and other equity settled transactions.

### 11. RETAINED EARNINGS

#### Retained Earnings

Balance at beginning of financial year	(185,322)	(2,695)	(185,322)	(2,695)
Net loss attributable to members of the Company	(67,961)	(172,143)	(11,581)	(172,143)
Tax Portion of IPO Costs	-	(10,484)	-	(10,484)
Balance at end of financial year	(253,283)	(185,322)	(196,903)	(185,322)

*The accompanying notes form part of these financial statements*

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

### 12. CONTINGENT ASSETS AND LIABILITIES

At the date of signing this report, the Company is not aware of any contingent asset or liability that should be disclosed in accordance with AASB 137.

### 13. AUDITOR'S REMUNERATION

Audit or review of financial report	13,545	5,000	13,545	5,000
	13,545	5,000	13,545	5,000

### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 9, 10 and 11 respectively.

Proceeds from share issues are used to maintain and expand the Groups exploration activities and fund operating costs.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>FINANCIAL ASSETS</i>				
Cash and cash equivalents	1,374,472	1,378,941	1,329,121	1,378,941
Trade and other receivables	22,704	34,208	22,531	34,208
<i>FINANCIAL LIABILITIES</i>				
Payables	42,576	10,358	40,672	10,358

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

*The accompanying notes form part of these financial statements*

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

### Interest rate sensitivity analysis

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Groups:

- Net loss would increase or decrease by \$14,651 which is mainly attributable to the Group's exposure to interest rates on its variable bank deposits.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

### Liquidity and interest risk tables

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

#### *Consolidated*

	Weighted average effective interest rate %	Less than 1 year \$
<b>2008</b>		
Non-interest bearing	-	42,576

The following table details the Company's and the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period.

#### *Consolidated*

	Weighted average effective interest rate %	Less than 1 year \$
<b>2008</b>		
Variable interest rate	7.93%	1,374,472

## 15. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION

### Payments to related parties

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to \$31,288. Donald Stephens, the company secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.

### Key management personnel remuneration and equity holdings

The board currently determines the nature and amount of remuneration for board members and senior executives of the Company. No directors fees are currently paid. The board will review directors fees on a regular basis in line with the company's activities.

Some directors have received unlisted options. Executives are also entitled to participate in the Company share option scheme. Options are valued using the Black-Scholes model.

*The accompanying notes form part of these financial statements*

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

### Specified directors' remuneration

	Short-term Benefits	Post Employment	Share-based Payments	Total
	Salary & Fees	Superannuation	Value of Options	
Dr David Brookes				
2008	20,000	1,800	-	<b>21,800</b>
2007	-	-	19,770	19,770
Mr Patrick Ford				
2008	-	-	-	-
2007	-	-	19,770	19,770
Mr Robert Greenslade				
2008	5,500	-	-	<b>5,500</b>
2007	-	-	19,770	19,770
Mr Stephen Evans				
2008	5,500	-	19,770	<b>25,270</b>
2007	-	-	-	-
<b>2008</b>	<b>31,000</b>	<b>1,800</b>	<b>19,770</b>	<b>52,570</b>
<b>2007</b>	<b>-</b>	<b>-</b>	<b>59,310</b>	<b>59,310</b>

### Compensation options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits to directors as disclosed above. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at an exercise price equal to the market price of the shares on the date of grant. The contractual life of each option granted is five years. There are no cash settlement alternatives. For further details relating to the options, refer to note 10.

30 June 2007	Grant number	Grant date	Vesting date	Value per option at grant date (\$)	Exercise price per option	Expiry date	Last exercise date
<b>Directors</b>							
Dr David Brookes	300,000	2/02/2007	02/02/07	\$ 0.066	\$ 0.10	09/02/12	09/02/12
Mr Patrick Ford	300,000	2/02/2007	02/02/07	\$ 0.066	\$ 0.10	09/02/12	09/02/12
Mr Robert Greenslade	300,000	2/02/2007	02/02/07	\$ 0.066	\$ 0.10	09/02/12	09/02/12
	<u>900,000</u>						

*The accompanying notes form part of these financial statements*

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2008

30 June 2008	Grant number	Grant date	Vesting date	Value per option at grant date (\$)	Exercise price per option	Expiry date	Last exercise date
<b>Directors</b>							
Mr Stephen Evans	300,000	14/12/2007	14/12/07	\$ 0.066	\$ 0.10	14/12/12	14/12/12
	<u>300,000</u>						
	<u>1,200,000</u>						

*The accompanying notes form part of these financial statements*

## Directors' Declaration

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

1. In the opinion of the directors:
  - a. the financial statements and notes of the Company and of the Company are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Company's financial position as at 30 June 2008 and its performance for the year ended on that date; and
    - ii. complying with Accounting Standards and 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.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2008.

On behalf of the board



David Brookes  
Non-executive director, chairman

Dated 29 September 2008

*The accompanying notes form part of these financial statements*



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REPORT

To the members of Innovance Limited

### Report on the Financial Report

We have audited the accompanying financial report of Innovance Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at 30 June 2008.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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 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 and fair presentation of the financial report 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 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*.

Tel 618 7421 1400 | Fax 618 7421 1499  
adelaide@pkf.com.au | www.pkf.com.au  
A South Australian Partnership | ABN 21 903 784 597  
Level 2 | 139 Frome Street | Adelaide | South Australia 5000  
GPO Box 2505 | Adelaide | South Australia 5001

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Chartered Accountants  
& Business Advisers

*Auditor's Opinion*

In our opinion the financial report of Innovance Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

**Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 7 and 8 of the directors' report for the period ended 30 June 2008. 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 Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Innovance Limited for the period ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.

PKF  
Chartered Accountants

P J WHELAN  
Partner

Signed in Adelaide this 29 day of September 2008