Innova Robotics & Automation, Inc.
Form 10KSB
April 23, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 000-33231

INNOVA ROBOTICS & AUTOMATION, INC.
F/K/A INNOVA HOLDINGS, INC.
(EXACT NAME OF THE COMPANY AS SPECIFIED IN ITS CHARTER)

DELAWARE	95-4868120
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NO.)

15870 PINE RIDGE ROAD
FORT MYERS FL 33908
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(239) 466-0488
(ISSUER TELEPHONE NUMBER)

SECURITIES REGISTERED UNDER SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS REGISTERED:	NAME OF EACH EXCHANGE ON WHICH REGISTERED:
NONE	NONE

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SECURITIES REGISTERED UNDER SECTION 12(G) OF THE ACT:

COMMON STOCK, PAR VALUE $.001
(TITLE OF CLASS)

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. x Yes o No

State issuer's revenues for its most recent fiscal year. $1,340,222. State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.) As of April 5, 2007, approximately $6,878,718.

As of March 30, 2007 there were 80,943,293 shares of the issuer's $.001 par value common stock issued and outstanding.

Documents incorporated by reference. There are no annual reports to security holders, proxy information statements, or any prospectus filed pursuant to Rule 424 of the Securities Act of 1933 incorporated herein by reference.

Transitional Small Business Disclosure format (check one):

o Yes x No

EXPLANATORY NOTE

All common share amounts and per share amounts in the accompanying financial statements and in this Report on Form 10-KSB for the years ended December 31, 2006 and 2005, reflect the one-for-ten reverse stock split of the issued and outstanding shares of common stock of the Company, effective on November 20, 2006 as well as the name change of the Company from Innova Holdings, Inc. to Innova Robotics and Automation, Inc.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain financial information and statements regarding our operations and financial prospects of a forward-looking nature. Although these statements accurately reflect management's current understanding and beliefs, we caution you that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements, which may be deemed to be made in this report. For this purpose, any statements contained in this Report, which are not statements of historical fact, may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as, "may", "will", "intend", "expect", "believe", "anticipate", "could", "estimate", "plan" or "continue" or the negative variations of those words or comparable terminology are intended to identify forward-looking statements. There can be no assurance of any kind that such forward-looking information and statements will be reflective in any way of our actual future operations and/or financial results, and any of such information and statements should not be relied upon either in whole or in part in connection with any decision to invest in the shares.

PART I

ITEM 1. DESCRIPTION OF BUSINESS:

Overview

Innova Robotics & Automation, Inc. is a robotics and automation technology company providing technology and software business solutions that pioneers innovative control and communication solutions making robotics and businesses more productive and profitable for customers in the telecommunications, aerospace, research, academic, and industrial, personal and service robotic markets. Our plan of operation is to sell and license our patented technology, sell solutions, experience and know-how to meet our customers' robotic & automation technology needs.

In addition, the company is chartered to continue expanding its growing suite of technologies through acquisitions and organic growth.

Our four subsidiaries are Robotic Workspace Technologies, Inc. (RWT), Innova Robotics, Inc., CoroWare Technologies, Inc. (CoroWare), and Altronics Service, Inc.

ROBOTIC WORKSPACE TECHNOLOGIES, INC. (RWT)

RWT provides open-architecture PC controls, software, and related products that improve the performance, applicability, and productivity of robots and other automated equipment in industrial environments. RWT's robot controller extends the mechanical life of manufacturing devices and provides added functionality.

Through RWT, we deliver our software through the sale of control systems and the licensing of our software to end-user companies, system integrators, manufacturing support providers, and other parties. We hold three pioneer patents issued by the USPTO that covers all applications pertaining to the interface of a general use computer and the mobility of robots, regardless of specific applications.

Products:

Universal Robot Controller

The Universal Robot Controller (URC(TM)) is the open-architecture control system that operates the robot. It includes the general purpose PC running Microsoft(R) Windows, the RWT-developed RobotScript® robot programming software, and other software programs that can be used to communicate with other PC devices and platforms including the Internet. The URC also contains dedicated processors for real-time motion control of the robot. The URC provides a range of standard communication and interface ports for plug-and-play connectivity and interoperability. The URC features an expandable input/output bus required for auxiliary equipment. All electro-mechanical systems in the URC are programmed using RobotScript, which is an easy-to-use English-like language programming environment.

The recently launched third generation robot controller, the URC3, is smart, easy, and open. It features improved processing speed, improved path following, increased speed control, and increased communications ability.

The URC3 has expanded RWT from its typical industrial market into Space. NASA Goddard's Space Flight Center is using the URC3 to control a robot simulating the robot on the Hubble making repairs in zero gravity. To accomplish this, the URC3 must receive commands from NASA's host computer at 1000Hz. The robot OEM controller could not come near this communication speed. The URC3 gives robot users extended functionality and flexibility with their existing robots.

RobotScript

RobotScript is a universal programming library based on Microsoft's .NET® environment. From a plain text file, robot programmers can control robot motion, coordinate input and output for auxiliary equipment, and communicate with other PC devices for reporting and data sharing. Because RobotScript operates in the Windows environment, challenges common to proprietary control schemes, such as networking and file sharing, are eliminated. RobotScript can access the operating system or network as well as utilize the Internet for remote monitoring and control of equipment.

The RobotScript software can also be used to create custom applications specific to customer needs. A software development kit (SDK) allows novice as well as experienced developers to create their specialized interface for a particular use in meeting a customer's need.

RobotScript has supported the development of a number of application-specific modules such as arc welding, vision, and material handling. Additional modules are in development.

INNOVA ROBOTICS, INC.

In the world of non-industrial robotics, there are two distinct markets emerging, in our opinion, that apply advanced robotic software and hardware technologies. These distinct markets are unmanned robotic vehicles and service robots.

Unmanned robotic vehicles - these vehicles typically are autonomous and function on the ground, in the air, under sea and in space and are controlled with an advanced Operating Control Unit. Many of these unmanned vehicles are deployed in Iraq and Afghanistan as well as by many police departments around the world. Our value-added proposition is to add our unmanned vehicle control software to provide advanced functionality of all unmanned vehicles in a coordinated fashion.

Service robots - these robotic devices tend to operate semi or fully autonomously to perform services useful to individuals and their care and well-being, either as Personal Robots or as Domestic Robots.

Product:

Mission & Robotic Control System (MRCS)

An unmanned autonomous vehicle is no more effective than the software and person controlling it. Intelligent and advanced semi-autonomous unmanned vehicles will require intelligent and advanced software to command, control, and coordinate their behavior, both on the battlefield and on our nation’s borders. Mission and Robotic Control Systems and operator control units (OCU) of the future can be used to control multiple, proprietary robots from disparate manufacturers, and provide autonomous behavior. We are in the final stages of development of our MRCS, a Mission & Robotic Control System that will coordinate various makes and types of unmanned robotic vehicles under one control.

Additionally, we have strategic development relationships with Embry Riddle Aeronautical University (ERAU) and the University of South Florida (USF). In late 2006, we laid the foundations for building strategic alliances with certain governmental agencies which we believe will bring value in 2007 and into 2008.

COROWARE TECHNOLOGIES, INC.

CoroWare delivers solutions that integrate business applications and robotic systems into unified solutions for the improved delivery of goods, services and information. CoroWare’s expertise includes the deployment and integration of computing platforms and applications, as well as the development of unmanned vehicle software and solutions for customers in the research, commercial, and homeland security market segments.

CoroWare is focused on the global market and offers its robotic integration expertise to customers who are looking for software systems development and integration services in areas such as architectural design and software applications development. CoroWare specializes in offering its services in two distinct areas: Robotics & Automation and Enterprise Systems.

Robotics & Automation

CoroWare was among the first third-parties to support the development and deployment of Microsoft Robotics Studio®. We believe CoroWare is uniquely positioned with its knowledge of Microsoft Robotics Studio to offer software systems development and integration services to customers who are considering how to take full advantage of Microsoft Robotics Studio for the development of commercial products or educational services.

Services:

CoroWare designs, develops and integrates software and solutions for homeland security, service, and university research applications. CoroWare engineers and developers manage significant projects on-site at its customer's locations as well as working virtually from remote locations and collaborating with on-site staff.

Products:

Plus Pak

The CoroWare Robotics PlusPack is a collection of applications, services, tools, assets and utilities that complement and extend the capabilities of Microsoft Robotics Studio. This suite is an add-on set of tools that allow the user to expand modeling and simulation situations that are not available in the base Robotics Studio offering from Microsoft.

Surveyor

Surveyor is a flexible, mobile service robot that can be remotely operated or programmed to run semi-autonomously for applications such as surveillance and monitoring, and research and development. This is primarily intended, at this time, to be used for higher education research and training, and for the serious hobbyist.

Enterprise Systems Services:

Enterprise Business Solutions

More and more businesses are looking to utilize automation to solve problems such as bringing products to the market faster, reducing operating costs and improving service while delivering IT services faster, cheaper, and with fewer failures. CoroWare's Enterprise Business Solutions business is divided in two areas:

1. Customer Care Practice

CoroWare Customer Care Practice provides customized software and implementation services to small to medium sized businesses for Microsoft Customer Care Framework (CCF), a software product that supports the rapid, flexible and cost-effective development and deployment of customer care solutions.

We believe that CoroWare's subject matter expertise on Microsoft's CCF can enhance the customer care environment with applications customized for the way individual companies do business. In addition, we believe their relationship with Microsoft has the potential to help drive efficiencies and progress in the field of customer service, especially with small and mid-sized customer service organizations.

The Customer Care Practice is also designed to provide customers a new approach in maximizing the benefit and reducing the risk of automated business solutions. CoroWare specializes in Architectural Design and Integration of XML Web Services, Microsoft (CCF) and customer service applications with core systems such as customer relationship management (CRM), billing, order management, ERP, and other line-of-business applications.

2. Microsoft Practice

CoroWare's Microsoft Practice combines expertise the following areas:

Release and Project Management

CoroWare's program managers are experts in Microsoft's product and solution development tools and processes. CoroWare uses that experience to create product specifications, develop project plans and manage technology for businesses.

Technology Adoption Lab Management

CoroWare's team of experienced hardware and software deployment engineers architect, deploy and support state-of-the-art computer lab facilities that include the latest builds of operating systems, developer tools, and servers. CoroWare engineers work side-by-side with Microsoft employees and partners to ensure that they can deploy and test applications on pre-release and newly released Microsoft platforms. CoroWare employees currently manage two Microsoft Labs.

Solution Delivery

CoroWare is focused on delivering solutions around a key set of Microsoft products. CoroWare offers solutions, envisioning, design, development and testing services through architects and developers who are experienced in a range of Microsoft solutions and technologies.

Product Release Testing and Packaging Services

CoroWare's engineers design complex test environments using the latest Microsoft virtualization technology, ensuring rapid, scalable and low-fault testing. In addition, CoroWare can create installation packages that provide seamless adoption of many Microsoft applications.

Altronics Service, Inc.

Altronics Service, Inc. is a service-based company targeting industrial automation in machine shops. We specialize in retrofitting, repairing and servicing Westinghouse, Flexmate and Automation Intelligence equipment. This includes phone support as well as repair and maintenance of printed circuit boards for NC’s and CNC controls. The company controls the majority of existing replacement inventory of many of the electronic circuit boards for a number of the older controller systems, principally those for Westinghouse built controllers. Over 2,000 customers across the United States rely on the technical support and replacement board capabilities of the company.

Control Systems

The Company offers two control systems - the Universal Robot Controller and the Universal Automation Controller.

Universal Robot Controller

The Universal Robot Controller(TM) (URC(TM)), which is offered by RWT, is the open-architecture control system that operates the robot. It includes the general purpose PC running Microsoft(R) Windows, the RWT-developed RobotScript® robot programming software, and other software programs that can be used to communicate with other PC devices and platforms including the Internet. The URC also contains dedicated separate processors for real-time motion control of the robot. The URC provides a range of standard communication and interface ports for plug-and-play connectivity and interoperability. The URC features an expandable input/output bus required for auxiliary equipment. All electro-mechanical systems in the URC are programmed using RobotScript, which is an easy-to-use English-language programming environment.

Universal Automation Controller

The Universal Automation Controller(TM) (UAC(TM)), which is offered by Altronics, is in the later stages of development and is expected to be released soon, is a general-purpose motion control system for automated machines with fewer than 5-6 axis of movement. The UAC provides the power of a full-featured open PC motion controller and Programmable Logic Controller (PLC) in one easy to use PC control system. It provides direct motion control for

complex machines and adds "soft PLC" (software control of Input/Output). The enhanced motion control capabilities provide greater functionality and full motion control of less sophisticated machinery as well. The UAC is powered by RWT's RobotScript software.

The UAC provides standard communications and interface ports, providing maximum flexibility in choosing off-the-shelf user interface and communications components. The Company believes that the UAC shortens development time, reduces manufacturing time, and dramatically decreases the time to market of motion-based machines, and therefore will greatly improve productivity and reduce costs in all manufacturing environments.

Licensing of Proprietary Software Solutions - Middleware

Robotscript

RobotScript is a universal programming language based on Microsoft's Visual Basic(R) Scripting Edition (VBScript(R)) software. It provides a robot programming environment that is simple to use and easy to learn. From a plain text file, robot programmers can easily control robot motion, coordinate input and output for auxiliary equipment, and communicate with other PC devices for reporting and data sharing. Because RobotScript operates in the Windows environment, challenges common to proprietary control schemes, such as networking and file sharing, are eliminated. RobotScript can access anything on the operating system or network as well as utilize the Internet for remote monitoring and control of equipment.

The software can also be used to easily create custom applications specific to customer needs. A software development kit (SDK) is available to allow even novice developers to quickly create a specialized interface for a particular use in meeting a customer's need.

The proven success of RobotScript has supported the development of a number of evolutionary, application-specific modules such as arc welding, vision systems and automation control. Additional modules are also in development or planned for other robotic applications such as:

o Guidance Systems

o Sensor Systems

o Voice Control Systems

o Tactile Control Systems

o Laser Welding

o Material Handling

o Medical Applications

o Elder Care Control Systems

o Plasma Cutting

o Autonomous Underwater Vehicles

o Homeland Security Systems

o Security Systems

o Pharmaceutical Production

o TIG/MIG Welding

o Medical Robotics

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The Innova suite of software is marketed and sold to the service and personal robot markets through Innova Robotics, Inc., a wholly owned subsidiary of Innova. Generally, the Innova suite of software solutions is referred to as Middleware, which is connectivity software that consists of a set of enabling services that allow multiple processes running on one or more machines to interact across a network. Middleware is essential to migrating mainframe applications to client/server applications and to providing for communication across heterogeneous platforms. This technology has evolved during the 1990s to provide for interoperability in support of the move to client/server architectures. In the context of Innova's markets, it is this Middleware that enables industrial robots to communicate with enterprise systems like purchasing, inventory control and other enterprise wide systems. In the military arena, this Middleware, in management's opinion, would enable an unmanned mobile robotic vehicle to communicate reconnaissance intelligence with the Logistics Command and in return receive updated operational instructions. Communications to and between unmanned aircraft (UAV) is also possible.

Markets Served

The markets served are the military, service, commercial software, personal, and industrial robotic and automation markets, which are discussed below.

Users

The primary users of industrial robots and automation in the United States include automotive manufacturers and automotive suppliers, food and consumer goods companies, semiconductor and electronics firms, metalworking companies, plastics and rubber manufacturers, and increasingly sciences, pharmaceutical, and biomedical businesses. According to RIA, small, medium, and large companies in just about every industry have taken advantage of the productivity, quality, and flexibility gains that robots and automation provide in order to compete successfully in the global market. RIA notes that robot use jumped 30% in the life sciences, pharmaceutical, and biomedical industries in 2005, but the sales of new robots into these markets is reported to be down 30% in 2006. Automotive manufacturers, the largest users of robots, increased their orders by 49% in 2005 but are down approximately 30% in 2006.

Applications

With regard to applications, the biggest growth areas this year have been for robots and automation used in material handling applications (+45%), arc welding (+37%) and spot welding (+19%), according to RIA.

Sales

The market for the Company's Universal Robot Controller is the retrofit market for mechanical arms which benefit from a controls replacement. In management's opinion, virtually all of the 848,000 + older robots have antiquated control systems that require replacement in order to improve functionality to current standards of the robotic industry, and to drastically reduce the costs of spare parts. Currently, owners of these older robots must buy their spare parts from the Original Equipment Manufacturers (OEMs) and management believes that since these spare parts for the controller are proprietary to the OEM, the costs of these spare parts is very high compared to the cost of standard, commercially available, off-the-shelf components and thus provide a substantial profit margin to the OEMs. RWT's Universal Robotic Controller is a state-of-the-art solution built using standard components whenever possible which in management's opinion provides more features, functionality, and value than the controllers of the robot OEMs. The URC was developed and has been successful as a "Plug and Play" upgrade.

Service Robots - Market Overview

The service robot industry is rapidly emerging and according to many it is expected to be large. In reporting the following data, UNECE cautions that because many companies did not provide market data, the figures reported

probably underestimate significantly the true sales amounts as well as the installed base of service robots.

Regardless, the scope of applications is beginning to expand and we are experiencing an increasing demand for software to function as the middleware for connectivity, interoperability, and ease of integration between high-powered software and devices. We are beginning to see in the professional service robot sector robots used for handling bombs and hazardous materials evolve such that there is a need to interface with, for example, Homeland Security systems using vision, audio, mobility, and for data collection and data delivery. The U.S. Government has appropriated several billion to develop an unmanned fighting force. The goal is to convert a significant percent of its fighting force to unmanned systems by the end of the decade.. As the market better realizes the potential of such applications, there will be a substantial push for open software standards. RWT's RobotScript is now poised to enter this market as the only proven middleware offering with substantial scope of applications and functionality throughout all sectors of the Service Robots market.

Professional Use

According to UNECE, at the end of 2005 and 2006, it is estimated that some 25,000 and 33,000 units were in operation respectively. The value of professional service robots in use is estimated at $4.5 billion. This market is expected to grow by 50,000 units between 2005 and 2008. Specific areas of use are:

o Underwater systems
o Cleaning robots
o Laboratory robots
o Demolition and construction
o Medical robots
o Mobile robot platforms/general
o Defense, rescue, security
o Field robots (milking, forestry)

Underwater systems accounted for 21 percent of the total number of service robots for professional use installed through 2005. Thereafter followed cleaning robots and laboratory robots with 14 percent each, and construction and demolition robots with 13 percent. Medical robots and mobile robot platforms for general use accounted for 11 percent each. Field robots, e.g., milking robots and forestry robots, had a share of nearly 9 percent and defense, rescue, and security applications 5 percent. Minor installation numbers were counted for logistic systems (270 units), inspection systems (235 units) and public relation robots (20).

The unit prices for professional service robots range from less than $10,000 to well over $1,000,000. The most expensive service robots are the underwater systems ($300,000 to more than $1,000,000), medical robots with a wide range from $100,000 to $1,000,000, followed by milking robots ($200,000).

The stock of service robots for professional use is forecast to increase by 50,000 units in the period 2005-2008. Application areas with strong growth are humanoid robots, underwater systems, defense, rescue and security applications, laboratory robots, professional cleaning robots, medical robots, and mobile robot platforms for multiple uses.

Entertainment Use

Robots for entertainment and leisure use, which include toy robots, is forecast at about 2.5 million units most of which are very low cost. The sales value is estimated at $4.4 billion, according to UNECE.

Personal Use

Autonomous vacuum cleaners and lawn-mowing robots are presently in operation. It is projected that sales of all types of domestic robots (vacuum cleaning, lawn mowing, window cleaning and other types) in the period 2005-2008 could reach some 4.5 million units with an estimated value of $3 billion, according to UNECE.

SALES AND MAKETING

The sales and marketing channels employed by Innova include direct sales, re-sellers, websites, distributors, system integrators and other partners. The Company continues to establish these relationships with new and additional businesses that specialize in these delivery channels.

Industrial Controls

The sales for the Universal Robot Controller (URC) and the Universal Automation Controller (UAC) will be directed from the company's offices in Ft. Myers, Florida. RWT and Altronics will have a sales representative organization in place to address sales opportunities as market awareness of the URC3 and UAC increases.

Service Robots

The sales, licensing and software applications support for the service robot activity is headquartered out of Ft. Myers, Florida, Another event for the Company will be several service robot conferences and expositions sponsored by Robotics Trends and AUVSI as well as other conferences and trade shows for the military market. Additionally, partnerships have been established and will continue to be forged with key universities such as Florida Gulf Coast University and another recently agreed to with Embry-Riddle Aeronautical University.

Marketing

Our marketing and sales materials are generated from the home office in Ft. Myers, Florida using our existing marketing and public relations firm, INCOMM International Inc. Additional high-level support for closing deals at corporate levels is also supported out of the corporate offices located in Ft. Myers, Florida.

Trademarks and Patents

The Company has the following trademarks and patents:
RWT(TM)
Universal Robot Controller(TM)
URC(TM)
RobotScript(R)
TeachPoint File Creator(TM)
Gatekeeper(TM)
ControlScript(TM)
CMMScript(TM)
MediScript(TM)
Robotic Artists(TM)
Service Robots(TM) SM

RWT Patents

First Patent number 6,442,451 - awarded September 5, 2002 - Versatile robot control system - Abstract - An improved, versatile robot control system comprises a general purpose computer with a general purpose operating system in electronic communication with a real-time computer subsystem. The general-purpose computer includes a program execution module to selectively start and stop processing of a program of robot instructions and to generate a plurality of robot move commands. The real-time computer subsystem includes a move command data buffer for storing the plurality of move commands, a robot move module linked to the data buffer for sequentially processing the moves and calculating a required position for a robot mechanical joint. The real-time computer subsystem also

includes a dynamic control algorithm in software communication with the move module to repeatedly calculate a required actuator activation signal from a robot joint position feedback signal.

Second Patent number 6,675,070 - awarded April 5, 2004 - Automation equipment control system Abstract - An automation equipment control system comprises a general-purpose computer with a general-purpose operating system in electronic communication with a real-time computer subsystem. The general-purpose computer includes a program execution module to selectively start and stop processing of a program of equipment instructions and to generate a plurality of move commands. The real-time computer subsystem includes a move command data buffer for storing the plurality of move commands, a move module linked to the data buffer for sequentially processing the moves and calculating a required position for a mechanical joint. The real-time computer subsystem also includes a dynamic control algorithm in software communication with the move module to repeatedly calculate a required actuator activation signal from a joint position feedback signal.

Third Patent number 6,922,611 - awarded July 26, 2005 - Reflects the company's continuing R&D efforts in open-architecture PC control technology spearheaded by RWT. Each of the Company's patents pertains to RWT's versatile PC control system suitable for controlling robots of various electromechanical configurations, other automation equipment, and its common programmer/operator interface.

ITEM 2. DESCRIPTION OF PROPERTY

On May 15, 2005 the Company leased 4,000 square feet of space at 15870 Pine Ridge Road, Ft Myers, Florida which will be used for primary operations. The lease is with Gulf To Bay Construction, Inc., with monthly payments of $3,639 through June 1, 2010. The lease has five (5) successive renewal options each for a period of two (2) years. The rent will increase annually by 3%. The space is the location of the Company's Research, Design and Engineering center as well as office space for up to fifteen (15) employees.

On June 15, 2005 the Company entered into a month-to-month lease with Bola Industries, LLC for approximately 4,000 square feet of production space located at 30946 Industrial Road, Livonia Michigan. The lease expired on March 31, 2006. The rent was $3,775 monthly and included all utilities, use of all equipment on site including certain heavy equipment, and use of internet service.

On May 5, 2006 the Company leased 1,400 square feet of space at 4074 148th Avenue, Redmond, Washington, which will be used as the primary location for CoroWare. The lease was with the Yett Family Partnership, LP, with monthly payments of $1,944 through May 31, 2007. The company subsequently entered into a lease with PS Business Park at the same location beginning on June 1, 2007 for a period of three (3) years. The rent will increase annually by 3%.The space is the location of CoroWare's headquarters and consists of office and warehouse space for its employees.

Rental expense for the operating leases for the years ended December 31, 2006 and 2005 was $90,383 and $51,035, respectively.

ITEM 3. LEGAL PROCEEDINGS

There are no lawsuits against the Company as of March 31, 2007. There are no material proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of the common stock of the Company is a party adverse to the Company.

The Company received a subpoena from the SEC dated May 10, 2005 relating to an investigation of trading in certain OTC stocks, including our common stock. The subpoena sought documents relating to the merger and financing transactions entered into by us in April 2003. We believe we provided all information requested under the subpoena promptly in 2005. We are not able to predict what actions, if any, the SEC may take against us as a result of the investigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

1. On November 3, 2006, the Company held its Special Meeting of Stockholders.

2. There were present in person or by proxy 75,099,826 shares of Common Stock, of a total of 75,099,826 shares of Common Stock entitled to vote.

3. The number of shares voted in favor of the election of the following nominees for director is set forth opposite each nominee's name:

Nominee	Number of Shares
Walter K. Weisel	66,463,270
Martin Nielson	66,332,099
Gary f. McNear	66,333,149
Craig W. Conklin	66,332,149
Rick Wynns	66,316,099

4. 65,082,993 shares were voted in favor of amending our Certificate of Incorporation to effect a reverse stock split of the issued and outstanding shares of our Common Stock at a ratio of either one-for-eight or one-for-ten, as determined at the discretion of the board of directors to be in the best interests of the Company without further approval from our stockholders.

5. 44,584,751 shares were voted in favor of adopting our Amended and Restated 2005 Stock Option Plan, including all amendments thereto adopted by the Board of Directors.

The Board of Directors subsequently authorized a reverse split of our issued and outstanding shares of common stock at a ratio of one-for-ten. The reverse split was effectuated on November 20, 2006. In addition, on November 20, 2006, the Company changed its corporate name from Innova Holdings, Inc. to Innova Robotics and Automation, Inc.

PART II

ITEM 5 MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Reports to Security Holders

We are a reporting company with the Securities and Exchange Commission, or SEC. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

Prices of Common Stock

Since February 2002, we have been eligible to participate in the OTC Bulletin Board, an electronic quotation medium for securities traded outside of the NASDAQ Stock Market, and prices for our common stock were published on the OTC Bulletin Board under the trading symbol "SRMW" until such time as our acquisition of Hy-Tech Technology Group, Inc. on January 31, 2003 when our symbol became HYTT. In November 2006 the name of the Company was changed to Innova Robotics & Automation, Inc. and the trading symbol was changed to INRA.

The following table sets forth, for the fiscal quarters indicated, the high and low closing sales price of our Common Stock as reported on the NASD Over-the-Counter Bulletin Board for each quarterly period during fiscal years ended December 31, 2006 and December 31, 2005.

	COMMON STOCK	
Year Ended December 31, 2006	High	Low
First Quarter	$ 0.241	$ 0.065
Second Quarter	$ 0.450	$ 0.110
Third Quarter	$ 0.330	$ 0.120
Fourth Quarter	$ 0.300	$ 0.020
Year Ended December 31, 2005		
First Quarter	$ 0.032	$ 0.008
Second Quarter	$ 0.067	$ 0.015
Third Quarter	$ 0.042	$ 0.010
Fourth Quarter	$ 0.023	$ 0.009

There are approximately 130 record holders of common equity as of March 16, 2007.

Dividend Policy

The Company has never declared or paid any cash dividends on its common stock. The Company anticipates that any earnings will be retained for development and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future. Additionally, as of December 31, 2006 the Company has issued and has outstanding 284,334 shares of Series B Preferred Stock all of which earns a 5% dividend, payable in either cash or common stock of the Company. Such dividends on these Preferred Stocks will be paid before any dividends on common stock. The board of directors has sole discretion to pay cash dividends based on the Company's financial condition, results of operations, capital requirements, contractual obligations and other relevant factors. As of December 31, 2006 all of the Series A preferred stock had been converted into common stock and 240,666 shares of Series B Preferred and an additional $9,772 of Series B Preferred dividends had been converted into common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the information as of December 31, 2006 with respect to compensation plans under which equity securities of the Company are authorized for issuance:

EQUITY COMPENSATION PLAN INFORMATION

	DECEMBER 31, 2006		
Plan Category	Number of shares to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities available for future issuance
Equity compensation plans approved by security holders	-	-	-
Equity compensation plans not approved by security holders	15,887,676	$ 0.11	4,927,324
Total	15,887,676	$ 0.11	4,927,324

As of December 31, 2006 the company had three stock option plans; the 2003 Stock Option Plan, the 2004 Stock Option Plan, and the 2005 Stock Option Plan. The authorized options under the 2003, 2004, and 2005 Stock Option Plans are 500,000 shares, 315,000 shares, and 20,000,000 shares respectively.

Stock Options

There are a total 15,887,676 outstanding options to purchase common equity of Innova Robotics & Automation, Inc. as of March 16, 2007.

Penny Stock Regulation

Shares of our common stock are subject to rules adopted by the Securities and Exchange Commission that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks are generally equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in those securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules; deliver a standardized risk disclosure document prepared by the Securities and Exchange Commission, which contains the following:

o a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;

o a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities' laws;

o a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the "bid" and "ask" price;

o a toll-free telephone number for inquiries on disciplinary actions;

o definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and

o such other information is in such form (including language, type, size and format), as the Securities and Exchange Commission shall require by rule or regulation.

Prior to effecting any transaction in penny stock, the broker-dealer also must provide the customer the following:

o the bid and offer quotations for the penny stock;

o the compensation of the broker-dealer and its salesperson in the transaction;

o the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and

o monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitably statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Holders of shares of our common stock may have difficulty selling those shares because our common stock will probably be subject to the penny stock rules.

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.