



27 February, 2006.

Company Announcement Office,
Australian Stock Exchange Ltd.,
4 th Floor, 20 Bridge Street,
Sydney. NSW. 2000

Dear Sir/Madam,

Appendix 4D & Chairman's Half-Yearly Report, 31 December, 2005.

Currently Anadis is in the process of raising capital as a necessary step in our evolving commercialisation focus. The need to do this was mentioned during last year's Annual General Meeting. Note 1 to these half-yearly accounts reflects this. I feel confident we will be able to raise the necessary capital, to continue the international expansion of our business, with minimal dilution to current shareholders.

Changes occurring in the Company as it becomes commercial

The small decrease in revenue is mainly attributed to the lower than expected sales from our manufacturing division, as general falls in consumer discretionary spending impact these kinds of products. We expect our manufacturing sales to improve going forward.

Travelan

The increased loss is due to the spending necessary to bring Anadis products to the market. The costs are spread between the marketing efforts for Travelan and the expenses incurred in the opening of potential global opportunities for Anadis products and technologies.

Anadis' lead product has evolved tremendously, moving from a research project to a real commercial product. This effort has been a large and challenging, with a considerable, but prudent, marketing endeavour. Consequently Travelan is now available in the majority of pharmacies nationally with a significant degree of public awareness. Response from the market and health professionals has been very positive, and as many are already aware, following anecdotal feedback, we are now investigating Travelan for a range of other gastrointestinal indications in particular those associated with IBD (Inflammatory Bowel Disease) and IBS (Irritable Bowel Syndrome).

Although sales may not have been as rapid as many shareholders would have expected, Travelan is certainly beginning to demonstrate itself, in the market place, as a product for which a real demand exists. In our opinion it is only a matter of time until Travelan is widely known and the consequent sales will follow – this does not take into account the new (and medically important) markets for which Travelan may now be of assistance.

Anadis has had to allocate substantial resources to Travelan and acknowledge that whilst cash outflow has increased significantly, it is almost completely due to the necessary expansion of our marketing and business efforts as we enter this exciting stage of international commercialisation.

The highlight for Travelan in the first half of this financial year has been the enormous international attention that has been generated around this product. Distribution agreements are currently being negotiated in a number of countries including Canada, Singapore, South Africa and India and we are in the process of negotiating other international arrangements in markets including Hong Kong, Thailand, Taiwan, Malaysia, United Kingdom, and Europe (EU). These markets represent a potential for Travelan many times greater than what we could ever expect in Australia.

Finally, since receiving a “Green Light” to market Travelan in the US, the team at Anadis are diligently developing commercial arrangements to take advantage of the more than 22 million US travellers per year to “High Risk” areas (not including “medium” or “low risk”), with US medical statistics showing, on average, over 40% of travellers will somehow be affected by Travellers’ Diarrhoea.

Enterovirus 71

The EV-71 project has now begun its commercialisation phase. We are currently in the process of scaling up manufacture of the EV 71 bovine vaccine to begin the process that will turn this research endeavour into a commercial product that will be available for purchase in Taiwan during its summer of 2007.

With the enormous market potential for this product, Anadis this year will work on the processes required to grow from the output of an initial 20 million doses for 2007, up to the market sizes given by the Taiwanese Development Center for Biotechnology (DCB) of over 110 million doses per annum.

\$973,000 Grant received for “Decoy Profiling Technologies” (DPT)

DPT enables the removal of ‘decoy’ materials from vaccines, leading to greatly increased levels of specific beneficial antibody production. It is believed DPT will be able to improve vaccine technology to the extent which allows cost effective antibody production for the multi billion dollar Functional and Medical Food markets.

Functional and Medical Foods deliver a benefit to health and well-being over and above their usual nutritional value. This global market, forecast over US\$160 billion by 2010 is driven by consumer trends in the growing attention to health, high motivation to take control of personal health, an ageing population, and cost increases in health care. Currently Anadis is able to provide commercial quantities of specific colostrum derived

antibodies for OTC (over the counter) pharmaceutical and nutraceutical products and we are now actively pursuing commercial opportunities in this large and growing market.

Immediate Respiratory Protection against Bio-Terror agents

During December 2005, Anadis announced "Anthrax Lethal Toxin 100% Neutralized by Anadis antibodies". This was the result of research in conjunction with the Defence Science and Technology Organisation (DSTO) which showed that Anadis antibodies are able to neutralize the cytotoxicity of lethal toxin towards human lung epithelial cells.

This project has continued to develop and we have now included Diagnostic Kits as a further application of this technology.

Other Anadis Projects

We continue to work on the further development of our *H. pylori* portfolio including both colostrum antibodies based products and further research into our vaccine development. The BioShield project continues to be investigated with potential commercial partners in the areas of functional foods and probiotics.

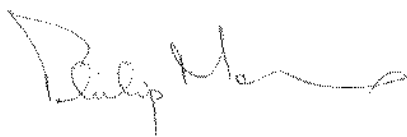
Our work into developing an Immune Stimulating Infant Formula continues with initial success reflected in the achieving a performance hurdle for the continued financial support through FIG (Food Innovation Grant) which began in late 2004.

Conclusion

We look forward to continued success during the remainder of this financial year with the expectation of the first sales of Travelan to international markets.

The company has an impressive portfolio of research products, and continues to grow.

Yours sincerely,
Anadis Limited



Philip Molyneux
Chairman

ANADIS Limited
ABN: 80 063 114 045

ASX Half-year information – 31 December 2005.

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2005 Annual Report.

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ANADIS Limited
Half-year ended 31 December 2005
(Previous corresponding period:
Half-year ended 31 December 2004)

Results for Announcement to the Market

				\$
Revenue from ordinary activities (Appendix 4D item 2.1)	down	9.9%	To	2,478,054
Profit/(loss) from ordinary activities after tax attributable to members (Appendix 4D item 2.2)	up	295%	To	(2,021,156)
Net profit/(loss) for the period attributable to members (Appendix 4D item 2.3)	up	295%	To	(2,021,156)

Dividends/distributions (Appendix 4D item 2.4)	Amount per security	Franked amount per security
Final dividend (<i>prior year</i>)	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the interim dividend
(Appendix 4D item 2.5)

N/A

Explanation of Revenue (Appendix 4D item 2.6)

Sales of goods \$2,066,925 represented the largest contribution (83%) to revenue. Additional revenue received comprised \$344,015 in outside research and development funding and \$67,114 interest received on cash deposits.

Explanation of Profit/(loss) from ordinary activities after tax (Appendix 4D item 2.6)

The increase in the loss (295%) from the previous year is primarily due to the costs associated with the launch of Travelan and no R&D tax refund. (2004 - \$300,763)

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Anadis Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Anadis Limited. Directors' Report.

Your directors present their report on Anadis Limited for the half-year ended 31 December, 2005.

Directors.

The following persons were directors of Anadis Limited during the half-year and up to the date of this report:

Philip G. Molyneux,
Conor J. Graham,
Dr. Peter J. Jenkins,
Arie L. Nudel, (appointed 12 July, 2005)
Prof Roy Robins-Browne, and
Roman Zwolenski

Review of operations and results.

The directors are pleased to report that in the six months to 31 December, 2005, a number of important milestones were achieved. These achievements are set out in the accompanying letter to the Australian Stock Exchange Ltd., signed by the Chairman and dated 27 February, 2006.

Auditors Independence

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the directors.



P. Molyneux
Director.



C. Graham
Director

Melbourne,
27 February, 2006.

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website: www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the review of Anadis Limited for the half year ended 31 December 2005, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Anadis Limited during the period.



Anton Linschoten
Partner

Melbourne
27 February 2006

PricewaterhouseCoopers

ANADIS Limited
Income Statement
For the half-year ended 31 December 2005

	2005	Half-year	2004
	\$		\$
Revenue from continuing operations	2,066,925		2,258,823
Other income	411,129		492,033
Raw materials and consumables used	(1,321,669)		(1,497,441)
Employee benefits expense	(1,215,321)		(938,630)
Depreciation and amortisation expenses	(85,492)		(83,161)
Borrowing costs	-		(1,460)
Research and development – external	(348,375)		(386,651)
Factory overheads	(107,608)		(87,737)
Directors' fees	(117,500)		(85,000)
Shareholder relations	(105,110)		(74,332)
Travel expenses	(70,031)		(39,471)
Product marketing - external	(913,915)		(204,032)
Corporate and administrative expenses	(214,189)		(165,218)
Profit/ (loss) before income tax	(2,021,156)		(812,277)
Income tax benefit	-		300,763
Profit/ (loss) for the half-year attributable to members	(2,021,156)		(511,514)
	Cents		Cents
Earnings per share attributable to the ordinary equity holders of the company			
Basic earnings per share	(2.18)		(0.56)
Diluted earnings per share	(2.18)		(0.56)

The above Income Statement should be read in conjunction with the accompanying notes.

ANADIS Limited
Balance Sheet
As at 31 December 2005

	31 December 2005	30 June 2005
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	152,595	178,660
Receivables	936,211	967,985
Investments	1,382,000	3,479,217
Inventories	1,202,837	1,288,980
Other assets	123,761	126,219
TOTAL CURRENT ASSETS	<u>3,797,404</u>	<u>6,041,061</u>
NON-CURRENT ASSETS		
Property, plant and equipment	1,712,096	1,738,671
Intangible assets	293,119	293,119
TOTAL NON-CURRENT ASSETS	<u>2,005,215</u>	<u>2,031,790</u>
TOTAL ASSETS	<u>5,802,619</u>	<u>8,072,851</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	454,426	773,954
Provisions	53,560	36,261
Other	162,785	281,340
TOTAL CURRENT LIABILITIES	<u>670,771</u>	<u>1,091,555</u>
NON-CURRENT LIABILITIES		
Provisions	48,918	22,898
TOTAL NON-CURRENT LIABILITIES	<u>48,918</u>	<u>22,898</u>
TOTAL LIABILITIES	<u>719,689</u>	<u>1,114,453</u>
NET ASSETS	<u>5,082,930</u>	<u>6,958,398</u>
EQUITY		
Share capital	17,097,561	16,984,561
Reserves	75,948	43,260
Accumulated losses	(12,090,579)	(10,069,423)
TOTAL EQUITY	<u>5,082,930</u>	<u>6,958,398</u>

The above Balance Sheet should be read in conjunction with the accompanying notes

ANADIS Limited
Statement of Changes in Equity
For the half-year ended 31 December, 2005

	Half-year 2005	2004
Total equity at the beginning of the half-year	<u>6,958,398</u>	<u>4,031,328</u>
Net income recognised directly in equity	-	-
Profit/(Loss) for the half-year	<u>(2,021,156)</u>	<u>(511,514)</u>
Total recognised income and expense for the period	<u>(2,021,156)</u>	<u>(511,514)</u>
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs (note 4)	113,000	4,242,512
Share options	<u>32,688</u>	<u>12,688</u>
	<u>145,688</u>	<u>4,255,200</u>
Total equity at the end of the half-year	<u>5,082,930</u>	<u>7,775,014</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

ANADIS Limited
Cash Flow Statement
For the half-year ended 31 December 2005

	Half-year 2005 Inflow / (Outflow) \$	2004 Inflow / (Outflow) \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and services tax)	2,300,753	2,022,339
Payments to suppliers and employees (inclusive of goods and services tax)	(4,778,794)	(3,616,509)
	(2,478,041)	(1,594,170)
Interest received	76,253	53,308
Grants received	191,734	423,075
R&D tax refund	-	300,763
Borrowing costs	-	(1,460)
Net Cash (outflow) from Operating Activities	(2,210,054)	(818,484)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(58,916)	(40,872)
Proceeds from maturing debentures	2,097,217	-
Investment in debentures	-	(2,909,097)
Net Cash inflow/(outflow) from Investing Activities	2,038,301	(2,949,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares & other equities	145,688	4,242,513
Repayment of borrowings	-	(5,097)
Net Cash inflow from Financing Activities	145,688	4,237,416
Net increase/(decrease) in cash held	(26,065)	468,963
Cash and cash equivalents at beginning of financial year	178,660	311,834
Cash and cash equivalents at the end of the half-year	152,595	780,797

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period 31 December, 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the year ended 30 June, 2005 and any public announcements made by Anadis Limited during the interim reporting period with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation of the half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS).

This interim financial report is the first Anadis Limited interim financial report to be prepared in accordance with AIFRSs. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Anadis Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Anadis Limited interim financial report for the half year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Company has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement from 1 July 2005*.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Company's equity and its net income are given in note 5.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Going Concern.

Anadis Limited, a developing business, has experienced operating losses of \$2,021,156 in the six months to 31 December 2005 and net cash outflows from operations of \$2,210,054. This unusual level of outflow arose from expenditure in promoting the Company's initial product, Travelan.

The Company is in the process of accessing additional sources of capital to allow the Company to continue to pursue its current activities and to continue as a viable entity.

The Directors believe that the Company will be able to manage the Company's cash flow through;
capital raising,
control of expenses, and,
careful management of research projects.

The Company's ability to continue as a going concern is dependent upon successful management of cash flow as well as meeting revenue projections for its product in Australia and overseas. As a result there is significant uncertainty as to whether the Company will continue as a going concern and therefore whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amount stated in the financial report.

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation of the half-year financial report (continued)

The Directors believe the Company will be successful in its planned capital raising, cost management and revenue generating activities. Accordingly, the half-year report has been prepared on a going concern basis, as the Directors believe the tangible assets would realise the value attributed to them in the accounts and liabilities will be met. No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns. The following specific revenue criteria must be met before revenue is recognised:

Sale of Goods – Significant risks and rewards of ownership of goods has passed to the buyer.

Interest – When the right to receive consideration for the investment has been attained.

(d) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred or accrued such that they are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(e) Income tax

The income tax expense or revenue for the period is the tax payable or tax rebate receivable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Note 1. Summary of significant accounting policies (continued)

(h) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

(i) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overheads expenditure, the latter being allocated on the basis of normal operating capacity.

(j) Property, plant and equipment

Buildings and plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is stated at historical cost and not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings	50 years
- Building Improvements	10-40 years
- Plant & Equipment	3-15 years
- Computers	2-4 years
- Furniture and fittings	5-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is the Company's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(k) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in business segments.

Note 1. Summary of significant accounting policies (continued)

(k) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. Other development expenditure is recognised in the income statement as an expense as incurred.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Retirement benefit obligations

All employees of the Company are entitled to benefits on retirement from their own individual private superannuation plans.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Anadis Executive Share Plan No 1 or No. 2.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005.

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005.

The fair value of options granted under the Anadis Executive Share Plan No 1 or No. 2 are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Note 1. Summary of significant accounting policies (continued)

(m) Employee benefits (continued)

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

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(n) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that are not fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 2. Segment information

Geographical Segment:

The Company operates in one geographic segment, Australia.

Business Segment:

The Company operates in two business segments being the conduct of Research & Development activities and manufactures health foods.

Half year 2005	\$ Manufacturing	\$ Research & Development	\$ Unallocated	\$ Total
Total segment revenue	2,066,925	344,015	67,114	2,478,054
Segment result	(620,412)	(519,977)	(880,767)	(2,021,156)
Taxation	-	-	-	-
Profit/(Loss) after tax	(620,412)	(519,977)	(880,767)	(2,021,156)
Segment assets	3,694,622	365,789	1,742,208	5,802,619
Segment liabilities	249,953	173,619	296,116	719,689
Depreciation & amortisation expense	47,396	24,471	13,625	85,492
Other non-cash expense	(12,733)	7,065	55,431	49,764
Acquisition of non-current segment assets	44,276	443	14,197	58,916
Half year 2004	\$ Manufacturing	\$ Research & Development	\$ Unallocated	\$ Total
Total segment revenue	2,189,981	373,620	187,255	2,750,856
Segment result	328,572	(561,084)	(579,765)	(812,277)
Taxation	-	300,763	-	300,763
Profit/(Loss) after tax	328,572	(260,321)	(579,765)	(511,764)
Segment assets	3,165,620	358,669	5,267,312	8,791,601
Segment liabilities	458,340	269,758	297,462	1,025,560
Depreciation & amortisation expense	52,262	27,786	3,113	83,161
Other non-cash expense	(3,008)	(771)	(2,279)	(6,058)
Acquisition of non-current segment assets	39,687	-	1,185	40,872

Notes to the financial statements
31 December 2005
(continued)

Note 3. Earnings per share

	Half-year	
	2005	2004
	Cents	Cents
Basic earnings per share	(2.18)	(0.56)
Diluted earnings per share	(2.18)	(0.56)
	2005	2004
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	92,547,659	90,825,360
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	92,547,659	90,825,360

Reconciliation of earnings used in calculating earnings per share

The numerator used in calculation of both Basic EPS and Diluted EPS is a loss of \$2,021,156 (2004 - \$511,514) and there are no reconciling items to the loss from ordinary activities before income tax expense.

Options

Options that have been granted are considered to be potential ordinary shares, however their conversion to ordinary shares does not increase the loss per share, as such the options are not dilutive and have not been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share.

Note 4. Share Capital

	December 2005 \$	June 2005 \$
Issued and Paid Up Capital		
92,269,126 (June 2005: 92,563,403) ordinary shares fully paid	<u>17,097,561</u>	<u>16,984,561</u>
Movements in share capital		
Date	Number of Shares	Issue Price
Details		\$
1/07/04 Balance	81,663,403	12,742,048
21/07/04 Share placement	800,000	0.39
30/07/04 Share placement	10,100,000	0.39
30/07/04 Share placement costs		(8,487)
30/06/05 Balance	92,563,403	16,984,561
29/11/05 Option conversion	50,000	0.24
29/11/05 Option conversion	50,000	0.27
9/12/05 Option conversion	250,000	0.35
13/12/05 Cancelled shares	-644,277	-
31/12/2005 Balance	<u>92,269,126</u>	<u>17,097,561</u>

Note 5. Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July, 2004

	Notes	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$	\$	\$
ASSETS				
CURRENT ASSETS				
Cash		311,834	-	311,834
Receivables		605,314	-	605,314
Investments		1,000,000	-	1,000,000
Inventories		802,309	-	802,309
Other assets		128,130	-	128,130
TOTAL CURRENT ASSETS		<u>2,847,587</u>	<u>-</u>	<u>2,847,587</u>
NON-CURRENT ASSETS				
Plant and equipment		1,769,059	-	1,769,059
Intangibles		293,119	-	293,119
TOTAL NON-CURRENT ASSETS		<u>2,062,178</u>	<u>-</u>	<u>2,062,178</u>
TOTAL ASSETS		<u>4,909,765</u>	<u>-</u>	<u>4,909,765</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable		677,483	-	677,483
Interest bearing liabilities		26,974	-	26,974
Other		127,234	-	127,234
TOTAL CURRENT LIABILITIES		<u>831,691</u>	<u>-</u>	<u>831,691</u>
NON-CURRENT LIABILITIES				
Provisions		46,746	-	46,746
TOTAL NON-CURRENT LIABILITIES		<u>46,746</u>	<u>-</u>	<u>46,746</u>
TOTAL LIABILITIES		<u>878,437</u>	<u>-</u>	<u>878,437</u>
NET ASSETS		<u>4,031,328</u>	<u>-</u>	<u>4,031,328</u>
EQUITY				
Share capital		12,742,048	-	12,742,048
Accumulated losses		(8,710,720)	-	(8,710,720)
TOTAL EQUITY		<u>4,031,328</u>	<u>-</u>	<u>4,031,328</u>

Notes to the financial statements
31 December 2005
(continued)

Note 5. Explanation of transition to Australian equivalents to IFRSs (continued)

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December, 2004

	Notes	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$	\$	\$
ASSETS				
CURRENT ASSETS				
Cash		780,797	-	780,797
Receivables		1,132,783	-	1,132,783
Investments		3,909,097	-	3,909,097
Inventories		883,604	-	883,604
Other assets		65,598	-	65,598
TOTAL CURRENT ASSETS		<u>6,771,879</u>	<u>-</u>	<u>6,771,879</u>
NON-CURRENT ASSETS				
Plant and equipment		1,735,576	-	1,735,576
Intangibles	(a)	284,146	8,973	293,119
TOTAL NON-CURRENT ASSETS		<u>2,019,722</u>	<u>8,973</u>	<u>2,028,695</u>
TOTAL ASSETS		<u>8,791,601</u>	<u>8,973</u>	<u>8,800,574</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable		823,072	-	823,072
Interest bearing liabilities		21,877	-	21,877
Other		129,289	-	129,289
TOTAL CURRENT LIABILITIES		<u>974,238</u>	<u>-</u>	<u>974,238</u>
NON-CURRENT LIABILITIES				
Provisions		51,322	-	51,322
TOTAL NON-CURRENT LIABILITIES		<u>51,322</u>	<u>-</u>	<u>51,322</u>
TOTAL LIABILITIES		<u>1,025,560</u>	<u>-</u>	<u>1,025,560</u>
NET ASSETS		<u>7,766,041</u>	<u>8,973</u>	<u>7,775,014</u>
EQUITY				
Share capital		16,984,561	-	16,984,561
Reserves	(b)	-	12,688	12,688
Accumulated losses	(a) & (b)	(9,218,520)	(3,715)	(9,222,235)
TOTAL EQUITY		<u>7,766,041</u>	<u>8,973</u>	<u>7,775,014</u>

Notes to the financial statements
31 December 2005
(continued)

Note 5. Explanation of transition to Australian equivalents to IFRSs (continued)

(c) At the end of the last reporting period under previous AGAAP: 30 June, 2005

	Notes	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$	\$	\$
ASSETS				
CURRENT ASSETS				
Cash		178,660	-	178,660
Receivables		967,985	-	967,985
Investments		3,479,217	-	3,479,217
Inventories		1,288,980	-	1,288,980
Other assets		126,219	-	126,219
TOTAL CURRENT ASSETS		<u>6,041,061</u>	<u>-</u>	<u>6,041,061</u>
NON-CURRENT ASSETS				
Plant and equipment		1,738,671	-	1,738,671
Intangibles	(a)	275,173	17,946	293,119
TOTAL NON-CURRENT ASSETS		<u>2,013,844</u>	<u>17,946</u>	<u>2,031,790</u>
TOTAL ASSETS		<u>8,054,905</u>	<u>17,946</u>	<u>8,072,851</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable		773,954	-	773,954
Interest bearing liabilities		-	-	-
Provisions		36,261	-	36,261
Other		281,348	-	281,348
TOTAL CURRENT LIABILITIES		<u>1,091,555</u>	<u>-</u>	<u>1,091,555</u>
NON-CURRENT LIABILITIES				
Provisions		22,898	-	22,898
TOTAL NON-CURRENT LIABILITIES		<u>22,898</u>	<u>-</u>	<u>22,898</u>
TOTAL LIABILITIES		<u>1,114,453</u>	<u>-</u>	<u>1,114,453</u>
NET ASSETS		<u>6,940,452</u>	<u>17,946</u>	<u>6,958,398</u>
EQUITY				
Share capital		16,984,561	-	16,984,561
Reserves	(b)	-	43,260	43,260
Accumulated losses	(a) & (b)	(10,044,109)	(25,314)	(10,069,423)
TOTAL EQUITY		<u>6,940,452</u>	<u>17,946</u>	<u>6,958,398</u>

Note 5. Explanation of transition to Australian equivalents to IFRSs (continued)

(2) Reconciliation of loss under previous AGAAP to loss under Australian equivalents to IFRSs (AIFRS)

(a) Reconciliation of loss for the half-year ended 31 December, 2004

	Notes	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$	\$	\$
Revenue from continuing operations		2,258,823	-	2,258,823
Other income		492,033	-	492,033
Raw materials and consumables used		(1,497,441)	-	(1,497,441)
Employee benefits expense	(b)	(925,942)	(12,688)	(938,630)
Depreciation and amortisation expenses	(a)	(92,134)	8,973	(83,161)
Borrowing costs		(1,460)	-	(1,460)
Research and development – external		(386,651)	-	(386,651)
Factory overheads		(87,737)	-	(87,737)
Directors' fees		(85,000)	-	(85,000)
Travel expenses		(39,471)	-	(39,471)
Product promotion		(204,032)	-	(204,032)
Corporate and administrative expenses		(239,550)	-	(239,550)
Profit/ (loss) before income tax		(808,562)	(3,715)	(812,277)
Income tax benefit		300,763	-	300,763
Profit/ (loss) for the half-year attributable to members		(507,799)	(3,715)	(511,514)

Notes to the financial statements
31 December 2005
(continued)

Note 5. Explanation of transition to Australian equivalents to IFRSs (continued)

(b) Reconciliation of loss for the year ended 30 June, 2005

	Notes	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$	\$	\$
Revenue from continuing operations		4,867,597	-	4,867,597
Other income		922,163	-	922,163
Raw materials and consumables used		(3,065,639)	-	(3,065,639)
Employee benefits expense	(b)	(1,930,897)	(23,260)	(1,954,157)
Depreciation and amortisation expenses	(a)	(189,005)	17,946	(171,059)
Borrowing costs		(168)	-	(168)
Research and development – external	(b)	(789,069)	(20,000)	(809,069)
Factory overheads		(263,208)	-	(263,208)
Directors' fees		(173,750)	-	(173,750)
Travel expenses		(93,282)	-	(93,282)
Product promotion		(377,696)	-	(377,696)
Corporate and administrative expenses		(540,314)	-	(540,314)
Profit/ (loss) before income tax		(1,633,268)	(25,314)	(1,658,582)
Income tax benefit		299,879	-	299,879
Profit/ (loss) for the half-year attributable to members		(1,333,389)	(25,314)	(1,358,703)

(3) Reconciliation of cash flow statement for the year ended 30 June, 2005.

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

4) Notes to the reconciliations.

(a) Goodwill amortisation

The Company acquired the assets of Shannon Bioscience Pty. Ltd. On 22 November, 2000 and has taken the exemption provided by AASB 1 to not restate this acquisition as it occurred prior to 1 July, 2004.

There have been no subsequent acquisitions.

Under AIFRS goodwill is not amortised.

The effect is:

(i) At 31 December 2004

There has been an increase in intangible assets of \$8,973 and corresponding decrease in accumulated losses.

(ii) At 30 June, 2005.

There has been an increase in intangible assets of \$17,946 and a corresponding decrease in accumulated losses.

(iii) For the half-year ended 31 December 2004.

For the company the amortisation expense has decreased by \$8,973.

Note 5. Explanation of transition to Australian equivalents to IFRSs (continued)

(a) Goodwill amortisation (continued)

(iv) For the year ended 30 June 2005.
For the Company amortisation expense has decreased by \$17,946.

(b) Share based payments

Employees

Under AASB 2 share-based Payments from 1 July 2004 the Company is required to recognise an expense for those options that were issued to employees under the Anadis Executive Share Plan No.1 No 2 after 7 November 2002 but that had not vested by 1 January, 2005.

The effect of this is:

- (i) At 31 December 2004
There has been an increase in accumulated losses of \$12,688 and a corresponding increase in reserves.
- (ii) At 30 June, 2005.
There has been an increase in accumulated losses of \$23,260 and a corresponding increase in reserves.
- (iii) For the half-year ended 31 December 2004
There has been an increase in employee benefits expense of \$12,688.
- (iv) For the year ended 30 June, 2005
There has been an increase in employee benefits expense of \$23,260.

Contractors

Under AASB 2 share-based Payments from 1 July 2004 the Company is required to recognise an expense for those options that were issued to contractors (in relation to research and development) and vested after 1 January, 2005.

The effect of this is:

- (i) At 30 June, 2005.
There has been an increase in accumulated losses of \$20,000 and a corresponding increase in reserves.
- (ii) For the year ended 30 June, 2005
There has been an increase in research and development expense of \$20,000.
- (iii) There is no December 2004 impact.

Effect of transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005

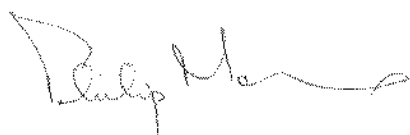
The effect of transition from previous AGAAP to AIFRS has not resulted in any material adjustments to financial instruments.

ANADIS Limited Directors' Declaration

In the Director's opinion:

- (a) the financial statements and notes set out on pages 9 to 25 are in accordance with the Corporations Act 2001, including;
 - 1. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - 2. giving a true and fair view of the Company's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date. 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.

This declaration is made in accordance with a resolution of the Directors.



P Molyneux
Director



C Graham
Director

Melbourne
27 February 2006

Independent review report to the members of Anadis Limited

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Anadis Limited (the Company) for the half-year ended 31 December 2005 included on Anadis Limited's web site. The Company's directors are responsible for the integrity of the Anadis Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Anadis Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Anadis Limited as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(a), there is significant uncertainty whether Anadis Limited (the company) will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Anadis Limited, for the half-year ended 31 December 2005.

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.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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



PricewaterhouseCoopers



Anton Linschoten
Partner

Melbourne
27 February 2006

ANADIS Limited
31 December 2005
Supplementary Appendix 4D information

NTA Backing *(Appendix 4D item 3)*

	2005	2004
Net tangible asset backing per ordinary share	\$0.05	\$0.08