

2019

ANNUAL REPORT

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MAKING **NATURE**
WORK FOR YOU,
GOING GLOBAL



**HOLISTA
COLLTECH**



HOLISTA COLLTECH



ABOUT US

"WE ALL STRIVE TO BE HEALTHY. YET SOMETIMES, MAKING THE RIGHT CHOICE IS BEYOND OUR CONTROL. HOLISTA COLLTECH CARRIES OUT RESEARCH TO FIND NATURAL SOLUTIONS SO PEOPLE CAN ENJOY HEALTHY AND ORGANIC ALTERNATIVES TO TASTY BUT UNHEALTHY PROCESSED AND BAKED FOODS. NO COMPROMISE ON TASTE, ODOUR AND MOUTH FEEL. EVERYONE CAN ENJOY THEIR FAVOURITE FOODS AND STILL BE HEALTHY."





CORPORATE PROFILE

Holista CollTech Ltd (Holista) is a biotech company, a result of the merger of Holista Biotech Sdn. Bhd. and CollTech Australia Ltd. It is listed on the Australian Securities Exchange (ASX:HCT), headquartered in Perth and has extensive operations in Collie, Malaysia and North America.

Dedicated to deliver organic ingredients and wellness products, Holista specialises in herbs and food ingredients. It researches, develops, manufactures and markets “health-style” products to address the growing needs of natural medicine.

Mindful that people find it difficult to change eating habits despite the growing incidence of diabetes and obesity, Holista has created a suite of ingredients that does not compromise on taste, odour and texture. These healthy and organic ingredients include the low-Glycaemic Index (GI) flour mix for noodles, pasta, flatbreads and baked products, low-sodium salt, low-fat fried foods, our 80% less-calorie sugar and low-GI sugar.

Holista is the first company in the world which produces ovine collagen from Australian sheep – in Australia (under Australia’s disease-free environment – using patented extraction methods. It is on track to nano-nise and encapsulate liposomes for the ovine collagen.

Holista aims to build a world-class company focused on providing consumers with scientifically enhanced, engineered and tested natural health supplements and consumer products.

CORPORATE DIRECTORY

CURRENT DIRECTORS

Dr Rajen Manicka

Managing Director and Chief
Executive Officer

Mr Brett Fraser

Non-executive Chairman

Mr Daniel Joseph O'Connor

Non-executive Director

Mr Chan Heng Fai

Non-executive Director

COMPANY SECRETARY

Mr Stuart Usher

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MANAGING DIRECTOR'S REPORT



Dr Rajen Manicka
Managing Director and Chief
Executive Officer

Dear Shareholders,

*On behalf of the Board of Directors (**the Board**) of Holista CollTech Limited (**Holista or the Group**), I am pleased to present our Annual Report and audited financial statements for the financial year ended 31 December 2019 (**FY2019**).*

HEALTHY FOOD INGREDIENTS: REAPING FIRST FRUITS OF COMMERCIALISATION

FY2019 was significant due to the transition to commercialisation for our Healthy Food Ingredient Division. This has become the most prominent of our three core businesses. Reflecting this shift, the revenue for this segment increased to \$163,793 in FY2019 as compared to \$25,998 for the year ended 31 December 2018 (**FY2018**). This was mainly due to orders from new customers in China and South Korea.

After seven years of R&D, we have started to reap the first fruits of this hard work. We are now clearly in the commercialisation stage of our first two products within this segment – healthier flour-based products and healthier sugar products.

Flour-Based Low-GI Mix - GI Lite™

Rates of obesity and diabetes have risen dramatically across many countries, posing serious public healthcare concerns. Diet is a major cause, with foods based on white flour being high on the list. Yet, humans find it difficult to change eating habits; and food manufacturers are already working with very thin operating margins. The Company's proprietary clean GI Lite™ formula is a clean-label, all-natural blend of okra, barley, lentils and fenugreek which has been certified by the University of Sydney. When a small portion is added to the flour mix for any flour-based product, it lowers the Glycaemic Index (GI) without changing taste or texture and yet has only a marginal cost increase to deliver a healthier product.

Having achieved scientific validation and taste tests for low-GI bread, FY2019 was a year in which we built upon the foundation built for GI Lite™ to roll out similar solutions for other flour-based products.

World's First Asian Flatbreads

We started the year by collaborating with Malaysia Bursa-listed food manufacturer, Kawan Food Berhad (**Kawan Food**) to co-develop the world's first healthy (**low-GI**) Asian flatbreads. We started with paratha (**roti-canai**) and chapatti. These two flatbreads have been successfully tested as low-GI at the Sydney University Glycaemic Index Research Service (**SUGiRS**) with GI readings of 53 and 50, respectively, which is significantly lower than traditional flatbreads that are now available in the market.

Managing Director's Report



In September 2019, we commenced with our maiden order of \$74,000 shipment of GI Lite™ to Kawan as part of their first-year sales commitment of \$1 million. We have also received an additional order request by Kawan Food for GI Lite™ worth \$308,318, which we expect to deliver by Q2 of the financial year ending 31 December 2020 (FY2020). Kawan Food is expected to launch this product by early Q2 FY2020. It is expected to hit the U.S. markets in April 2020, followed by the Malaysian markets.

Low-GI noodles and pastas

On 31 July 2019, our U.S. subsidiary Holista Foods Inc. (Holista Foods) shipped its first 20-foot container of its low-GI noodles to China through Express Trading of Canada. Less than a month later, this product won regulatory approval in South Korea, which was followed by a purchase order of one 20-foot container worth \$25,000 to a Korean company, HWH Global. The Korea-based company plans to take the noodles to multi-level market space and hence Holista Foods has received further order requests

from them. Both, Holista Foods and HWH Global are currently completing a business plan to take it forward.

These orders in North Asia are the main factors contributing to the increase in revenue for the Healthy Food Ingredients segment during the year in review. The Group expects active contributions from low-GI noodles for FY2020 and beyond.

In the second half of FY2019, Holista Foods won the Award of Excellence for two variants of pastas – spaghetti and linguine under the “Low Glycaemic Pasta” category in the 2019 U.S.A Taste Championships. Validated by the Glycaemic Index Foundation, these awards underscore the quality of Holista’s products, which are not only healthy but also meet the most rigorous taste requirements.

The low-GI noodles and spaghetti are already sold on Amazon. To supplement this, we have already appointed Canada-based distributor for the noodles to increase market presence in North American retail stores.

Low Glycemic Index

38

GI Rating

11g

Protein

Low
Sodium

0g
Sugar

PROUD SUPPORTER OF
**DIABETES
CANADA**



Managing Director's Report



Low GI Sugar – 80Less™

In FY2019, we introduced our proprietary low-calorie and low-GI sugar formulation, 80Less™, a blend of two internationally approved substances, namely, Sucrose (table sugar) and Sucralose (an intense sweetener derived from Sugarcane) that has 80% fewer calories. One gram of 80Less™ can replace 5 grams of sugar and can be used to replace sugar in every application in solid or liquid form without the loss of sugar's sensory effects or change in product colouring.

We also received regulatory clearance for the sale of 80Less™ in Canada and the United States and appointed All Gold Imports (**All Gold**) and Mid-America Marketing (**MAM**) as our exclusive distributors for 80Less™ in their respective countries. All Gold is one of Canada's premier importers of commodities of industrial food manufacturers, sourcing over 100 products from 32 countries. MAM specialises in representing private labels and partners with different types of food and general merchandise. It has strong industry ties and has an excellent track record in sales growth. With the appointment of these distributors, we will accelerate our market reach in North America for 80Less™. Subsequent to the year-end, our Malaysia-based wholly-owned

subsidiary, Holista Biotech Sdn Bhd (**Holista Biotech**) signed a five-year agreement with Malaysia Bursa-listed beverage manufacturer Rex Industry Berhad (**Rex**) to supply 80Less™ for approximately eight low-sugar beverages that the latter is developing for Malaysia and Singapore Markets and will be sold to food and beverage outlets, supermarkets and groceries in both countries.

By using 80Less™, these drinks will be certified to have sugar content below 4.99% and thus achieve the 'sugar-free' labelling. Hence, they will not be subject to the 'sugar tax' imposed in Malaysia since 1 July 2019 – a duty of RM0.40 per litre for non-alcoholic beverages containing added sugars of more than 5gm per 100ml drink (and for fruit or vegetable juice containing added sugars of more than 12gm per 100ml drink). This supply agreement states a minimum annual order purchase amount of A\$1.4 million of 80Less™ by Rex in FY2020.

This agreement with Rex also represents the first commercialisation of 80Less™ by Holista Biotech which has also received expressions of interest for this product from six other companies.

Bubble Tea Ingredients

Bubble Tea is a multi-billion drink that

is very popular across Asia. But it is high in calories and sugar content. A typical 500 ml Bubble Tea drink contains at least 8.5 teaspoons of sugar and between 281 to 640 calories. On 16 October 2019, we announced a collaboration with another Malaysian-based company, SunFresh Fruit Hub Sdn. Bhd. (**"Fruit Hub"**), to produce low-GI versions of three bubble tea ingredients – tapioca starch pearls, sugar syrup and brown sugar (**sugar caramel**).

These will use our two existing proprietary solutions – GI Lite™ and 80Less™ and our new proprietary brown sugar that was introduced especially for this collaboration.

Holista and Fruit Hub will significantly reduce the sugar and calorie content of the bubble tea ingredients without changing their taste and texture.

Fruit Hub is a post-harvest collection, processing and packaging centre for fruit juices and beverage ingredients. It has a processing facility in Lachang in Pahang state, Malaysia, where it processes bubble pearls using a formula from its Taiwanese partner, YongDa Food Technology Co. Ltd.

The low-GI tapioca pearls will be made by adding Holista's GI Lite™. This will significantly reduce the calorie content as the pearls usually account for up to a third of the drink's total calorie count. The low-GI sugar syrup will be prepared using 80Less™. Apart from sugar and GI reduction, the benefits to manufacturers and vendors are lower costs for raw materials and logistics.

Separately, Holista has developed low-GI brown sugar (**sugar caramel**). Derived from molasses, the latter retains the same sweetness with lower calories. It is used as a pre-pour to sweeten the pearls or as a medium to cook them.

Managing Director's Report

All three bubble tea ingredients developed by Holista have been tested internally and would qualify as low GI. This will now be sent for testing by SUGiRS in Sydney. Holista expects to receive the certifications by the end of May 2020 and will commence marketing immediately thereafter to local and international markets.

We are inspired by the response to and the order requests received for 80Less™ in Malaysia and other international markets. We expect the bubble tea collaboration and the Canadian and American distributorships to contribute significantly to the Group's top-line in FY2020.

Gluten-Free

During the year, Holista Foods also secured North American distribution rights for the breakthrough clean-label gluten-free formula developed by the Holista's strategic partner, Veripan of Switzerland. This gluten-free formula is available in the form of an all-purpose blend to North American bakeries.

DIETARY SUPPLEMENTS

The Dietary Supplement segment has been the Group's main revenue contributor since FY2014. However, during the year under review, revenue for this segment decreased by 14% to \$6,633,235 from \$7,699,489 in FY2018. This was mainly due to lower sales in the multi-level marketing segment after a major customer underwent business restructuring and consolidation. This decrease was offset by a significant increase in revenue generated by Healthy Food Ingredients and Sheep Collagen business segments.

We are also launching Pristin Gummies (chewable Omega 3), marking our entry into the child segment. We expect to launch the gummies in April 2020.



Managing Director's Report

Developments Related to Path-Away®

Path-Away® is a plant-based active ingredient that is all-natural, free of alcohol and certified to be without genetic material. Tested at several WHO-approved laboratories and approved by several government authorities, Path-Away® has been developed by Global Infections Control Consultants LLC (GICC LLC) of South Carolina, USA. Under the leadership of Dr Arthur Martin, GICC LLC has emerged as a premier company specialising in pathogenic contamination control. Holista has distribution rights to various territories for the use of this active ingredient, including, Asia, Oceania and Europe.

Subsequent to the end of FY2019, NatShield™ an all-natural hand-held sanitiser containing Path-Away® that Holista distributes under its personal care space, experienced a spike in demand following the outbreak of the COVID-19 virus that originated in Wuhan, China.

As of 29 February 2020, Holista had received orders amounting to 210,000 NatShield™ bottles comprising 20-ml, 30-ml and 60-ml sizes. Each 20-ml bottle contains 5% of Path-Away®. It is non-toxic to humans and pets even if accidentally swallowed. Most of the additional orders since 8 February 2020 have come outside of Malaysia. Based on the total orders as of 29 February 2020, the sales value of sanitisers amounts to approximately \$1.4 million, which will be recognised in FY2020.

The Group has significantly increased production capacity of the sanitisers by appointing more bottlers. GICC LLC has granted us the global distribution rights for NatShield™. We will also co-develop with GICC LLC, a nasal balm sanitiser using the Path-Away® active

ingredient.

SHEEP COLLAGEN

The Group's third business segment is in sheep collagen for which we hold the world's only patent for sheep collagen made from skins of Australian sheep. After a renovation in FY2018, the operating capacity of the Group's collagen plant in Collie, Perth, has increased. This contributed to a 114% increase in revenue for this segment to \$460,750 in FY2019 from \$215,068 in FY2018.

Holista's cosmetic-grade collagen is getting strong traction, and by increasing the specifications, it is expected to deliver higher value-added products. While the Group had focused on food and cosmetic grade collagen, there is still an untapped opportunity in medical-grade collagen. The latter will require additional capital expenditure. Hence, the Board is reviewing a strategic fit for the collagen business and how best to unlock the value for this asset.

OTHER HEALTH-RELATED PRODUCTS AND PARTNERSHIPS

Our track record in R&D on healthcare products, patents filed and success in opening markets for such products has continued to attract partnerships and collaboration with the global scientific community.

On 12 December 2019, we filed a global patent for a platform technology for a water-soluble delivery system. This patented process can be applied to a whole range of molecules including the Cannabidiol (CBD) oil industry.

The commercial benefits for CBD producers include increasing the potency of CBD formulation up to 40 times (allowing users to reduce dosages significantly) as well as making

their products palatable for the young and the elderly.

Fat-soluble molecules have poor bioavailability as they do not dissolve well to reach the bloodstream; as a result, a higher dosage needs to be ingested. We believe its water-soluble technology will benefit the CBD oil industry in particular, where the active material is scarce, costly and currently has low bioavailability.

FINANCIAL PERFORMANCE

During the year under audit, our revenue slightly decreased by approximately 2% to \$7,257,778 in FY2019 from \$7,940,555 in FY2018. This was because of lower sales from the dietary supplements segment. Nonetheless, we have narrowed our net loss attributable to owners of the parent by approximately 57% to \$689,851 in FY2019 from \$1,612,147 in FY2018.

CORPORATE DEVELOPMENTS

As announced on 7 February 2018, we had entered into a Controlled Placement Agreement (CPA) with Acuity Capital and I am pleased to inform that Acuity Capital has agreed to extend the CPA expiry date from 31 December 2019 to 31 January 2022.

As of 4 March 2020, we have successfully raised \$4,327,355 under the CPA facility. The total number of shares issued under the CPA as at the date of this report amounted to 29,510,000.



Managing Director's Report



As of 4 March 2020, Acuity Capital has increased our Controlled Placement Agreement (CPA) limit by an additional \$5 million (bringing the total to \$10 million). The remaining capacity for raising capital is \$5.67 million as at the date of this report.

This funding will provide the capital to develop the nasal sanitising balm, producing high-end collagen for the medical collagen industry, as well as grow existing regional and new European markets without disrupting business operations.

OUTLOOK

I am confident about our short-term to long-term prospects given the significant achievements in FY2019 and immediately after. We are optimistic of our efforts to launch low-GI versions of bread, tortillas and biscuits next year.

We have received an additional order request by Kawan Food for GI Lite™ worth \$308,318, which we expect to deliver by Q2 FY2020. Kawan Food is expected to launch this product by

early Q2 FY2020.

For our low-GI noodles, we are currently in discussions with HWH Global of Korea to take the noodles to multi-level market space and have received further order requests from them.

In just a year, 80Less™ has received an exceptional response as we have secured a minimum order of \$1.4 million in the first 12 months as a part of our five-year supply agreement to Rex Industry Berhad, a Malaysian Food & Beverage company, to produce a low-sugar version of its drinks. This agreement marks the entry of 80Less™ in the commercialisation stage. We are positive about this engagement and expect the products to hit the Malaysian and Singapore markets by April 2020.

We have already started getting significant expressions of interest from Malaysia and Taiwan for our bubble tea ingredients. Subject to final tests of tapioca pearls at the University of Sydney, we will start having serious discussions with potential customers.

The on-going COVID-19 outbreak has provided us with significant opportunities to help people across the world protect themselves. Gaining global distribution rights for NatShield™, later to include nasal balm sanitiser will significantly boost our financial performance in FY2020.

The funds raised by the CPA agreement will allow us to strengthen our marketing and distributing efforts for NatShield™, the development of nasal balm sanitiser while growing in regional and European markets without hindering business operations.

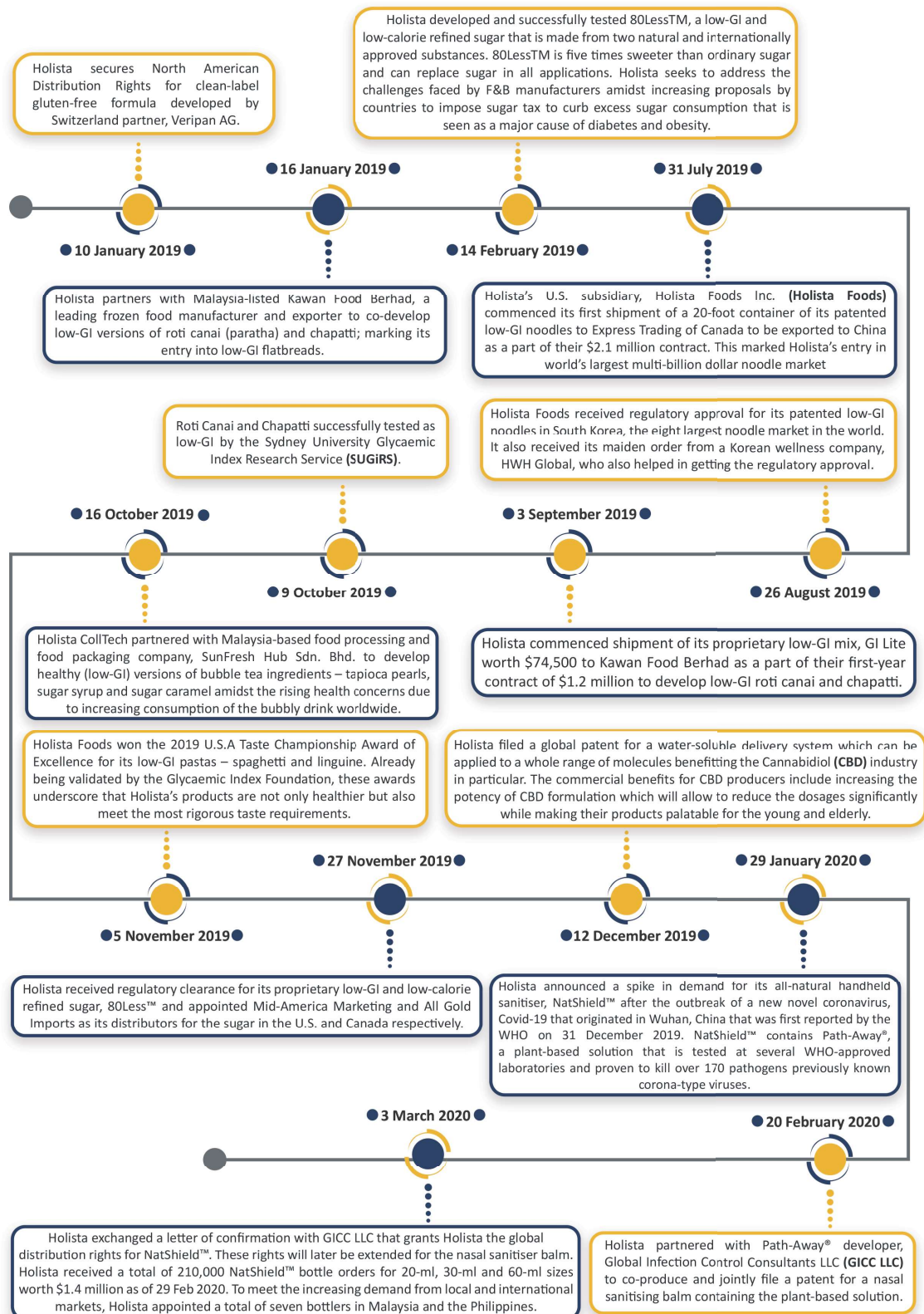
APPRECIATION

On behalf of the Board, I would like to thank all stakeholders for your patience and support during our R&D period from 2012 to 2019, including our R&D collaborators, retailers, suppliers and customers. I am very grateful to our management team and all our staff for their continuous dedication and hard work. I look forward to another exciting year ahead with all of you.

Thank you.

DR RAJEN MANICKA
Managing Director

KEY MILESTONES



MESSAGES FROM OUR KEY PARTNERS

MS. NADJA PIATKA

CEO of Nadja Foods and CEO of
Holista Foods

All over the world, fast food, desserts and soft drinks have become part of modern lifestyle. Diet is a major cause of obesity and diabetes but food habits are hard to change. The challenge is to help food manufacturers produce healthier food without changing processes to much of increasing their costs significantly.

As a bakery supplier to fast-food chains for over 24 years, I have spent most of my career working to meet this challenge. It began with the low-fat movement in the nineties when I achieved great success with a line of muffins I created. However, the science has moved on; it is increasingly clear that the new frontier is to provide healthy yet tasty versions for most of the products in the food and beverage industry.

Moreover, there is increasing awareness about diets containing a high-Glycaemic Index (GI) and the high correlation with diabetes and obesity. People are trying to make conscious health decisions. The food and beverage industry is well aware of this. Hence, industry manufacturers and fast-food chains worldwide are in a race to roll out healthier options to win over customers.

The weak link – and the great opportunity for Holista Foods – is in the food manufacturing process: how can they produce healthier options that taste as good while remaining profitable. Working with Dr Rajen and his team, we have developed and received validation for GI Lite™ that lowers the GI of white flour-based products while maintaining the original taste of the food products.

After collaborating with Holista CollTech for the past few years, I've seen first-hand the potential to revolutionise the global food and beverage industry whilst meeting the concerns of food and drink manufacturers. Given the market opportunity, it then made sense to cement our partnership with Holista through our joint-venture company, Holista Foods.

FY2019 has been a great year for Holista Foods as we kicked off the year by collaborating with Malaysia's Kawan Food Berhad to co-produce low-GI versions of Asian flatbreads – paratha (roti canai) and chapatti. They have been successfully tested as low-GI by the University of Sydney and will be launched in April 2020 in the U.S. followed by Malaysia markets.

We also won the 2019 U.S.A. Taste Championships Award of Excellence for two types of our low-GI pasta, spaghetti and linguine. We also commenced maiden shipment for our low-GI noodles to Express Trading Canada to be exported to China as well as received regulatory approval for our noodles in South Korea followed by a maiden purchase order by HWH Global, a Korean multi-level marketing company. The low-GI noodles are already sold on Amazon. Holista Foods also appointed iLevel Brands, a national broker sales



Messages from our Key Partners

team, to increase market presence in North American retail stores. We are delighted to announce that our ground work in 2019, which included increased efficiencies in production and exciting rebranding and packaging, has quickly propelled us into many new distribution centres across the US and Canada in the first quarter of 2020. Strong sales are expected for 2020 as major grocery store chains are placing Holista low GI pasta on their shelves.

We expect to launch by June 2020 the first low GI white bread in North America through our collaboration with Costanzo's Bakery, a large US based bread manufacturer. Preliminary testing results on the white buns have been very positive.

Apart from underscoring our quality for our existing products, we also launched our proprietary low-GI, low-calorie refined sugar, 80Less™ that is made from two natural internationally approved substances, Sucrose and Sucralose and can replace sugar in all applications. We have appointed All Gold Imports as its distributor in Canada and the U.S.

We also collaborated with another Malaysian company, SunFresh Fruit Hub Sdn Bhd to co-produce low-GI versions bubble tea ingredients – tapioca pearls, sugar syrup and sugar caramel (brown sugar) while using GI Lite™ and 80Less™ to produce low-GI tapioca pearls and sugar syrup respectively and introducing proprietary brown sugar (sugar caramel) made of molasses which derives the same sweetness with lower calories. This collaboration is expected to have positive sales outcomes for both GI Lite™ and 80Less™.

During the coming year, we will continue to look for collaborations for our proprietary products – GI Lite™ and 80Less™ and continue to develop and market low-GI baked and flour-based goods and mixes which can be distributed to fast food companies, retailers, schools and hospitals.

Our joint venture aims to convince food and drink manufacturers and fast-food chains to accept a new and better way to make food healthier. We have broadened our focus from North America to Asia, especially Malaysia and China, where obesity and diabetes, linked to high glycaemic foods, have become a serious problem that has strained health care costs and negatively affected living standards.

I am very proud to be working with Dr Rajen and his team. I share his passion to improve the world's health through better food. Holista's leading food innovation and science coupled with my experience and reputation have positioned us to become major food industry leaders in North America and beyond.

Thank you!

Nadja Piatka

MESSAGES FROM OUR KEY PARTNERS



M.R MEIERT J. GROOTES

Chairman of VERIPAN AG, a partner of
Holista CollTech

Obesity is one of the greatest threats to the global economy. This man-made social problem is more serious than climate change, smoking or air pollution. It impacts half of Europe and 30% of the global population. In the 34 years up to 2014, the prevalence of obesity more than doubled – more than 2 billion adults aged 18 years and older are overweight today. Obesity is a chronic disease, growing in severity in both developed and developing countries, and affects all age groups. The problem seems particularly acute in countries such as Malaysia and Singapore which have the highest incidences of obesity in Southeast Asia (The Lancet, 2014).

In my opinion, the reformulation of food products should, from the onset, have been one of the main areas of our R&D efforts to combat obesity. This is why we at Veripan sought to tackle the crisis head first by targeting one of the biggest staple foods in the world – white bread which many people eat almost daily.

The global white bread market alone is currently worth US\$170 billion, and it continues to grow. Multiple studies have linked an increase in white bread consumption to weight gain. This is observed particularly in Asian countries where the effects of recent Westernisation of diets are increasingly evident.

With a Glycaemic Index (GI) of 77, white bread has the highest GI reading among staple foods. Essentially, the GI is a simple way to measure the quality of the carbohydrates we consume daily. Foods with a low GI (below 55) raise the blood sugar more slowly and sustain longer, making the person feel full for longer. A high GI number, however, means that blood sugar will spike, giving the person a sugar rush, which plummets shortly after, causing a quicker feeling of hunger.

In our partnership with Holista, we have worked on a significant reduction of the GI of products that are made from white flour – such as bread, muffins and noodles – in a simple and cost-effective way.

The past year we have worked very hard to launch the first low GI breads in the market. Together with an Australian consortium we intend to launch a low GI white bread in Australia in May-June 2019. For this launch a special purpose brand, which will be disclosed soon, has been developed. Our product is fully backed by the GI foundation, and after a successful launch in Australia a global roll-out is planned. The past years have been a long and bumpy journey; however, we are convinced that our innovation will finally hit global markets in 2020.

Thank you!

Meiert J. Grootes

MESSAGES FROM OUR KEY PARTNERS

MR TIMOTHY TAN

Managing Director of Kawan Food Berhad

Malaysia is Asia's most obese nation with an obesity rate of 13.3% and ranks 12th in the world for the incidence of diabetes. Awareness of these pandemics is lacking; and with lack of awareness, people remain reluctant to change their diets or eating habits

Kawan Food Berhad is dedicated to providing consumers with authentic, safe and high-quality products at affordable price. It has an unwavering commitment to excellence, innovation, reliability, growth, fairness and good citizenship.

Kawan Food is a major supplier of frozen ethnic food with main product categories such as bakery, bun, chapatti, dessert, finger food, frozen vegetable, paratha and spring roll pastry. It currently exports to approximately 40 countries including U.S., Canada, U.K., France, Australia and the United Arab Emirates (U.A.E).

In the flatbread category, Kawan Food produces Malaysia's favourite food – roti canai. Consumed almost daily in households, the local staple currently contains lots of fats and carbohydrates.

We had watched with excitement what Holista was doing for bread and noodles. Moreover, in January 2019 we partnered Holista CollTech to produce Low-GI roti canai and other low-GI flatbreads. Our goal is clear – how can we offer a healthier version of basic foods which are affordable and yet do not compromise taste and mouth-feel.

We believe the Glycaemic Index will become an essential standard in the coming years. People will become more and more aware of the types of carbohydrate (good, medium and bad) and the impact on blood sugar as well as the correlation to short-term and long-term health.

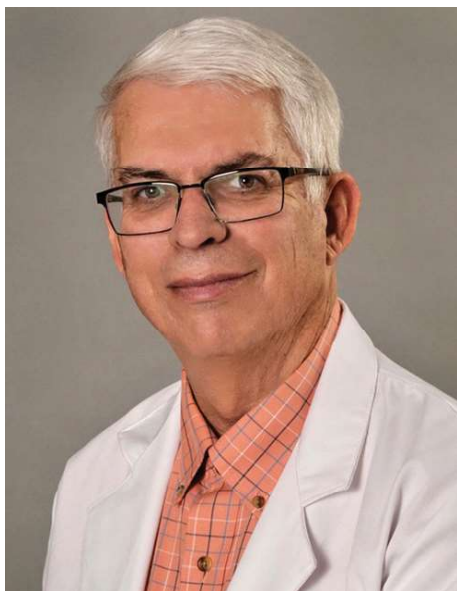
We look forward to working with Holista to deliver these enhanced products to the market and also help educate our consumers about the concept and its attendant benefits.

Thank you!

Timothy Tan



MESSAGES FROM OUR KEY PARTNERS



DR ARTHUR MARTIN

Founder and President Principal Research Scientist of
Global Infection Control Consultants LLC (GICC LLC)
and Member of Holista's Scientific Advisory Board.

Currently, the entire world is suffering from the pandemic of COVID-19, a novel coronavirus that originated from Wuhan, China, on 17 November 2019. As I write, the disease has affected more than 169,500 and killed over 6,500 people, leaving people panicking and unsure of how to protect themselves.

While I am deeply saddened by the tragic outcome, I am also excited by GICC LLC's partnership with Holista in offering a solution to address this pandemic. Together, we are making available hand-held sanitisers and other products that use an active ingredient, Path-Away®, developed by GICC LLC. Such sanitisers can offer the first line of defence in preventing infection of such coronaviruses which usually attack humans via the eyes, the mouth or the nose – the last being most vulnerable.

Path-Away® has been developed after years of research into the properties of certain plants. Made entirely from natural substances it contains no alcohol, which is present in most sanitisers. It works by attacking the cell walls of the microbes, inhibiting their uptake of amino acids – the basic building block of cells – needed for reproduction. The microbes then clump together and kill themselves in the process.

This organic, broad-spectrum anti-pathogenic solution has been proven to effective as a sanitiser against more than 170 fungi, bacteria, yeasts and all previously known corona-type viruses. It is tested at several WHO-approved laboratories and approved by several government authorities including the U.S. Food and Drug Administration (FDA), the Food and Safety Authority and Environmental Protection Authority of New Zealand and the Malaysian Ministry of Health with special reference to the H1N1 virus.

Working with Holista, we have facilitated tests on Path-Away® to prove its efficacy against COVID-19. The tests are being conducted at a leading microbiology lab in the U.K. and results are expected by the middle of April 2020.

After the COVID-19 health situation worsened, I visited Kuala Lumpur in February 2020. I am very encouraged by the efforts of the Holista team under the leadership of Dr Rajen Manicka. The team practices stringent controls and has resolved the initial issues with bottling shortage, while also increasing the size range of the hand-held NatShield™ that uses Path-Away®.

On that visit, and after assessing the scale of the problem arising from COVID-19 as well as from influenza (which will particularly impact Europe during the winter season), GICC LLC has made two decisions:

Messages from our Key Partners

19 March 2020 - Co-development with Holista of the world's first nasal sanitizing balm using Path-Away®; we plan to file a joint patent and commence production all by the second half of 2020.

3 March 2020 - Granting Global distribution rights to Holista for NatShield™ sanitiser which will later include the nasal sanitising balm.

The COVID-19 situation has thrown into sharp focus the need to address airborne infection. While our work with Holista is primarily focused on saving lives, we will also look into ways to partner and bring other solutions using Path-Away® to help industry segments. These include infection control for animals and plants, to boost agriculture production, personal care products, and protection of textiles during shipment and logistics.

Based in Bluffton, South Carolina, USA, GICC LCC offers expertise relating to the control of pathogenic contamination and the dynamics of the pathogenic bio-aerosol connection to the human infection matrix.

Thank you!

Dr Arthur Martin

INVESTOR ENGAGEMENT

During the year under review, Holista CollTech significantly increased its outreach to the regional media. Led by founder and CEO Dr Rajen Manicka, Holista increased its profile by raising awareness of its portfolio of products. The Company also used international media outreach channels. The combined effort raised international coverage of the Company.

Holista's engagements during the year include:

- A joint media briefing by Holista and Bursa-listed Kawan Food Berhad to announce a partnership to develop low-GI roti canai and chapatti (flatbreads) in Malaysia for local and the U.S. markets. This development was featured in Food Navigator Asia, a leading news portal for the food industry, as well as several Malaysian leading newspapers such as The Edge, The Sun and Australia's Stockhead.
- A Commentary by Dr Rajen in Malaysia's leading financial weekly, The Edge, on Malaysia's Sugar Tax
- Dr Rajen was also interviewed by the same publication, where he discussed the problems caused by excess sugar consumption, war on diabetes and high-GI food products, how to eat well, Holista's GI-based flour products and investing in wellness.
- A joint media briefing by Holista and Malaysia-based SunFresh Fruit Hub to announce that they would co-produce healthy (low-GI) versions of bubble tea ingredients to address the health concerns with increasing bubble tea fad. The story featured in The Star, Malay Mail, Food Navigator Asia and other leading Asian news portals for the food industry.
- After the end of FY2019, Holista held a joint press briefing with Dr Arthur Martin, Founder and President Principal Research Scientist of GICC LLC to announce that they will co-develop a nasal sanitising balm using Path-Away®, a plant-based ingredient proven to kill over 170 pathogens and previously known corona-type viruses. This was covered by Reuters, Business News Asia, The Market Herald, Small Caps, Yahoo! and Malaysia's leading regional news station, Bernama TV.



DIRECTORS' REPORT

Your directors present their report on the consolidated entity, consisting of Holista CollTech Limited (Holista or the Company) and its controlled entities (collectively the Group), for the financial year ended 31 December 2019. Holista is listed on the Australian Securities Exchange (ASX:HCT).

1. Directors

The names of Directors in office at any time during or since the end of the year are:

- Mr Brett Francis Fraser Non-executive Chairman (appointed 21 February 2020)
- Dr Rajen Manicka Managing Director and Chief Executive Officer
- Mr Daniel Joseph O'Connor Non-executive Director
- Mr Chan Heng Fai Non-executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 7 Information relating to the directors of this Directors Report.

2. Company secretary

The following people held the joint position of Company Secretary at the end of the financial year:



Qualifications FCPA, F.Fin, B.Bus. FGIA

Experience Please refer to paragraph 7 Information relating to the directors of this Directors Report.



Qualifications MBA, FCPA, CMA, FCIS, MAICD

Experience Mr Stephenson has been involved in business development for over 30 years including the past 25 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in IT, food, resources, manufacturing, wine, hotels, and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well as managing all areas of finance for companies.

The following person was appointed Company Secretary subsequent to the end of the financial year:



Qualifications B.Bus, CPA, Grad Dip CSP, MBA, AGIA, ACIS

Experience Mr Usher is a CPA and Chartered Company Secretary with 25 years of extensive experience in the management and corporate affairs of public listed companies. He holds an MBA from the University of Western Australia and has extensive experience across many industries focusing on Corporate & Financial Management, Strategy & Planning, Mergers & Acquisitions, and Investor Relations & Corporate Governance.

Directors' Report

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 31 December 2019.

4. Significant Changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year ended 31 December 2019 other than disclosed elsewhere in this Annual Report.

5. Operating and financial review**5.1. Nature of Operations Principal Activities**

During the financial year ended 31 December 2019 (**FY2019**), the Group, consisting of Holista Colltech Limited (Holista) and its controlled entities, remained focused on three core areas:

- Healthy Food Ingredients
- Dietary Supplements
- Sheep (Ovine) Collagen

5.2. Operations Review**a. Healthy Foods Ingredients**

During the financial year under review, the Group's North America based subsidiary, Holista Foods Inc. (Holista Foods), mainly focused on the healthy food ingredients segment. Reflecting this, the revenue for this segment increased significantly by 530% to \$163,793 in FY2019 as compared to \$25,998 for the year ended 31 December 2018 (FY2018). This was mainly due to orders from new customers in China and South Korea.

During the financial year, Holista Foods focused on:

- GI Lite™
- Low-GI and low-calorie sugar – 80Less™
- Low-GI sugar caramel (brown sugar)
- Clean-label, gluten-free formulation

Within the segment, the main ingredient that generated the most customer traction thus far is GI Lite™ - an all-natural mix of ingredients that can lower the Glycaemic Index (GI) of flour-based products.

On 16 January 2019, the Group's Malaysia based subsidiary Holista Biotech Sdn Bhd (**Holista Biotech**) entered into a strategic partnership with Bursa Malaysia-listed Kawan Food Berhad (**Kawan Food**) to produce low-GI Asian flatbreads using GI Lite™. The flatbreads, namely paratha (roti-canai) and chapatti have been successfully tested as low-GI at the Sydney University Glycaemic Index Research Service (**SUGiRS**) with GI readings of 53 and 50, respectively. Holista Biotech commenced with its maiden order shipment of GI Lite™ to Kawan Food worth \$74,000 in September 2019 as a part of the one-year sales contract of \$1 million. Holista Biotech also received an additional order request by Kawan Food for GI Lite™ worth \$308,318, which it expects to deliver by Quarter 2 FY2020. Kawan Food is expected to launch this product by early Quarter 2 FY2020. It is expected to hit the U.S. markets in April 2020 followed by the Malaysian markets.

On 14 February 2019, Holista introduced its proprietary low-calorie and low-GI sugar formulation, 80Less™, a blend of two internationally approved substances, namely, Sucrose (table sugar) and Sucralose (an intense sweetener derived from Sugarcane) that has 80% fewer calories. One gram of 80Less™ can replace 5 grams of sugar and can be used to replace sugar in every application in solid or liquid form without the loss of sugar's sensory effects. Holista has received regulatory clearance for the sale of this proprietary low-calorie and low-GI sugar in the United States and Canada.

Holista has appointed All Gold Imports (**All Gold**) and Mid-America Marketing (**MAM**) as its exclusive distributors for 80Less™ in Canada and the United States, respectively. All Gold is one of Canada's premier importers of commodities of industrial food manufacturers, sourcing over 100 products from 32 countries. MAM specialises in representing private labels and partners with different types of food and general merchandise. It has strong industry ties and has an excellent track record in sales growth. With the appointment of these distributors, the Group will accelerate its market reach in North America for 80Less™.

Holista Biotech has shipped \$258,000 worth of 80Less™ to a Malaysian Food & Beverage company to produce a lower-sugar version of its drinks.

Directors' Report

On 31 July 2019, Holista Foods commenced its first shipment of a 20-foot container of its low-GI noodles to Express Trading Canada to be exported to China. The contract between Holista Foods and Express Trading Canada is worth \$2.1 million.

Less than a month later, Holista Foods won regulatory approval for its low-GI noodles in South Korea, which was followed by a purchase order of one 20-foot container worth \$25,000 to a Korean company, HWH Global, which also worked with Holista Food to obtain the approval. The Korea-based company plans to take the noodles to multi-level market space and hence Holista Foods has received further order requests from them. Both, Holista Foods and HWH Global are currently working out a business plan to take it forward.

These orders in North Asia are the main factors contributing to the increase in revenue for the Healthy Food Ingredients segment during the year in review. The Group expects active contributions from low-GI noodles for FY2020 and beyond.

On 16 October 2019, Holista announced a collaboration with another Malaysian-based company, SunFresh Fruit Hub Sdn. Bhd. (**Fruit Hub**) to produce low-GI versions of bubble tea ingredients – tapioca starch pearls, sugar syrup and sugar caramel (brown sugar) for the rapidly growing multi-billion dollar Bubble Tea industry amidst rising concerns of diabetes and obesity. This collaboration can have positive outcomes for sales of both GI Lite™ and 80Less™.

A typical 500 ml Bubble Tea drink contains at least 8.5 teaspoons of sugar and between 281 to 640 calories. Holista and Fruit Hub will significantly reduce the sugar and calorie content of the bubble tea ingredients without changing their taste and mouthfeel. Fruit Hub is a post-harvest collection, processing and packaging centre for fruit juices and beverage ingredients. It has a processing facility in Lachang in Pahang state, Malaysia.

The low-GI tapioca pearls will be made by adding Holista's GI Lite™. This will significantly reduce the calorie content as the pearls usually account for up to a third of the drink's total calorie count. Fruit Hub is processing the bubble pearls at its Lachang facility using a formula from its Taiwanese partner, YongDa Food Technology Co. Ltd.

The low-GI sugar syrup will be prepared using 80Less™. Apart from sugar and GI reduction, the benefits to manufacturers and vendors are cost saving in raw materials and logistics. Separately, Holista has developed low-GI sugar caramel (brown sugar). Derived from molasses, the latter retains the same sweetness with lower calories. It is used as a pre-pour to sweeten the pearls or as a medium to cook them.

All three bubble tea ingredients developed by Holista have been sent for testing by SUGiRS in Sydney. Holista expects to receive the certifications by the end of March 2020 and will commence marketing immediately thereafter to local and international markets.

Holista is encouraged by the response to and the order requests received for 80Less™ in Malaysia and other international markets. The bubble tea collaboration along with Canadian and American distributorships are expected to contribute to the Group's top-line in FY2020.

On 5 November 2019, Holista Foods received the Award of Excellence for two kinds of pastas – spaghetti and linguine under the "Low Glycaemic Pasta" category in the 2019 U.S.A Taste Championships. The panellists judged the championship via the "triple-blind" protocol in which evaluators were not aware of the manufacturer, the product variety or appellation and the other evaluators' scores and comments during evaluation. Validated by the Glycaemic Index Foundation, the awards underscore the quality of Holista's products, which are not only healthy but also meet the most rigorous taste requirements.

The low-GI noodles are already sold on Amazon. Holista Foods has also appointed Canada-based distributor to increase market presence in North American retail stores.

Holista also plans to introduce low-GI versions of bread, tortillas and biscuits. The Group has been in discussions with various companies for similar products in Southeast Asia and India.

During the year, Holista Foods also secured North American distribution rights for the breakthrough clean-label gluten-free formula developed by the Holista's strategic partner, Veripan of Switzerland. This gluten-free formula is available in the form of an all-purpose blend to North American bakeries.

Directors' Report

b. Dietary Supplements

The Dietary Supplement segment had been the Group's main revenue contributor since FY2014. However, during the year under review, revenue for this segment decreased by 14% to \$6,633,235 from \$7,699,489 in FY2018. This was mainly due to a decrease in sales from the multi-level marketing segment after a major customer underwent business restructuring and consolidation. This decrease was offset by a significant increase in revenue generated by Healthy Food Ingredients and Sheep Collagen business segments.

Developments Related to Path-Away®

Subsequent to the end of FY2019, NatShield™ an all-natural hand-held sanitiser that Holista distributes under its personal care space, experienced a spike in demand following the outbreak of the COVID-19 virus that originated in Wuhan, China. NatShield™ contains Path-Away®, a plant-based active ingredient that is all-natural and free of alcohol. Path-Away® has been developed by Global Infections Control Consultants LLC (GICC LLC) of South Carolina, United States. Under the leadership of Dr Arthur Martin, GICC LLC has emerged as a premier company specialising in pathogenic contamination control.

Holista markets and distributes NatShield™ as part of its exclusive distributorship of Path-Away® in the ASEAN region. Holista has been shipping in the active ingredient in drums before it is combined with purified water under strict supervision and bottled in Malaysia. In view of the significant increase in demand triggered by the COVID-19 outbreak, Holista announced on 20 February 2020 that GICC LLC extended these distribution rights to include the U.K. and Europe, and agreed to collaborate with Holista for the U.S. market. Holista and GICC LLC will also co-develop a nasal balm sanitiser using the Path-Away® active ingredient. They will also jointly file a global patent by the end of Q1 FY2020 and the nasal balm is expected to be ready for inter national markets by 3Q 2020, ahead of the onset of the European winter season when cases of influenza are common.

c. Sheep Collagen

After the renovation in FY2018, the operating capacity of the Group's collagen plant in Collie, Perth has increased. This contributed to a 114% increase in revenue for this segment to \$460,750 in FY2019 from \$215,068 in FY2018.

Holista's cosmetic-grade collagen is getting strong traction, and by increasing the specifications, it is expected to deliver higher value-added products. While Holista had focused on food and cosmetic grade collagen, there is still an untapped opportunity in medical-grade collagen. The latter will require additional capital expenditure. Hence, the Board is reviewing a strategic fit for the collagen business and how best to unlock the value for this asset.

d. Other Intellectual Property Developments

On 12 December 2019, Holista filed a global patent for a platform technology for a water-soluble delivery system. This patented process can be applied to a whole range of molecules including the Cannabidiol (CBD) oil industry.

The commercial benefits for CBD producers include increasing the potency of CBD formulation (allowing users to reduce dosages significantly) as well as making their products palatable for the young and the elderly.

Fat-soluble molecules have poor bio-availability as they do not dissolve well to reach the bloodstream; as a result, a higher dosage needs to be ingested. Holista believes its water-soluble technology will benefit the CBD oil industry in particular, where the active material is scarce, costly and currently has low bio-availability.

5.3. Financial Review

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a loss for the year of \$904,034 (2018: \$2,203,360 loss).

The Group's revenue for the year ended 31 December 2019 was recorded at \$7,257,778 as compared with the previous year ended 31 December 2018 which recorded \$7,940,555.

The net assets of the Group have decreased from 31 December 2018 by \$994,070 to \$3,569,602 at 31 December 2019 (2018: \$4,563,672).

As at 31 December 2019, the Group's cash and cash equivalents decreased from 31 December 2018 by \$256,305 to \$101,400 at 31 December 2019 (2018: \$357,705) and had working capital of \$1,468,844 (2018: \$2,464,785 working capital), as noted in Note 22.1.3 Going Concern on page 80. Please refer to the Operations Review above for additional business segment performance.

Directors' Report

5.4. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 13 Events subsequent to reporting date on page 71.

5.5. Future Developments, Prospects and Business Strategies

As noted in the Managing Director's Report on page 1:

- The Group has received an additional order request by Kawan Food for GI Lite™ worth \$308,318, which it expects to deliver by Q2 FY2020. Kawan Food is expected to launch this product by early Q2 FY2020. It is expected to hit the U.S. markets in April 2020 followed by the Malaysian markets.
- The Group is currently in discussions with HWH Global of Korea to take the low-GI noodles to multi-level market space and have received further order requests from them.
- 80Less™ secured a maiden sale of \$1.4 million as a part of the Group's 5-year supply agreement to Rex Industry Berhad. This agreement marks the entry of 80Less™ in the commercialisation stage with products expected to hit the Malaysian and Singapore markets by April 2020.
- Holista has received significant expressions of interest from Malaysia and Taiwan for its bubble tea ingredients, subject to final tests of tapioca pearls at the University of Sydney.
- The on-going COVID-19 outbreak has provided Holista significant opportunities to help people across the world protect themselves. Gaining global distribution rights for NatShield™, later to include nasal balm sanitiser is expected to boost financial performance in FY2020.
- The funds raised by the CPA agreement will permit Holista to strengthen our marketing and distributing efforts for NatShield™, the development of nasal balm sanitiser while growing in regional and European markets without hindering business operations.

Other likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations, not otherwise disclosed in this report, have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

5.6. Environmental Regulations

Holista has operated under environmental licence L7998/2003/3 issued by the Western Australian Department of Water and Environmental Regulation as prescribed under the Environmental Protection Act 1986. The licence relates to collagen extraction and purification, waste water storage and wastewater disposal pipeline to the Collie Power Station marine disposal outfall tank. During the financial year the Group's operations were materially conducted in accordance with the guidelines of that licence.

The Group's operations are not subject to any other significant environmental regulations in the jurisdictions it operates in, namely Australia, Malaysia, and the United States.

6. Risk Management

The Group takes risk management seriously and has put in place the following procedures:

Oversight	Pursuant to the Company's Board Charter, the full Board carries out the duties of the Audit and Risk Committee including to direct, review, and initiate corrective action in matters of internal control and minimise risk exposures compatible with a Group of this size and nature.
Risk Profile	An exercise has been performed to assess the various business risks that impinge upon the Group. They have been categorised according to which part or parts of the business would be affected, what controls might be put in place and whether the resulting levels of exposure are acceptable.
Risk Management	The Group has taken decisions as to how it should manage the various categories of risk exposure and they include the imposition of Standard Operating Procedures (SOPs) for routine business transactions; mitigation policies to lessen or obviate risks such as Insurance Policies and formal long-term Agreements with critical suppliers; and hedging arrangements if applicable.
Compliance and Control	SOPs have been drawn up, circulated and regularly monitored to ensure adherence to company policy. They include the various cash, purchasing, sales, and payment cycles, and payroll. Levels of Authority have been set, divisions of duty are made and multiple signature approvals imposed. Regular checks are made by management to ensure that these controls are indeed in place and complied with.
Assessment of Effectiveness	The management in the first instance assesses the effectiveness of the risk management policies and in conjunction with the Audit Committee and External Auditors, instructs improvements to be put in place.

Directors' Report

7. Information relating to the directors



Dr Rajen Manicka

Managing Director and
Chief Executive Officer
(Appointed July 2009)

Non-independent

Qualifications B Ph. (Hons)

Experience

Dr Rajen Manicka began his career as an intern pharmacist at the Kuala Lumpur General Hospital from 1986 - 1987. In 1987 he spent a year as a community pharmacist. Over a period of 9 years, Dr Rajen worked for several pharmaceutical companies including Roche and CIBA Pharmaceuticals in various capacities starting as a medical representative, product manager and eventually as marketing manager.

In 1995, he incorporated Total Health Concept, which was restructured into Holista Biotech Sdn Bhd in January 2004, and has been Managing Director and major shareholder from inception of this Group until its merger with Holista CollTech Limited in July 2009. He is a prominent figure in the Malaysian biotech industry, an industry which receives significant support and encouragement from the Malaysian government.

Dr Rajen has been a guest lecturer in alternative medicine at the University of Malaysia, the National University of Malaysia, and the International Medical University in Malaysia. He was also a health columnist for the Sunday Times, Malaysia's second largest Sunday newspaper, and writes a monthly column on biotech and business for The Edge, Malaysia's largest business weekly.

Dr Rajen Manicka is a member of the Malaysian Ministry of Health Standing Committee for Traditional Medicine and until March 2009 was on the board of Malaysian Herbal Corporation Sdn Bhd, a wholly owned subsidiary of the Malaysian Industry - Government Group for High Technology.

Interest in Shares and Options	79,435,272	Ordinary Shares
	3,600,000	Class A Performance Rights
	2,700,000	Class B Performance Rights
	1,800,000	Class C Performance Rights
	900,000	Class D Performance Rights

**Directorships
held in other
listed entities** None

Directors' Report

7. Information relating to the directors (Continued)



Mr Brett Fraser
Non-executive Chairman
(Appointed February 2020)
Non-independent

Qualifications FCPA, F.FIN, FGIA

Experience Mr Fraser is an experienced ASX company director and has worked in the finance and securities industry for over 30 years. He has started, managed, owned and operated businesses across wine, health, finance, media, brewing, tourism, and mining. For many years, Mr Fraser has been a consultant to companies on sell side transactions, business acquisitions, business strategy and restructuring, initial public offerings, capital raisings and corporate governance.

He is a Fellow of CPA Australia, Financial Services Institute of Australasia and Governance Institute of Australia, and holds a Bachelor of Business (Accounting) and Graduate Diploma in Finance from the Securities Institute of Australia.

Mr Fraser is currently a director of Sundance Resources Limited and a former director of Aura Energy Limited, Drake Resources Limited, Doray Minerals Limited, Blina Minerals NL, Brainytoys Limited, Empire Resources Limited and Gage Roads Brewing Co Limited.

Interest in Shares and Options 1,028,572 Ordinary Shares

Directorships held in other listed entities Current: Sundance Resources Limited. Former directorships in last 3 years : Aura Energy Limited, Blina Minerals NL



Mr Daniel Joseph O'Connor
Non-Executive Director
(Appointed November 2011)
Non-independent

Qualifications B.Bus, MBA, FAICD (Dip) CPM, AIMM, MAIM, MAleX.

Experience Mr O'Connor has spent more than 30 years in the commercialisation of intellectual property and has worked with R&D teams across Asia, North America, and Australia. He is a published author, mentor, coach, commercialisation consultant, and Company Director. He is the Consultant Principal of the on-line coaching and mentoring group Incubate IP. Mr O'Connor is a member of the UN Task Force on Innovation and Competitiveness and works with Corporate Leaders, inventors, and R&D team managers who need greater traction and focus with patent portfolio management and driving their commercialisation projects (www.incub8IP.com). He has been a Director of Holista for more than five years.

Interest in Shares and Options 3,500,000 Options

Directorships held in other listed entities None

Directors' Report

7. Information relating to the directors (Continued)



Mr Chan Heng Fai

Non-Executive Director
(Appointed 13 June 2013)

Independent

Qualifications Mr Chan has restructured over 35 companies in different industries and countries in the past 40 years.

Experience In 1987, Mr Chan acquired American Pacific Bank, a full-service U.S. commercial bank, out of bankruptcy. He recapitalised, refocused and grew the bank's operations. Under his guidance, American Pacific Bank became a US NASDAQ high asset quality bank, with zero loan losses for over five consecutive years before it was ultimately bought and merged into Riverview Bancorp Inc.

Prior to its merger with Riverview Bancorp Inc., in June 2004, American Pacific Bank was ranked 13 by the Seattle Times "Annual Northwest's Top 100 Public Companies" for the year 2003, and ranked 6 in the Oregon state [for the 2003 year], which ranked ahead of names such as Nike, Microsoft, Costco, AT&T Wireless and Amazon.com.

In 1997, Mr Chan acquired and ran a regional investment banking and securities broking-dealing business headquartered in Denver, with 12 offices throughout USA.

Interest in Shares and Options 46,226,673 Ordinary Shares

Directorships held in other listed entities Mr Chan also sits on the board of Singapore eDevelopment Limited, Document Security Systems, Inc. and OptimumBank Holdings Inc.

8. Meetings of directors and committees

During the financial year, two meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

	DIRECTORS' MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		FINANCE AND OPERATIONS COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Brett Fraser	Nil	N/A	At the date of this report, the Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.					
Rajen Manicka	2	2						
Daniel Joseph O'Connor	2	2						
Chan Heng Fai	2	2						

Directors' Report

9. Indemnifying officers or auditor

9.1. Indemnification

The Company has agreed to indemnify all the directors of Holista for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

9.2. Insurance premiums

During the financial year the Group has paid a premium of \$20,064 (2018: \$17,230) in respect of a contract to insure the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001 (Cth).

10. Options

10.1. Unissued shares under option

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price \$	Number under Option ⁽ⁱ⁾
23 Jun 2017	23 Jun 2020	0.20	6,000,000
23 Jun 2017	23 Jun 2020	0.25	3,000,000
23 Jun 2017	23 Jun 2020	0.30	2,000,000
26 Jul 2017	1 Aug 2020	0.10	2,000,000
16 Oct 2017	16 Oct 2020	0.20	7,000,000
			20,000,000

(i) Subsequent to 31 December 2019, 10,000,000 at \$0.20 options granted in May 2017, expired on 23 March 2020.

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

10.2. Shares issued on exercise of options

No ordinary shares have been issued by the Company during the financial year as a result of the exercise of options (2018: 3,500,000).

11. Non-audit services

During the year, Stantons International Audit and Consulting Pty Ltd, the Company's auditor, provided taxation compliance and independent expert services, in addition to their statutory audits. Non-audit fees amounted to \$11,518 (2018: \$15,015). Details of remuneration paid to the auditor can be found within the financial statements at Note 17 Auditor's Remuneration on page 72.

In the event that non-audit services are provided by Stantons International Audit and Consulting Pty Ltd, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001 (Cth). These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor.
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Directors' Report

12. Proceedings on behalf of company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

13. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the year ended 31 December 2019 has been received and can be found on page 30 of the annual report.

14. Remuneration report (audited)

The information in this remuneration report has been audited as required by s308(3C) of the Corporations Act 2001 (Cth).

14.1. Key management personnel (KMP)

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP comprise the directors of the Company and key executive personnel:

■ Mr Brett Fraser	Non-executive Chairman (appointed 21 February 2020)
■ Dr Rajen Manicka	Managing Director Chief Executive Officer
■ Mr Daniel Joseph O'Connor	Non-executive Director
■ Mr Chan Heng Fai	Non-executive Director

Note: as Mr Fraser was appointed subsequent to balance date, no amount or balances in this remuneration report pertain to Mr Fraser

14.2. Principles used to determine the nature and amount of remuneration

a. Remuneration philosophy

The performance of the Company depends upon the quality of the KMP. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

b. Remuneration committee

Currently the responsibilities of the Remuneration Committee are undertaken by the full Board.

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality KMP.

c. Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Directors' Report

14. Remuneration report (audited)

d. Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 1 December 2003 when shareholders approved an aggregate remuneration of \$200,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. An additional fee is also paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

The remuneration of non-executive directors for the period ended 31 December 2019 is detailed in section 14.3 of this remuneration report.

e. Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

f. Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of the company executives is detailed in section 14.3 of this remuneration report.

g. Variable Remuneration

The aggregate of annual payments available for KMP across the Group is subject to the approval of the Remuneration Committee during the year.

h. Performance Based Remuneration – Short-term and long-term incentive structure

The Board will review short-term and long-term incentive structures from time to time. Any incentive structure will be aligned with shareholders' interests.

■ Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the year.

■ Long-term incentives

The Board has a policy of granting incentive options and performance rights to KMP with exercise prices above market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

The executive Directors will be eligible to participate in any short term and long-term incentive arrangements operated or introduced by the Company (or any subsidiary) from time to time.

Directors' Report

14. Remuneration report (audited)**i. Service Contracts**

Remuneration and other terms of employment for the directors and other KMP are formalised in contracts of employment.

j. Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

k. Relationship between Remuneration of KMP and Earnings

The Company is also in the midst of commercialising some of its patented technologies, namely its Healthy Food Ingredients and Sheep Collagen. Accordingly, the Company's remuneration policy during the current and the previous four financial years is not related to the Company's performance.

14.3. Directors and KMP remuneration

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

2019 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity / Perf. Rights	Options	
	\$	\$	\$	\$	\$	\$		\$	\$	\$
Rajen Manicka	286,202	-	-	6,688	54,382	-	-	-	-	347,272
Daniel Joseph O'Connor	48,000	-	-	6,688	-	-	-	-	-	54,688
Chan Heng Fai	36,000	-	-	6,688	-	-	-	-	-	42,688
	370,202	-	-	20,064	54,382	-	-	-	-	444,648

2018 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity / Perf. Rights	Options	
	\$	\$	\$	\$	\$	\$		\$	\$	\$
Rajen Manicka	258,170	10,245	-	5,744	51,000	-	-	-	-	325,159
Daniel Joseph O'Connor	46,000	-	-	5,743	-	-	-	-	-	51,743
Chan Heng Fai	36,000	-	-	5,743	-	-	-	-	-	41,743
	340,170	10,245	-	17,230	51,000	-	-	-	-	418,645

Directors' Report

14. Remuneration report (audited)

14.4. Service Agreements

a. Employment Agreement with Dr Rajen Manicka

On 7 September 2010, the Group entered into an Employment Agreement with Dr Rajen Manicka to act as Chief Executive Officer and Managing Director. On the 2 July 2018, the Board of Directors reviewed and renewed the Employment Agreement of Dr Rajen Manicka as the Chief Executive Director and Managing Director of the Group. Saved for the changes below, all other terms and conditions of the original Agreement dated 7 September 2010 remains the same.

A summary of the terms of his employment are as follows:

■ Commencement date	10 July 2018
■ Termination date of contract	Initial 3-year period
■ Period of notice for resignation/termination	3 months
■ Remuneration	RM817,464 per annum with annual increments of 3% - 5%.
■ Termination (with cause)	The Company may terminate at any time without notice if serious misconduct has occurred. Where termination with cause occurs, employees are only entitled to entitlements up to the date of termination and any unvested options will immediately be forfeited.
■ Termination (without cause)	The Agreement provides for the termination of the Agreement by paying a severance payment of up to three months in addition to notice period.

14.5. Share-based compensation

The Group believes that encouraging its directors and executives to become shareholders is the best way of aligning their interests with those of its shareholders. At present the Group does not have an employee share option plan.

No shares or options were issued as share based compensation during the year (2018: nil)

There were no equity instruments issued during the year to Directors as a result of options exercised that had previously been granted as compensation.

a. Securities received that are not performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

b. Options and Rights Granted as Remuneration

No equity instruments were granted in the financial year ended 31 December 2019. During the financial year ended 31 December 2018, 9,000,000 performance rights were granted to Dr Manicka and 3,500,000 options were granted to Mr O'Connor as remuneration as detailed note 19 Share-based payments.

Directors' Report

14. Remuneration report (audited)

14.6. KMP equity holdings

a. Fully paid ordinary shares of Holista CollTech Limited held by each KMP

2019 – Group					
Group KMP	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Rajen Manicka ⁽¹⁾	80,577,731	-	-	(1,142,459)	79,435,272
Daniel Joseph O'Connor	-	-	-	-	-
Chan Heng Fai	46,226,673	-	-	-	46,226,673
	126,804,404	-	-	(1,142,459)	125,661,945

⁽¹⁾ Other changes during the year related to (a) 340,000 shares purchased on market and (b) 1,482,459 shares transferred off-market in respect to the underwriting of a 2018 capital raise undertaken by the Company.

b. Options in Holista CollTech Limited held by each KMP

2019 – Group							
Group KMP	Balance at start of year No.	Granted as Remuneration during the year No.	Exercised during the year No.	Other changes during the year No.	Balance at end of year No.	Vested and Exercisable No.	Not Vested No.
Rajen Manicka	-	-	-	-	-	-	-
Daniel Joseph O'Connor	3,500,000	-	-	-	3,500,000	3,500,000	-
Chan Heng Fai	-	-	-	-	-	-	-
	3,500,000	-	-	-	3,500,000	3,500,000	-

c. Performance rights of Holista CollTech Limited held by each KMP

2019 – Group					
Group KMP	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Rajen Manicka	9,000,000	-	-	-	9,000,000
Daniel Joseph O'Connor	-	-	-	-	-
Chan Heng Fai	-	-	-	-	-
	9,000,000	-	-	-	9,000,000

Directors' Report

14. Remuneration report (audited)

14.7. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

14.8. KMP Loans

There are no loans to or from KMP as at 31 December 2019 (2018: nil)

14.9. Other transactions with KMP and or their Related Parties

As disclosed Note 5.4.3, the Group has amounts due to Directors of \$57,000 (2018: \$21,000) due in respect to accrued director fees to Mr Chan and \$32,109 due to Dr Manicka (2018: \$nil) and in respect to working capital.

During the 2018 year, the Company settled \$438,371 (Dr Manicka: \$362,661; and Mr Chan: \$75,710) in respect to director fees and loans accrued up to August 2018. The Company issued 6,262,444 shares (Dr Manicka: 5,180,872; and Mr Chan 1,081,572) in respect to this settlement. There have been no other transactions in addition to those described in the tables or as detailed in Note 16 Related party transactions.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001 (Cth).



DR RAJEN MANICKA

Managing Director

Dated this Tuesday, 31 March 2020

AUDITOR'S INDEPENDENCE DECLARATION

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31 March 2020

Board of Directors
Holista CollTech Limited
283 Rokeby Road
Subiaco WA 6008

Dear Directors

RE: HOLISTA COLLTECH LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Holista CollTech Limited.

As Audit Director for the audit of the financial statements of Holista CollTech Limited for the period ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

Martin Michalik
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	2019 \$	2018 \$
Continuing operations			
Revenue	1.1	7,257,778	7,940,555
Other income	1.2	147,131	136,387
		7,404,909	8,076,942
Change in inventories of finished goods and work in progress		197,844	(581,132)
Raw materials and consumables used		(3,277,420)	(3,546,608)
Advertising and promotion		(431,186)	(313,187)
Distribution costs and other costs of sales		(467,599)	(483,955)
Consultancy and professional fees		(502,222)	(552,998)
Depreciation and amortisation		(305,355)	(257,378)
Employment costs	2.3	(2,824,511)	(3,015,353)
Finance costs		(88,820)	(83,486)
Foreign exchange (loss) / gain		(38,790)	57,974
Share-based payments expense	19	(90,524)	(90,523)
Research and development		(132,275)	(157,657)
Impairment	2.2	407,096	(370,771)
Other expenses	2.1	(628,846)	(760,146)
Loss before tax		(777,699)	(2,078,278)
Income tax expense	4.1	(126,335)	(125,082)
Net loss for the year		(904,034)	(2,203,360)
Other comprehensive income, net of income tax			
■ Items that will not be reclassified subsequently to profit or loss		-	-
■ Items that may be reclassified subsequently to profit or loss:			
■ Foreign currency movement		44,092	182,997
Other comprehensive income for the period, net of tax		44,092	182,997
Total comprehensive income attributable to members of the parent entity		(859,942)	(2,020,363)
Loss for the year attributable to:			
■ Non-controlling interest		(214,183)	(591,213)
■ Owners of the parent		(689,851)	(1,612,147)
Total comprehensive income attributable to:			
■ Non-controlling interest		(66,319)	(593,223)
■ Owners of the parent		(793,623)	(1,427,140)
Earnings per share:		¢	¢
Basic loss per share (cents per share)	18.4	(0.29)	(0.78)
Diluted loss per share (cents per share)	18.4	N/A	N/A

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 \$	2018 \$
<i>Current assets</i>			
Cash and cash equivalents	5.1	101,400	357,705
Trade and other receivables	5.2.1	3,218,105	3,019,017
Inventories	6.1	675,782	442,621
Other current assets	5.3.1	1,010,820	978,795
Total current assets		5,006,107	4,798,138
<i>Non-current assets</i>			
Property, plant, and equipment	6.2	1,317,918	1,429,087
Right of use asset	6.3.1	158,982	-
Intangible assets	6.4	776,121	954,717
Deferred tax asset	4.6	137,921	231,646
Other non-current assets	5.3.2	529,489	13,844
Total non-current assets		2,920,431	2,629,294
Total assets		7,926,538	7,427,432
<i>Current liabilities</i>			
Trade and other payables	5.4.1	3,142,533	1,973,888
Borrowings	5.5.1	337,341	349,232
Current tax liabilities	4.5	-	523
Leases	6.3.2	39,702	-
Short-term provisions	6.5	17,687	9,710
Total current liabilities		3,537,263	2,333,353
<i>Non-current liabilities</i>			
Borrowings	5.5.2	436,236	530,407
Long-term provisions	6.5	275,000	-
Leases	6.3.2	108,437	-
Total non-current liabilities		819,673	530,407
Total liabilities		4,356,936	2,863,760
Net assets		3,569,602	4,563,672
<i>Equity</i>			
Issued capital	7.1.1	14,548,515	14,548,515
Reserves	7.4	2,329,439	4,671,363
Accumulated losses		(12,455,239)	(13,869,412)
Non-controlling interest		(853,113)	(786,794)
Total equity		3,569,602	4,563,672

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Note	Issued Capital \$	Share-based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- controlling Interest (NCI) \$	Total \$
Balance at 1 January 2018		11,538,515	4,809,268	(413,435)	(12,257,265)	(193,571)	3,483,512
Loss for the year attributable owners of the parent		-	-	-	(1,612,147)	(591,213)	(2,203,360)
Other comprehensive income for the year attributable owners of the parent		-	-	185,007	-	(2,010)	182,997
Total comprehensive income for the year attributable owners of the parent		-	-	185,007	(1,612,147)	(593,223)	(2,020,363)
Transaction with owners, directly in equity							
Shares issued during the year	7.1.1	3,010,000	-	-	-	-	3,010,000
Recognition of performance rights	19.1	-	90,523	-	-	-	90,523
Balance at 31 December 2018		14,548,515	4,899,791	(228,428)	(13,869,412)	(786,794)	4,563,672
Balance at 1 January 2019		14,548,515	4,899,791	(228,428)	(13,869,412)	(786,794)	4,563,672
Change in accounting policy: AASB 16 Leases	23	-	-	-	(224,652)	-	(224,652)
Restated total equity at the beginning of the financial year		14,548,515	4,899,791	(228,428)	(14,094,064)	(786,794)	4,339,020
Loss for the half-year attributable owners of the parent		-	-	-	(689,851)	(214,183)	(904,034)
Other comprehensive income for the half-year attributable owners of the parent		-	-	(103,772)	-	147,864	44,092
Total comprehensive income for the half-year attributable owners of the parent		-	-	(103,772)	(689,851)	(66,319)	(859,942)
Transaction with owners, directly in equity							
Recognition of performance rights	19.1	-	90,524	-	-	-	90,524
Transfer of expired option balance		-	(2,347,593)	-	2,347,593	-	-
Transfer to and from reserves		-	-	18,917	(18,917)	-	-
Balance at 31 December 2019		14,548,515	2,642,722	(313,283)	(12,455,239)	(853,113)	3,569,602

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		7,231,436	7,277,030
Payments to suppliers and employees		(7,422,701)	(9,362,904)
Interest received		9,221	16,494
Finance costs		(83,839)	(83,486)
Other revenue		133,678	-
Income tax paid		(28,770)	(47,400)
Net cash used in operating activities	5.1.2a	(160,975)	(2,200,266)
Cash flows from investing activities			
Purchase of intellectual property		(39,548)	(88,668)
Purchase of property, plant, and equipment		(70,985)	(46,272)
Loans repaid / (advanced), net		73,226	(287,677)
Refund of deposits / investments		52,516	218,483
Net cash provided by / (used in) investing activities		15,209	(204,134)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,361,631
Proceeds from exercise of options		-	210,000
(Repayment of) / proceeds from borrowings, net	5.1.2b	(83,840)	59,320
Payments in respect to leases	5.1.2b	(33,168)	-
Net cash (used in) / provided by financing activities		(117,008)	2,630,951
Net (decrease) / increase in cash and cash equivalents held		(262,774)	226,551
Cash and cash equivalents at the beginning of the year		357,705	120,982
Change in foreign currency held		6,469	10,172
Cash and cash equivalents at the end of the year	5.1	101,400	357,705

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

In preparing the 2019 financial statements, Holista Colltech Limited has grouped notes into sections under five key categories:

■ Section A: How the numbers are calculated	36
■ Section B: Risk	62
■ Section C: Group structure.....	67
■ Section D: Unrecognised items	70
■ Section E: Other Information	72

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The presentation of the notes to the financial statements has changed from the prior year and is supported by the IASB's Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 Presentation of Financial Statements which have provided preparers with more flexibility in presenting the information in their financial reports.

The financial report is presented in Australian dollars, except where otherwise stated.

Notes to the consolidated financial statements for the year ended 31 December 2019

SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.
- (b) analysis and sub-totals.
- (c) information about estimates and judgements made in relation to particular items.

Note	1	Revenue and other income	2019 \$	2018 \$
1.1		Revenue		
		Sale of goods	7,257,778	7,940,555
			7,257,778	7,940,555
1.2		Other Income		
		Gain on disposal of property, plant and equipment	-	17,651
		Interest income	9,221	16,494
		Research and development grant income	133,678	94,082
		Other income	4,232	8,160
			147,131	136,387

1.3 Accounting policy

1.3.1 Revenue from contracts with customers

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations; and

Step 5: Recognise the revenue as the performance obligations are satisfied.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 1 Revenue and other income (cont.)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- ii. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

1.3.2 *Sale of health care products*

Revenue from sales of health care products is recognised at the point in time when control of the asset is transferred to the customer, i.e. upon delivery of goods to the customers. Some contracts for the sale of health care products provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

a. *Rights of return*

Certain contracts provide a customer with a right of return the goods within a specific period. The Group uses its accumulated historical experience to estimate the level of returns using the expected value method because this method best predicts the amount of variable consideration to which the Group will be entitled. The constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return assets and corresponding adjustment to cost of sales is also recognised for the right to recover products from a customer.

b. *Volume rebates*

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies that requirements on constraining estimates of variable consideration and recognised a refund liability for the expected future rebates.

1.3.3 *Sale of health care products through single level direct selling*

Revenue from single level direct selling of health care products is recognised at the point in time when control of the asset is transferred to the customer, i.e. upon delivery of goods to the customers.

1.3.4 *Sale of raw ingredients*

Sales based royalties are recognised at the later of when the subsequent sale occurs and the satisfaction of the performance obligation to which some or all of the sales-based royalty has been allocated.

1.3.5 *Royalty income*

Revenue from sales of raw ingredients are recognised at the point in time when the control of the asset is transferred to the customer, i.e. upon delivery of goods to the customers.

1.3.6 *Interest income*

Interest revenue is recognised in accordance with Note 3.1 Finance income and expenses.

1.3.7 *Customer loyalty points*

Deferred revenue in respect to customer loyalty points is recognised in accordance with Note 5.4.5 Key estimates – Deferred revenue for customer loyalty points

1.3.8 *Assets and liabilities arising from rights of return*

Assets and liabilities arising from rights of return in accordance with Notes 5.3.5b Right of return assets, 5.4.4b Refund liabilities, and 5.4.4c Contract liabilities.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note	2	Loss before income tax	2019 \$	2018 \$
The following significant revenue and expense items are relevant in explaining the financial performance:				
2.1	Other Expenses:			
	■	Compliance and regulatory costs	117,648	141,440
	■	Insurance	64,700	57,278
	■	Other expenses	33,063	118,677
	■	Collie factory maintenance costs	117,922	106,089
	■	Audit fees	89,486	101,420
	■	Office expense and other occupancy costs	206,027	235,242
			628,846	760,146
2.2	Impairment:			
	■	Doubtful debts expensed / (recovered)	298	(9,295)
	■	Impairment of intangibles – Emulin trademark	104,350	-
	■	Impairment of funds loaned (recovered) / expensed	(511,744)	380,066
			(407,096)	370,771
2.2.1	Accounting policy			
	a.	<i>Impairment of financial assets</i>		
		Refer to note 5.6.1d		
	b.	<i>Impairment of non-financial assets</i>		
		Refer to note 6.6.1		
2.3	Employment costs		2019 \$	2018 \$
	■	Salary and wages	1,831,255	1,854,581
	■	Director Fees	108,844	153,717
	■	Superannuation	250,409	254,677
	■	Medical and Insurance	68,643	71,717
	■	Bonus and Incentive	280,643	368,468
	■	Travel	211,483	238,104
	■	Others	73,234	74,089
			2,824,511	3,015,353

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 2 Loss before income tax (cont.)

2.3.1 Accounting policy

a. *Short-term benefits*

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

b. *Other long-term benefits*

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

c. *Retirement benefit obligations: Defined contribution superannuation funds*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

d. *Termination benefits*

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

e. *Equity-settled compensation*

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, considering the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Note 3 Other Significant Accounting Policies related to items of profit and loss

3.1 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest revenue is recognised on a time proportionate basis that considers the effective yield on the financial asset.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note	4	Income tax	2019 \$	2018 \$
4.1		Income tax expense		
		Current tax	126,335	125,082
		Deferred tax	-	-
			126,335	125,082
4.2		Reconciliation of income tax expense to prima facie tax payable		
		The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
		Accounting loss before tax	(777,699)	(2,078,278)
		Prima facie tax on operating loss at 27.5% (2018: 27.5%)	(213,867)	(571,526)
		Add / (Less) tax effect of:		
		■ Profit attributable to foreign subsidiaries	-	(5,730)
		■ Research and development tax offset exempted from tax	(36,761)	(25,872)
		■ Foreign tax losses not recognised	182,365	205,375
		■ Foreign income tax payable / (refundable)	126,335	125,082
		■ Non-deductible expenses	27,818	213,453
		■ Timing differences	(53,020)	(95,261)
		■ Deferred tax asset not brought to account	93,465	279,561
		Income tax expense/(benefit) attributable to operating loss	126,335	125,082
			%	%
4.3		The applicable weighted average effective tax rates attributable to operating profit are as follows:	(16.24)	(6.02)
	a.	The tax rates used in the above reconciliations is the corporate tax rate of 27.5% payable by the Australian corporate entity on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting year.		
	b.	The foreign tax payable relates to the Malaysian corporate entities, where the current corporate tax rate is 24%. The Malaysian corporate entities tax losses have unrecognised deferred tax assets in relation to unutilised tax losses carried forward for which no deferred tax asset has been recorded as it is not probable that taxable profit will be available in the foreseeable future.		

Notes to the consolidated financial statements for the year ended 31 December 2019

Note	4	Income tax (cont.)	2019 \$	2018 \$
4.4		Balance of franking account at year end of the parent	nil	nil
4.5		Current tax liabilities		
		Foreign Income tax payable	-	523
			-	523
4.6		Deferred tax assets		
		Tax losses	137,921	231,646
			137,921	231,646
		Net deferred tax assets	137,921	231,646
4.7		Tax losses and deductible temporary differences		
		Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
		■ Tax losses Australia	2,165,402	2,071,937
		■ Tax losses attributable to foreign subsidiaries	1,355,863	1,173,499
			3,521,265	3,245,436

Potential deferred tax assets attributable to tax losses have not been brought to account at 31 December 2019 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- the company continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates consider both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

The parent company has accumulated tax losses of \$7,874,189 (2018: \$7,534,316) which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office. The parent company has additional accumulated tax losses of \$7,870,248 which are not expected to be available to offset any future taxable profits as their origin cannot be determined. No deferred tax asset has been recorded in relation to these tax losses as it is not probable that taxable profit will be available in the foreseeable future and they may not be used to offset taxable.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 4 Income tax (cont.)

4.8 Accounting policy

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Holista CollTech Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities

5.1 Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank	101,400	357,705
	101,400	357,705

5.1.1 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 8 Financial risk management.

5.1.2 Cash Flow Information

	2019 \$	2018 \$
a. Reconciliation of cash flow from operations to loss after income tax		
Loss after income tax	(904,034)	(2,203,360)
Cash flows excluded from loss attributable to operating activities	-	-
<i>Non-cash flows in (loss)/profit from ordinary activities:</i>		
■ Depreciation and amortisation	305,355	257,378
■ Foreign exchange loss / (gain)	38,790	(57,974)
■ Net share-based payments expensed	90,524	90,523
■ Impairment	(407,096)	370,771
■ Interest on lease liabilities	26,354	-
■ Loss on disposal of property, plants, and equipment	-	(17,651)
<i>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</i>		
■ (Increase) in receivables	(153,334)	(857,255)
■ (Increase)/decrease in inventories	(224,809)	593,713
■ (Increase) in prepayments	(56,139)	(198,539)
■ Increase/(decrease) in trade and other payables	1,017,872	(257,183)
■ Increase in provisions	7,978	1,629
■ Increase tax balances	97,564	77,682
Cash flow (used in) from operations	(160,975)	(2,200,266)

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities (cont.)

5.1 Cash and cash equivalents (cont.)

5.1.2 Cash Flow Information (cont.)

b. Reconciliation of liabilities arising from financing activities

	2017	Cash flows	Non-cash changes				2018
			Acquisitions	Foreign Exchange	Other Changes	Changes due to AASB 16	
	\$	\$	\$	\$	\$	\$	\$
Short-term borrowings	209,009	101,661	-	17,507	-	-	328,177
Long-term borrowings	498,857	(52,697)	-	41,800	-	-	487,960
Asset finance	49,038	10,356	-	4,108	-	-	63,502
Total liabilities from financing activities	756,904	59,320	-	63,415	-	-	879,639

	2018	Cash flows	Non-cash changes				2019
			Acquisitions	Foreign Exchange	Other Changes ⁽ⁱ⁾	Changes due to AASB 16	
	\$	\$	\$	\$	\$	\$	\$
Short-term borrowings	328,177	4,719	-	6,184	(1,739)	-	337,341
Long-term borrowings	487,960	(88,559)	-	9,207	27,628	-	436,236
Leases	-	(33,168)	-	-	2,908	178,399	148,139
Asset finance	63,502	-	-	1,198	-	(64,700)	-
Total liabilities from financing activities	879,639	(117,008)	-	16,589	28,797	113,699	921,716

(i) Other changes include non-cash movements including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid

c. Credit and loan standby arrangement with banks

Refer Note 5.5.6 Financing facilities available.

d. Non-cash investing and financing activities

2019

None.

2018

During the 2018 year, the Company settled \$438,371 in respect to director fees and loans accrued through the issue of 6,262,444 shares. Refer also Note 5.4.3 for further details.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities (cont.)

5.2 Trade and other receivables	Note	2019 \$	2018 \$
5.2.1 Current			
Trade receivable	5.2.3	2,624,250	2,379,411
Amounts advanced to a related party	5.2.4	180,623	258,082
Amounts advanced to a third party	5.2.4	294,534	290,301
Interest receivable		56,203	-
Other receivables		62,495	91,223
		3,218,105	3,019,017

5.2.2 The Group's exposure to credit rate risk is disclosed in Note 8 Financial risk management.

5.2.3 The average credit period on sales of goods and rendering of services ranges from 30 to 240 days. Interest is not charged. No allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods and rendering of services, determined by reference to past default experience. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

5.2.4 Amounts advanced to related party \$180,623 (2018: \$258,082) and third party of \$294,534 (2018: \$290,301) attract interest at 3% in its first year and 5% in its second year, on accrual basis. Amounts advanced to a related party were repayable on demand. Amounts advanced to a third party are presently repayable on demand due to a technical default on the funds advanced.

5.2.5 Accounting policy

Trade receivables are generally due for settlement within periods ranging from 30 to 240 days. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance. (see also Note 5.6.1).

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities (cont.)

5.3 Other assets	Note	2019 \$	2018 \$
5.3.1 Current			
Security deposits	5.3.4	303,921	289,283
Other deposits		14,645	80,165
Prepayments		614,602	548,453
Right of return assets		77,652	60,894
		1,010,820	978,795
5.3.2 Non-current			
Loans to related parties	5.3.3	529,489	525,588
Less: Impairment	2.2	-	(511,744)
		529,489	13,844

5.3.3 The balances as at 31 December 2019 and 31 December 2018 are related to funds loans to Galen BioMedical Inc, refer also note 16 Related party transactions.

5.3.4 Security deposits are restricted cash. In order to obtain various financing facilities, banks in Malaysia require cash to be deposited if other collateral is not available. These deposits are interest bearing and the interest is compounded and added to the principal.

5.3.5 Accounting policy

a. Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

b. Right of return assets

Right of return assets represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decrease in the value of the returned goods. At the end of each reporting period, the Group updates the measurement of the asset arising from the changes in expectations about products to be returned.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities (cont.)

5.4 Trade and other payables		2019 \$	2018 \$
5.4.1	Current		
	<i>Unsecured</i>		
	Trade payables	1,581,813	715,796
	Accruals	381,740	499,778
	Advance deposits and deferred revenue	515,719	386,017
	Amounts due to Directors	89,109	21,000
	Dividends payable	24,581	24,400
	Refund liability	391,813	312,407
	Other payables	157,758	14,490
		3,142,533	1,973,888

5.4.2 Included in the accruals is deferred revenue amounting of \$68,598 (2018: \$54,873) which represents customer loyalty points and is estimated based on the amount of loyalty points outstanding at reporting date that are expected to be redeemed.

5.4.3 Amounts due to Directors are comprised of \$57,000 (2018: \$21,000) due in respect to accrued director fees to Mr Chan and \$32,109 due to Dr Manicka (2018: \$nil) and in respect to working capital.

In the prior year, the Company settled \$438,371 (Dr Manicka: \$362,661; and Mr Chan: \$75,710) in respect to director fees and loans accrued up to August 2018. The Company issued 6,262,444 shares (Dr Manicka: 5,180,872; and Mr Chan 1,081,572) in respect to this settlement.

5.4.4 Accounting policy

a. Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

b. Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and measured at the amount the Group ultimately expects it will have to return to the customer. At the end of each reporting period, the Group updates its estimates of refund liabilities for changes in expectations about the amount of refunds and recognise the corresponding adjustments as revenue (or reductions of revenue).

c. Contract liabilities

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Group performs under the contract.

5.4.5 Key estimates – Deferred revenue for customer loyalty points

The Group operates loyalty points programme which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. At the end of each reporting period, the Company updates its estimates of the points that will be redeemed and any adjustments to the contract liability balance are charged against revenue.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities (cont.)				
5.5	Interest-bearing loans and borrowings	Note	2019 \$	2018 \$
5.5.1	Current			
	Banker's acceptance	5.5.3	265,416	269,743
	Leases	6.3.2	-	21,055
	Term loan	5.5.4	57,045	58,434
	Loan from related parties		14,880	-
			337,341	349,232
5.5.2	Non-current			
	Term loan	5.5.4	436,236	487,960
	Leases	6.3.2	-	42,447
			436,236	530,407
5.5.3	The bankers' acceptance bears interest of 5.23% (2018: 5.15%) and is secured by the following:			
	i. Facility Agreement;			
	ii. Pledge of fixed deposits with licensed banks (refer to Note 5.3.1);			
	iii. Execution of a fresh letter of authorisation, memorandum of Deposit and letter of set off;			
	iv. First-party assignment over the office lots of the Company; and			
	v. Joint and several guarantees from a Director of the Company.			
5.5.4	The term loan is repayable over 240 monthly instalments (principal plus interest) of \$5,119 which commenced on 1 July 2008. The term loan bears interest rates ranging from 5.77% (2018: 5.20%) per annum is secured by the following:			
	i. As principal Instrument, an "all monies" Facilities Agreement stamped to the amount of facilities advanced;			
	ii. First-party absolute assignment of all rights, interest, title and benefits in and to property beneficially owned by a Subsidiary Company;			
	iii. Corporate Guarantee by subsidiary company for \$823,949; and			
	iv. Personal Guarantee for \$823,949 by a Director of the subsidiary company.			

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities (cont.)

5.5 Interest-bearing loans and borrowings (cont.)

5.5.5 Assets pledged as security	Note	2019 \$	2018 \$
<i>Floating charge</i>			
Inventories	6.1	675,782	442,621
Security deposits	5.3.1	14,645	80,165
Total current assets pledged as security		690,427	522,786
<i>First mortgage</i>			
Freehold land and buildings	6.2.3	778,385	791,187
Total non-current assets pledged as security		778,385	791,187
		1,468,812	1,313,973

5.5.6 Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

	Total facilities		Facilities used		Facilities unused	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Term loan	493,281	546,394	(493,281)	(546,394)	-	-
Banker's acceptance	348,772	379,027	(265,416)	(269,743)	83,356	109,284
Lease (see 6.3.2)	-	63,502	-	(63,502)	-	-
Total facilities at balance date	842,053	988,923	(758,697)	(879,639)	83,356	109,284

5.5.7 Accounting policy

a. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

b. Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 23.1 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities (cont.)

5.6 Other Significant Accounting Policies related to Financial Assets and Liabilities

5.6.1 Investments and other financial assets

a. Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

c. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

i. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

ii. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 5 Financial assets and financial liabilities (cont.)

5.6 Other Significant Accounting Policies related to Financial Assets and Liabilities

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d. Impairment

From 1 January 2018, the Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 6 Non-financial assets and financial liabilities

6.1 Inventories

	2019 \$	2018 \$
Raw materials - at cost	302,726	141,996
Finished goods - at cost	373,056	300,625
	675,782	442,621

6.1.1 Accounting policy

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials - purchase cost on a first-in, first-out basis; and
- Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 6 Non-financial assets and financial liabilities (cont.)

6.2 Property, plant, and equipment

	Note	2019 \$	2018 \$
Freehold land and buildings		2,577,466	2,557,156
Accumulated depreciation and impairment	6.2.4	(1,799,081)	(1,765,969)
		778,385	791,187
Plant and equipment		2,025,588	1,952,920
Accumulated depreciation		(1,486,055)	(1,339,206)
		539,533	613,714
Motor vehicles	6.3.1	-	156,642
Accumulated depreciation	6.3.1	-	(132,456)
		-	24,186
Total plant and equipment		1,317,918	1,429,087

6.2.1 Movements in Carrying Amounts

	Freehold land and buildings \$	Plant and Equipment \$	Motor Vehicles \$	Total \$
<i>Carrying amount at 1 January 2018</i>	742,023	803,773	11,640	1,557,436
Transfers between classes	20,267	(20,267)	-	-
Additions	-	20,565	29,675	50,240
Disposals / write-offs	-	(45,651)	(1)	(45,652)
Depreciation expense	(33,257)	(147,825)	(18,103)	(199,185)
Foreign currency exchange differences	62,154	3,119	975	66,248
<i>Carrying amount at 31 December 2018</i>	791,187	613,714	24,186	1,429,087
<i>Carrying amount at 1 January 2019</i>	791,187	613,714	24,186	1,429,087
Transfers between classes	-	-	(24,642)	(24,642)
Additions	-	70,985	-	70,985
Disposals / write-offs	-	-	-	-
Depreciation expense	(27,837)	(145,480)	-	(173,317)
Foreign currency exchange differences	15,035	314	456	15,805
<i>Carrying amount at 31 December 2019</i>	778,385	539,533	-	1,317,918

6.2.2 In the 2018 financial year, the carrying value of plant and equipment held under finance leases and hire purchase contracts at was \$24,186. In the current financial year, the balances were transferred to right of use assets in accordance with AASB 16 (see note 6.3.1).

6.2.3 Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities. Land and buildings with a carrying amount of \$778,385 (2018: \$791,187) are subject to a first charge to secure a loan from RHB Bank, Malaysia.

6.2.4 Impairment Disclosure

Collagen Extraction Facility in Collie, Western Australia

This facility was built on land subject to a 20 years lease entered into in June 2004. The facility buildings have a carrying value of \$nil as at 31 December 2019 (2018: \$nil).

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 6 Non-financial assets and financial liabilities (cont.)

6.2 Property, plant, and equipment (cont.)

6.2.5 Accounting policy

a. Recognition and measurement

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Items of plant and equipment are measured on the cost basis and carried at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 6.6.1 Impairment of non-financial assets).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Where considered material, the carrying amount of property, plant, and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Where parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

b. Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Any costs of the day-to-day servicing of plant and equipment are recognised in the income statement as an expense as incurred.

c. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. All leasehold improvements are presently impaired.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates used for the current and comparative period are:

	2019 %	2018 %
■ Buildings	4.00	4.00
■ Plant and equipment	20.00 to 33.33	20.00 to 33.33
■ Motor Vehicles	20.00	20.00

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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.

d. Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 6 Non-financial assets and financial liabilities (cont.)

6.3 Leases	Note	2019 \$	2018 [#] \$
6.3.1 Right of use assets			
Properties	23.1	122,902	-
Motor vehicles	23.1	36,080	-
		158,982	-
6.3.2 Lease liabilities			
Current	23.1	39,702	-
Non-current	23.1	108,437	-
		148,139	-

[#] In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 January 2019, please refer to note 23.1.

6.3.3 Additions to the right-of-use assets during the 2019 financial year were \$25,381.

6.3.4 Amounts recognised in the statement of profit or loss	2019 \$	2018 \$
<i>Included in depreciation and amortisation:</i>		
Depreciation charge of right-of-use assets		
Properties	13,741	-
Motor vehicles	6,184	-
Other	7,785	-
	27,710	-
Interest expense (included in finance cost)	9,024	-
Expense relating to short-term leases	-	-
Expense relating to leases of low-value assets that are not shown above as short-term leases	-	-
Expense relating to variable lease payments not included in lease liabilities	-	-

6.3.5 The total cash outflow for leases in 2019 was \$33,168.

6.3.6 Accounting policy

a. Recognition and measurement

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 23.1 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

i. Right of Use Asset

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 6 Non-financial assets and financial liabilities (cont.)

6.3 Leases (cont.)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequent to initial measurement, the right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life as follows:

Motor vehicles	5 years
Properties (in Processing factory)	3 – 30 years

Right of use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

ii. *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b. **Extension and termination options**

An extension options is included in a property of the Group. This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable only by the group and not by the respective lessor.

6.3.7 *Critical judgements in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of motor vehicles, warehouse, and processing factory, the following factors are normally the most relevant:

If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Notes to the consolidated financial statements
for the year ended 31 December 2019

Note 6 Non-financial assets and financial liabilities (cont.)

6.3 Leases (cont.)

Most extension options in vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$31,126.

6.4 Intangible assets

	Note	2019 \$	2018 \$
Goodwill		572,378	568,161
Patents and licences	6.4.2	314,864	510,905
Accumulated amortisation		(111,121)	(124,349)
		776,121	954,717

6.4.1 Movements in Carrying Amounts

	Goodwill \$	Patents and licences \$	Total \$
<i>Carrying amount at 1 January 2018</i>	514,113	344,690	858,803
Additions	-	111,222	111,222
Disposals / write-offs	-	(23,162)	(23,162)
Amortisation expense	-	(58,192)	(58,192)
Foreign currency exchange differences	54,048	11,998	66,046
<i>Carrying amount at 31 December 2018</i>	568,161	386,556	954,717
<i>Carrying amount at 1 January 2019</i>	568,161	386,556	954,717
Additions	-	17,285	17,285
Disposals / write-offs	-	(104,350)	(104,350)
Amortisation expense	-	(100,040)	(100,040)
Foreign currency exchange differences	4,217	4,292	8,509
<i>Carrying amount at 31 December 2019</i>	572,378	203,743	776,121

6.4.2 Included in the intangible is payment made to ATM Metabolics of \$255,030 (USD180,000) for use of the brand *Emulin Plus* per term sheet entered into on 6 December 2015. Exclusive Product Management and Distribution Agreement was signed on 9 January 2017.

The Company has reached an out of court settlement with ATM Metabolics (refer also in Note 14) in November 2019 and no longer will be selling the trademark *Emulin*. As a consequence, the Company has fully impaired the asset related in respect to this trademark.

6.4.3 Allocation of goodwill to cash-generating units (CGU)

Goodwill has been allocated for impairment testing purposes to the Food Ingredients unit. Before recognition of impairment losses, the carrying amount of goodwill (other than goodwill relating to discontinued operations) was allocated to CGU as follows.

	2019 \$	2018 \$
■ Food Ingredients	572,378	568,161

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 6 Non-financial assets and financial liabilities (cont.)

6.4 Intangible assets (cont.)

The recoverable amount of the Group's Food Ingredients CGU has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors utilising the following key assumptions:

The key assumptions used in the value in use calculations for the Food Ingredients CGU are as follows:

- Revenue (cash in-flows) have been extrapolated at a growth rate of 10.00%
- Expenses (cash out-flows) have been extrapolated at a growth rate of 10.00%
- Discount rate is based upon a weighted average cost of capital of 11.38%.

The directors believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause Food Ingredients CGU carrying amount to exceed its recoverable amount.

6.4.4 Accounting policy

a. Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

b. Intangible assets acquired in a business combination

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

c. Subsequent measurement

The following useful lives are used in the calculation of amortisation:

	2019	2018
	%	%
■ Licenses	20.00	20.00
■ Software	25.00	25.00

d. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 11.1.1) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGU) (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

6.4.5 Key estimates – Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 6 Non-financial assets and financial liabilities (cont.)

6.5 Provisions	Note	2019 \$	2018 \$
6.5.1 <i>Current</i>			
Provision for employee entitlements	6.5.3	17,687	9,710
		17,687	9,710
6.5.2 <i>Non-current</i>			
Make good provision	6.5.3	275,000	-
		275,000	-

6.5.3 Description of provisions

- Provision for employee benefits represents amounts accrued for annual leave (**AL**) and long service leave (**LSL**). The current portion for this provision includes the total amount accrued for AL entitlements and the amounts accrued for LSL entitlements that have vested due to employees having completed the required period of service. The Group does not expect the full amount of AL or LSL balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.
- The Company is required to restore the leased site of its Collagen Extraction Facility to their original condition at the end of the respective lease terms. A *make good provision* has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the right-of-use assets and are amortised over the shorter of the term of the lease and the useful life of the assets.

The Directors valued the make good provision based upon a third-party estimate provided to the Company.

6.5.4 Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 6 Non-financial assets and financial liabilities (cont.)

6.6 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities

6.6.1 *Impairment of non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at note 4.8) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 7 Equity						
7.1	Issued capital	Note	2019 No.	2018 No.	2019 \$	2018 \$
	Fully paid ordinary shares at no par value		234,039,087	234,039,087	14,548,515	14,548,515
7.1.1	Ordinary shares		2019 No.	2018 No.	2019 \$	2018 \$
	At the beginning of the year		234,039,087	184,039,087	14,548,515	11,538,515
	Shares issued during the year:					
	■ 06.02.18 Controlled placement with Acuity Capital	7.1.3	-	6,500,000	-	10,000
	■ 06.08.18 Entitlement Issue at \$0.07 per share		-	33,737,556	-	2,361,631
	■ 06.08.18 Entitlement Issue at \$0.07 per share	5.4.3		6,262,444		438,369
	■ 17.10.18 Options ex. at \$0.06	7.3	-	3,500,000	-	210,000
	Transaction costs relating to share issues		-	-	-	(10,000)
	At reporting date		234,039,087	234,039,087	14,548,515	14,548,515
7.1.2	Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.					
7.1.3	On 6 February 2018, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. As collateral for the CPA, the Company issued 6,500,000 shares.					
7.1.4	Accounting policy					
	Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.					
7.2	Performance shares				2019 No.	2018 No.
	Performance shares	19.2.1f			9,000,000	9,000,000
7.3	Options				2019 No.	2018 No.
	At beginning of the year				34,954,205	46,362,616
	■ Expired Options				(4,954,205)	(7,908,411)
	Options exercised at 6 cents per share	7.1			-	(3,500,000)
	At reporting date				30,000,000	34,954,205

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 7 Equity(cont.)

7.4 Reserves

		2019 \$	2018 \$
Foreign currency translation reserve	7.4.1	(313,283)	(228,428)
Share-based payment reserve	7.4.2	2,642,722	4,899,791
		2,329,439	4,671,363

7.4.1 *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

7.4.2 *Share-based payment reserve* (formerly Option reserve)

The share-based payment reserve records the value of options and performance rights issued the Company to its employees or consultants.

Notes to the consolidated financial statements for the year ended 31 December 2019

SECTION B. RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

Note 8 Financial risk management

8.1 Financial Risk Management Policies

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's financial assets and liabilities is shown below:

	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest Bearing \$	2019 Total \$	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest Bearing \$	2018 Total \$
Financial Assets								
■ Cash and cash equivalents	101,400	-	-	101,400	357,705	-	-	357,705
■ Trade and other receivables	-	-	3,218,105	3,218,105	-	-	3,019,017	3,019,017
■ Other assets excl. prepayments	-	-	318,566	318,566	-	-	352,690	352,690
■ Investments	-	-	-	-	-	-	-	-
■ Loans, net of impairment	-	529,489	-	529,489	-	13,844	-	13,844
Total Financial Assets	101,400	529,489	3,536,671	4,167,560	357,705	13,844	3,371,707	3,743,256
Financial Liabilities								
Financial liabilities at amortised cost								
■ Trade and other payables	-	-	3,142,533	3,142,533	-	-	1,973,888	1,973,888
■ Borrowings	758,697	14,880	-	773,577	816,137	63,502	-	879,639
■ Leases	-	148,139	-	148,139	-	-	-	-
Total Financial Liabilities	758,697	163,019	3,142,533	4,064,249	816,137	63,502	1,973,888	2,853,527
Net Financial Assets / (Liabilities)	(657,297)	366,470	394,138	103,311	(458,432)	(49,658)	1,397,819	889,729

8.2 Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 8 Financial risk management (cont.)

8.2.1 Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

■ Credit risk exposures

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, where ever possible.

■ Impairment losses

The ageing of the Group's trade and other receivables at reporting date was as follows:

	Gross 2019 \$	Impaired 2019 \$	Net 2019 \$	Past due but not impaired 2019 \$
Trade receivables				
Not past due	1,444,093	-	1,444,093	-
Past due up to 30 days	285,142	-	285,142	285,142
Past due 31 days to 60 months	76,504	-	76,504	76,504
Past due 61 days to 90 months	-	-	-	-
Past due over 90 months	818,042	-	818,042	818,042
	2,623,781	-	2,623,781	1,179,688
Other receivables				
Not past due	594,324	-	594,324	-
Total	3,218,105	-	3,218,105	1,179,688

8.2.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 8 Financial risk management (cont.)

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

■ Contractual Maturities

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables	3,142,533	1,973,888	-	-	3,142,533	1,973,888
Borrowings	337,341	349,232	436,236	530,407	773,577	879,639
Leases	39,702	-	108,437	-	148,139	-
Total contractual outflows	3,519,576	2,323,120	544,673	530,407	4,064,249	2,853,527
Financial assets						
Cash and cash equivalents	101,400	357,705	-	-	101,400	357,705
Trade and other receivables	3,218,105	3,019,017	-	-	3,218,105	3,019,017
Loans, net of impairment	-	-	529,489	13,844	529,489	13,844
Total anticipated inflows	3,319,505	3,376,722	529,489	13,844	3,848,994	3,390,566
Net (outflow) / inflow on financial instruments	(200,071)	1,053,602	(15,184)	(516,563)	(215,255)	537,039

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

8.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and commodity price risk including foreign exchange forward contracts to hedge the exchange rate and commodity price risk arising on its production. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

The Group has also 10% free carried interest in Global Biolife Inc. (formerly Sed BioMed Inc.), a company incorporated in the State of Delaware, USA in which Mr Chan is a significant shareholder.

a. Interest rate risk

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 8 Financial risk management (cont.)

The Company and the Group's exposures to interest rate in financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

b. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

c. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

8.2.4 Sensitivity Analyses

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
a. Interest rates		
Year ended 31 December 2019		
±100 basis points change in interest rates	± (6,573)	± (6,573)
Year ended 31 December 2018		
±50 basis points change in interest rates	± (2,292)	± (2,292)

	Profit \$	Equity \$
b. Foreign exchange		
Year ended 31 December 2019		
±15% of Australian dollar strengthening/weakening against the Malaysian ringgit	± nil	± 612,963
Year ended 31 December 2018		
±10% of Australian dollar strengthening/weakening against the Malaysian ringgit	± nil	± 399,494

	Profit \$	Equity \$
c. Foreign exchange		
Year ended 31 December 2019		
±15% of Australian dollar strengthening/weakening against the United States dollar	± nil	± 257,937
Year ended 31 December 2018		
±10% of Australian dollar strengthening/weakening against the United States dollar	± nil	± 160,257

8.2.5 Net Fair Values

a. Fair value estimation

The fair values of financial assets and financial liabilities are presented in the table in Note 8.1 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 8 Financial risk management (cont.)

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Note 9 Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

The working capital position of the Group was as follows:

	Note	2019 \$	2018 \$
Cash and cash equivalents	5.1	101,400	357,705
Trade and other receivables	5.2	3,218,105	3,019,017
Inventories	6.1	675,782	442,621
Other current assets	5.3	1,010,820	978,795
Trade and other payables	5.4	(3,142,533)	(1,973,888)
Borrowings	5.5	(337,341)	(349,232)
Current tax liabilities	4.5	-	(523)
Leases	6.3.2	(39,702)	-
Current provisions	6.5	(17,687)	(9,710)
Working capital position		1,468,844	2,464,785

Notes to the consolidated financial statements for the year ended 31 December 2019

SECTION C. GROUP STRUCTURE

This section provides information which will help users understand how the group structure affects the financial position and performance of the group as a whole. In particular, there is information about:

- (a) changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation
- (b) transactions with non-controlling interests, and
- (c) interests in joint operations.

A list of significant subsidiaries is provided in note 10.1. This note also discloses details about the group's equity accounted investments.

Note 10 Interest in subsidiaries

10.1 Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Investments in subsidiaries are accounted for at cost. Each subsidiaries country of incorporation is also its principal place of business:

	Country of Incorporation	Class of Shares	Percentage Owned	
			2019	2018
■ Holista Biotech Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Total Health Concept Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Alterni (M) Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Medi Botanics Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Revonutrix Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Holista Ingredients India Private Ltd ⁽¹⁾	India	Ordinary	51.0	51.0
■ LiteFoods Inc. ⁽²⁾	USA	Ordinary	53.0	53.0
■ Holista Foods Inc. (74% owned by LiteFoods Inc.)	USA	Ordinary	39.2	39.2
■ HF Pre IPO Fund I LLC	USA	Ordinary	67.0	67.0

⁽¹⁾ Holista Ingredients India Private Ltd was incorporated by the Company and an independent third party in 2018. The company has been inactive from incorporation.

⁽²⁾ LiteFoods Inc is 53% owned by the Group with the remaining 47% being held by private shareholders including the Company's Director Mr. Chan Heng Fai

10.2 Summarised financial information of subsidiaries with material NCI

10.2.1 Summarised financial position

	LiteFoods Group (LiteFoods Inc. and Holista Foods Inc.)		HF Pre IPO Fund I LLC	
	2019	2018	2019	2018
	\$	\$	\$	\$
Current assets	43,333	26,641	56,336	50,601
Non-current assets	528,603	525,233	397,811	343,912
Current liabilities	(108,394)	(33,112)	(24,581)	(22,078)
Non-current liabilities	(2,744,363)	(2,166,691)	-	-
Net assets	(2,280,821)	(1,647,929)	429,566	372,435
Carrying amount of NCI	691,209	308,043	170,531	226,440

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 10 Interest in subsidiaries (cont.)

	LiteFoods Group (LiteFoods Inc. and Holista Foods Inc.)		HF Pre IPO Fund I LLC	
	2019 \$	2018 \$	2019 \$	2018 \$
10.2.2 Summarised financial performance				
Revenue	163,793	25,998	-	-
Loss for the year	(625,479)	(766,599)	-	(380,066)
Other comprehensive income	(147,281)	-	(26,901)	-
Total comprehensive income	(772,760)	(766,599)	(26,901)	(380,066)
<i>Total comprehensive income attributable to NCI</i>	<i>(244,179)</i>	<i>-</i>	<i>8,877</i>	<i>-</i>
<i>Distributions paid to NCI</i>	<i>-</i>	<i>-</i>		
10.2.3 Summarised cash flow information				
Net cash used in operating activities	(574,298)	(689,768)	-	-
Net cash used in investing activities	54,229	-	-	-
Net cash from financing activities	507,711	686,530	-	-
Net decrease in cash and cash equivalents	(12,358)	(3,238)	-	-

Note 11 Other Significant Accounting Policies related to Group Structure

11.1 Basis of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

11.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 11 Other Significant Accounting Policies related to Group Structure

11.1.2 *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 10 Interest In Subsidiaries of the financial statements.

11.1.3 *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

11.1.4 *Transactions eliminated on consolidation*

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2019

SECTION D. UNRECOGNISED ITEMS

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 12 Commitments

12.1 Operating lease commitments - Group as lessee

The Group has a 1-year lease for a warehouse in Malaysia. The future minimum rental payments under non-cancellable tenancy agreements are nil (2018: nil).

The Group has a 20-year lease entered into in June 2004 for a site in Collie, Western Australia. The rent for this site is \$8,620 increased by CPI per hectare per annum.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

Note: From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 6.3 and note 23.1 for further information.

	Consolidated		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
Within one year	-	8,620	-	8,620
After one year but not more than five years	-	34,480	-	34,480
After five years	-	8,620	-	8,620
Total	-	51,720	-	51,720

12.2 Finance lease and hire purchase commitments - Group as lessee

The Group has finance leases and hire purchase contracts for certain motor vehicles. The tenure for the hire purchases is 5-7 years. These leases have terms of renewal but no purchase options and escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

Note: From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 6.3 and note 23.1 for further information.

	Consolidated	
	2019	2018
	\$	\$
Within one year	-	23,898
After one year but not more than five years	-	45,364
Later than five years	-	-
Total minimum lease payments	-	69,262
Less amounts representing finance charges	-	(5,762)
Present value of minimum lease payments	-	63,500

12.3 Capital commitments

None.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 13 Events subsequent to reporting date

On the 7 February 2018, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. On 13 January 2020 Acuity Capital agreed to extend the expiry date of the CPA from 31 December 2019 to 31 January 2022. Furthermore, on 4 March 2020, the Company and Acuity Capital extended the CPA an additional \$5,000,000, taking the maximum value under the facility to \$10,000,000. As a result of the CPA, subsequent to year end, the Company issued the following shares:

Issue date	Value per Share \$	Shares No.	Total \$
13.01.2020	0.071	385,000	27,355
11.02.2020	0.123	6,500,000	800,000
19.02.2020	0.150	12,000,000	1,800,000
4.03.2020	0.160	10,625,000	1,700,000
		29,510,000	4,327,355

In addition to the above, the Company issued 5,500,000 collateral shares to Acuity Capital on 11.02.2020.

On 2 March 2020, the Company and GICC LCC exchanged a Letter of Confirmation that, subject to a final agreement being signed, granting Holista distribution rights for NatShield™ sanitiser (and later, the nasal sanitiser balm) globally.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Note 14 Contingent liabilities

The Company has reached an out of court settlement with ATM Metabolics in November 2019 and no longer will be selling under the trademark Emulin. The Company also fulfilled all the settlement requirements except for products recall for those sold and destroy it as this process takes time and involved regulatory clearances. ATM Metabolic has filed a claim for subsequent for non-performance in February 2020. The Company has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

Proimmune Company LLC filed for purported breached of supply contracts by the Company in February 2020. The Company has disclaimed liability and is defending the action. Based on legal advice sought, the Company stand a good chance to dismiss the claim. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

There are no other contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

Notes to the consolidated financial statements

for the year ended 31 December 2019

SECTION E. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 15 Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

■ Dr Rajen Manicka	Managing Director and Chief Executive Officer
■ Mr Daniel Joseph O'Connor	Non-executive Director
■ Mr Chan	Non-executive Director

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 24.

	2019 \$	2018 \$
Short-term employee benefits	390,266	367,645
Post-employment benefits	54,382	51,000
Share-based payments	-	-
Total	444,648	418,645

Note 16 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated		Parent	
	2019 \$	2018 \$	2019 \$	2018 \$
■ Legal fees paid to Sumita K & Associates for provision of legal advice. Mrs Sumita's husband is a director of the Company	12,604	11,938	-	-
■ Director fee paid to Mrs Sumita	12,604	11,938	-	-
■ Consultation fee paid to Samabudi Consulting Sdn Bhd which director have interest	58,272	47,750	-	-
■ Amounts owed to Directors as disclosed in note 5.4.3	89,109	21,000	-	-
■ Loans to Galen Biomedical Inc., an entity 75% owned by Rajen Manicka (refer also note 5.3.2, net of impairment)	529,489	525,588	-	-
■ Impairment (reversal) / expense related to loans to Galen Biomedical Inc.	(511,744)	380,066	-	-
■ Loan from subsidiary	-	-	1,845,518	1,067,617
■ Loan to subsidiary	-	-	2,680,794	2,172,321

Note 17 Auditor's remuneration

Remuneration of the auditor for:

	2019 \$	2018 \$
■ Auditing or reviewing the financial reports:		
■ Stanton's International (<i>Australia</i>)	55,200	69,850
■ Russell Bedford LC & Company (<i>Malaysia</i>)	32,640	31,170
■ Taxation and independent expert services provided by a related practice of the Auditor, Stanton's International (<i>Australia</i>)	11,518	15,015
	99,358	116,035

Notes to the consolidated financial statements for the year ended 31 December 2019

Note	18	Earnings per share (EPS)	Note	2019 \$	2018 \$
18.1		Reconciliation of earnings to profit or loss			
		Loss for the year		(904,034)	(2,203,360)
		Less: loss attributable to non-controlling equity interest		(214,183)	(591,213)
		Loss used in the calculation of basic and diluted EPS		(689,851)	(1,612,147)
				2019 No.	2018 No.
18.2		Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		234,039,087	206,708,950
		Weighted average number of dilutive equity instruments outstanding	18.5	N/A	N/A
18.3		Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		234,039,087	206,708,950
18.4		Earnings per share		2019 ¢	2018 ¢
		Basic EPS (cents per share)	18.5	(0.29)	(0.78)
		Diluted EPS (cents per share)	18.5	N/A	N/A

18.5 As at 31 December 2019 the Group has 30,000,000 unissued shares under options (2018: 34,954,205) and 9,000,000 performance shares on issue (2018: 9,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and partly-paid shares were anti-dilutive.

Note	19	Share-based payments	Note	2019 \$	2018 \$
19.1		Share-based payments:			
		■ Recognised as Share-based payment expense	19.2.1a,d,e,f	90,524	90,523
		■ Recognised in Consultancy and professional services	19.2.1b,c, e	-	-
		■ Recognised in Research and Development expenses	19.2.1c	-	-
		Gross share-based payments		90,524	90,523

19.2 Share-based payment arrangements in effect during the period

19.2.1 Share-based payments recognised in profit or loss

a. Director options - Daniel O'Connor

As approved by shareholders 18 May 2017 the Company issued 3,500,000 Options to provide a performance linked incentive component in the Directors' remuneration packages to assist the Company in rewarding his performance, and to align their interests with those of Shareholders on the terms as detailed below and in Note 19.4:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
3,500,000	23 March 2020	\$0.20	Immediately upon issue

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 19 Share-based payments (cont.)

b. Plant Consultant and Patent Holders Options

On 23 March 2017 the Company granted 6,500,000 Options to Patent Holders and Plant Consultant in the proportions as follows, and as detailed below and in Note 19.4:

■ Professor Jaya Henry	2,000,000
■ Mr Neville King	2,000,000
■ GRDG Sciences LLC	2,500,000

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
6,500,000	23 March 2020	\$0.20	Immediately upon issue

c. Patent Holder and Consultant Options

On 23 June 2017, in consideration for a pro-biotics patent and consultancy services, the Company granted 11,000,000 Options to Biolife Ingredients GmbH (**Biolife**) and Palm Best Limited (**Palm**) as detail below:

Number under Option	Date of Expiry	Exercise Price	Issued To	Vesting Terms
6,000,000	23 June 2020	\$0.20	50% Biolife / 50% Palm	Immediately upon issue
3,000,000	23 June 2020	\$0.25	50% Biolife	Immediately upon issue
2,000,000	23 June 2020	\$0.30	50% Biolife	Immediately upon issue

d. Co-Inventor and Patent Provider Options

On 26 July 2017 the Company granted 2,000,000 Options to Professor Jaya Henry, co-inventor of the Low GI and Low Sodium Patents, as detailed below and in Note 19.4:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
2,000,000	23 March 2020	\$0.20	Immediately upon issue

e. Incentive Options

On 16 October 2017 the Company granted 7,000,000 Options to incentivise joint venture partners and consultants to the Company in the proportions as follows, and as detailed below and in Note 19.4:

■ Ms Nadja Piatka	2,000,000
■ Nadja Foods LLC	3,000,000
■ Palm Best Limited	2,000,000

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
7,000,000	16 October 2020	\$0.20	Immediately upon issue

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 19 Share-based payments (cont.)

f. Director Performance Rights

As approved by shareholders 9 January 2017 the Company issued 9,000,000 performance rights to Dr Rajen Manicka to provide a performance linked incentive component in the Directors' remuneration packages to assist the Company in rewarding his performance, and to align their interests with those of Shareholders on the terms as detailed below and as detailed below and in Note 19.5:

Class of Performance Right	Performance Condition	Performance rights No.	Milestone Date	Expiry Date	Performance Condition Satisfied
A	Upon the Company signing a binding agreement for the sale, distribution, licensing and/or manufacturing of at least 3 Low GI Products.	3,600,000	30 June 2020	5 years from the date of issue	Yes
B	Upon the Company securing the patents associated with its Low GI Products.	2,700,000	30 June 2020	5 years from the date of issue	Yes
C	The Company achieving an EBIT of at least \$2.2m from the sale of Low GI Products.	1,800,000	30 June 2021	5 years from the date of issue	No, probability employed in estimated 100%
D	The Company achieving an EBIT of at least \$4m from the sale of Low GI Products.	900,000	30 June 2021	5 years from the date of issue	No, probability employed in estimated 100%

19.3 Movement in share-based payment arrangements during the period

A summary of the movements of all Company options issued as share-based payments is as follows:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	34,954,205	\$0.2127	46,362,616	\$0.2033
Granted	-	-	-	-
Exercised	-	-	(3,500,000)	\$0.0600
Expired	(4,954,205)	\$0.2596	(7,908,411)	\$0.2250
Outstanding at year-end	30,000,000	\$0.2050	34,954,205	\$0.2127
Exercisable at year-end	30,000,000	\$0.2050	34,954,205	\$0.2127

- No options were exercised during the year (2018: 3,500,000 at \$0.06 cents per option).
- The weighted average remaining contractual life of options outstanding at year end was 0.48 years (2018: 1.32 years). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.2050 (2018: \$0.2127).
- The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

19.4 Fair value of options granted during the year

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

No options were granted during the year.

19.5 Fair value of performance rights granted during the year

The fair value of the performance rights was based upon the probability of conditions being met; this represents an estimate by management. The probability of tranches C and D is 100% and the recognised over the vesting period. Tranches A and B have been met, and recognised historically.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 19 Share-based payments (cont.)

19.5.1 Accounting policy

The grant-date fair value of equity-settled share-based payment arrangements granted to holders of equity-based instruments (including employees) are generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. In determining the fair value of share-based payments granted, a key estimate and judgement is the volatility input assumed within the pricing model.

The Company uses historical volatility of the Company to determine an appropriate level of volatility expected, commensurate with the expected instrument's life

19.5.2 Key estimate

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed above.

Note 20 Operating segments

20.1 Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors (**the Board**) on a monthly basis and in determining the allocation of resources. Management has identified the operating segments based on the principal activities – Supplements; Sheep Collagen; Food Ingredients; and Corporate.

20.2 Basis of accounting for purposes of reporting by operating segments

20.2.1 Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

20.2.2 Inter-segment transactions

All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

20.2.3 Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

20.2.4 Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 20 Operating segments (cont.)

20.2.5 Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Depreciation and amortisation
- Gains or losses on sales of financial and non-financial assets
- Investment income
- Corporate transaction accounting expense

20.3 Types of products and services by segment

20.3.1 Supplements

This operating segment is involved in the manufacture and wholesale distribution of dietary supplements.

20.3.2 Sheep collagen

This operating segment is involved in the manufacture and distribution of cosmetic grade collagen.

20.3.3 Food ingredients

This operating segment is involved in the manufacture and wholesale distribution of healthy food ingredients.

20.4 Segment Financial Performance

	Supplements \$	Sheep Collagen \$	Food Ingredients \$	Corporate \$	Total \$
Year ended 31 December 2019					
Revenue					
■ External sales	6,633,235	460,750	163,793	-	7,257,778
■ Other income	-	-	-	147,131	147,131
Total segment revenue	6,633,235	460,750	163,793	147,131	7,404,909
<i>Reconciliation of segment revenue to group revenue:</i>					
Total group revenue and other income					7,404,909
Segment profit/(loss) from continuing operations before tax	411,229	(343,406)	(413,283)	(432,239)	(777,699)
Loss before income tax					(777,699)
Year ended 31 December 2018					
Revenue					
■ External sales	7,699,489	215,068	25,998	-	7,940,555
■ Other income	-	-	-	136,387	136,387
Total segment revenue	7,699,489	215,068	25,998	136,387	8,076,942
<i>Reconciliation of segment revenue to group revenue:</i>					
Total group revenue and other income					8,076,942
Segment profit/(loss) from continuing operations before tax	1,213,228	(404,341)	(617,809)	(2,269,356)	(2,078,278)
Loss before income tax					(2,078,278)

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 20 Operating segments (cont.)

20.5 Segment Financial Position

	Supplements \$	Sheep Collagen \$	Food Ingredients \$	Corporate \$	Total \$
At as 31 December 2019					
Segment Assets	5,537,369	6,251,379	1,157,761	-	12,946,509
<i>Reconciliation of segment assets to group assets:</i>					
■ Intra-segment eliminations					(5,019,971)
Total assets					7,926,538
Segment Liabilities	1,450,949	2,450,226	2,877,338	-	6,778,513
<i>Reconciliation of segment liabilities to group liabilities</i>					
■ Intra-segment eliminations					(2,421,577)
Total liabilities					4,356,936
As at 31 December 2018					
Segment Assets	5,361,905	5,915,794	621,638	-	11,899,337
<i>Reconciliation of segment assets to group assets:</i>					
■ Intra-segment eliminations					(4,471,905)
Total assets					7,427,432
Segment Liabilities	1,366,962	1,174,106	2,224,204	-	4,765,272
<i>Reconciliation of segment liabilities to group liabilities</i>					
■ Intra-segment eliminations					(1,901,512)
Total liabilities					2,863,760

20.6 Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

- Australia
- Malaysia
- United States

Total revenue

	2019 \$	2018 \$
	460,750	215,068
	6,633,235	7,699,489
	163,793	25,998
20.4	7,257,778	7,940,555

20.7 Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

- Australia
- Malaysia
- United States

Total assets

	6,251,379	5,915,794
	5,537,369	5,361,905
	1,157,761	621,638
20.5	12,946,509	11,899,337

20.8 Major customers

The Group has a number of customers to whom it provides both products and services. Within the Food Ingredients and Supplement segment, the Group supplies to a number of retailers through one single external distributor who account for 77.1% (2018: 58.3%) of total revenue for this segment. The Group supplies to a few external customers for the Sheep Collagen segment, where the major customer accounts for 97.0% (2018: 93.0%) of revenue for this segment.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 21 Parent entity disclosures

Holista CollTech Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Holista CollTech Limited did not enter into any trading transactions with any related party during the year.

21.1 Financial Position of Holista CollTech Limited

	2019 \$	2018 \$
Current assets	3,270,301	43,688
Non-current assets	2,626,141	5,517,170
Total assets	5,896,442	5,560,858
Current liabilities	2,088,406	1,174,107
Non-current liabilities	361,821	-
Total liabilities	2,450,227	1,174,107
Net assets	3,446,215	4,386,751
<i>Equity</i>		
Issued capital	13,057,442	13,057,442
Share-based payment reserve	2,642,722	4,899,791
Accumulated losses	(12,253,949)	(13,570,482)
Total equity	3,446,215	4,386,751

21.2 Financial performance of Holista CollTech Limited

	2019 \$	2018 \$
Loss for the year	(806,407)	(1,596,108)
Other comprehensive income	-	-
Total comprehensive income	(806,407)	(1,596,108)

21.3 Guarantees

There are no guarantees entered into by Holista CollTech Limited for the debts of its subsidiaries as at 2019 (2018: none).

21.4 Contractual commitments

The parent company has no capital commitments at 2019 (2018: \$nil). The parent company other commitments are disclosed in Note 12 Commitments.

21.5 Contingent liabilities

As disclosed in note 14, the Company has reached an out of court settlement with ATM Metabolics in November 2019 and no longer will be selling under the trademark Emulin. The Company also fulfilled all the settlement requirements except for products recall for those sold and destroy it as this process takes time and involved regulatory clearances. ATM Metabolic has filed a claim for subsequent for non-performance in February 2020. The Company has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

Proimmune Company LLC filed for purported breached of supply contracts by the Company in February 2020. The Company has disclaimed liability and is defending the action. Based on legal advice sought, the Company stand a good chance to dismiss the claim. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

There are no other contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

There are no guarantees entered into by Holista CollTech Limited for the debts of its subsidiaries as at 2019 (2018: none).

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 22 Statement of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

22.1 Basis of preparation

22.1.1 Reporting Entity

Holista Colltech Limited (**Holista** or the **Company**) is a listed public company limited by shares, domiciled and incorporated in Australia. These are the consolidated financial statements and notes of Holista and controlled entities (collectively the Group). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in the Dietary Supplements, Healthy Food Ingredients, and Sheep (Ovine) Collagen industries. The separate financial statements of Holista, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

22.1.2 Basis of accounting

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

The financial statements were authorised for issue on 31 March 2020 by the directors of the Company.

22.1.3 Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss after tax for the year of \$904,034 (2018: \$2,203,360 loss) and a net cash out-flow from operating activities of \$160,975 (2018: \$2,200,266 out-flow). As at 31 December 2019, the Company working capital of \$1,468,844 (2018: \$2,464,785 working capital), as disclosed in Note 9 of the Issued capital note.

This financial report is prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group's ability to generate positive cash flows through its existing business and/or raising of further equity.

After the renovation, the operating capacity of the Group's collagen plant in Collie, Perth has increased. This has contributed to a 114% increase in revenue for this segment to \$460,750 in FY2019 from \$215,068 in FY2018.

The Group's cosmetic-grade collagen is getting strong traction, and by increasing the specifications, it is expected to deliver higher value-added products. The Group's ISO certified medical grade collagen has also received strong interest and the Group expect to secure sales contracts in the year 2020. The Group's research and development on the world's first and only Nano ovine collagen has been successful and the Group is expected to register its patented Nano collagen by 1st Half of 2020.

The Group's Healthy Food Ingredients expect to see significant revenue in the US, Australia and Asia in the year 2020 especially from the low-GI white bread, flat breads and biscuits. The Group's US indirect subsidiary, Holista Foods Inc, that distribute the low-GI products in North America and has met with success with the low GI pasta where it has won the Gold awards in Low Glycaemic Pasta" category for two kinds of pastas namely, spaghetti and linguine in November 2019. With these awards, the pasta business segment is expected to generate significant revenue in next financial year.

The Group also launched 80Less - a low calorie sugar replacement that would a useful tool for companies trying the meet lower sugar requirement to avoid the sugar tax. "80% less sugar" is also a very powerful label claim in an increasingly "sugar hating world". The Group is currently in negotiation to secure supply contract with a renowned beverage manufacturer, listed in the stock exchange in Malaysia. The Group is expecting positive results which will be known by the first quarter of 2020.

The Group's sales of dietary supplement ingredients to companies in the Multi-Level Marketing space declined by 14% last year but are expected to grow in FY2020 as the Group ramps up activities in this space. These supplement ingredients are for carbohydrate management, immunity boosting and stem cell boosting segments.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 22 Statement of significant accounting policies

Subsequent to the end of FY2019, the Group's introduced NatShield™ an all-natural hand-held sanitiser that the Group distributes under its personal care space. This sanitiser which is proven to kill H1N1 virus, has experienced a spike in demand following the outbreak of the COVID-19 virus pandemic. The Covid-19 virus is said to have similar family strain to H1N1 virus. Although it is yet to be tested, the Group is confident of this product to generate significant revenue in the year 2020. In order to penetrate to the international market, the Group is in negotiation and is expect to secure a global distribution rights for this product by first quarter of 2020.

Despite global recession looming in the year 2020, the Group is confident that the revenue from different business segments will continue to grow and contribute positively to its cashflows and profitability in the year 2020. The Group is optimistic about its ability to meets all its liabilities

22.1.4 Comparative figures

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

22.1.5 New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- AASB 16 *Leases*
- AASB 2017-6 *Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

The Group also elected to adopt the following amendments early:

- AASB 2018-1 AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*

The Group had to change its accounting policies as a result of adopting AASB 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 23.1. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

22.2 Value added taxes

Value-added tax (VAT) is the generic term for the broad-based consumption taxes that the Group is exposed to such as: Australia (**Goods and Services Tax** or **GST**) and in Malaysia (**Goods and Sales Tax** or **GST**), hereafter collectively referred to as GST.

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (or jurisdictional equivalent) is included as a current asset or liability in the balance sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

22.3 Foreign currency transactions and balances

22.3.1 Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the legal parent entity's functional and presentation currency.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 22 Statement of significant accounting policies

22.3.2 *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

22.3.3 *Group companies and foreign operations*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

22.4 *Use of estimates and judgments*

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 22.4.1.

22.4.1 *Critical Accounting Estimates and Judgments*

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. **Key estimate - Taxation**

Refer Note 4 Income Tax.

b. **Key judgement-determining the lease term**

Refer Note 6.3 Leases.

a. **Key estimate - Impairment of goodwill**

Refer Note 6.4 Intangible assets.

22.5 *Fair Value*

22.5.1 *Fair Value of Assets and Liabilities*

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 22 Statement of significant accounting policies

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

22.5.2 Fair value hierarchy

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

22.5.3 Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 22 Statement of significant accounting policies

22.6 New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 23 Effects of Changes in Accounting Policy

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 23.2 following. The Group has adopted AASB 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

23.1 Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as *operating leases* under AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.50%.

	2019 \$
<i>Operating lease commitments disclosed as at 31 December 2018</i>	<i>51,720</i>
Discounted using the lessee's incremental borrowing rate of at the date of initial application	63,025
Add: finance lease liabilities recognised as at 31 December 2018	61,318
(Less): short-term leases recognised on a straight-line basis as expense	-
(Less): low-value leases recognised on a straight-line basis as expense	-
(Less): contracts reassessed as service agreements	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	23,796
Lease liability recognised as at 31 December	148,139
Of which are:	
■ Current lease liabilities	39,702
■ Non-current lease liabilities	108,437
	148,139

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 23 Effects of Changes in Accounting Policy (cont.)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 \$	1 January 2019 \$
Properties	122,902	168,183
Motor vehicles	36,080	24,186
Total right-of-use assets	158,982	192,369

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets - increase by \$192,369
- property, plant, and equipment - decrease by \$24,186
- borrowings - decrease by \$63,502
- provisions - increase by \$275,000
- lease liabilities - increase by \$181,318

The net impact on retained earnings on 1 January 2019 was a decrease of \$224,633.

23.1.1 Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

23.2 The group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, factory equipment, and cars. Rental contracts are typically made for fixed periods and range from 3 to 20 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

Notes to the consolidated financial statements

for the year ended 31 December 2019

Note 23 Effects of Changes in Accounting Policy (cont.)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

23.2.1 Key estimates - Extension and termination options

An extension options is included in a property lease of Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension option held is exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognised lease liabilities and right-of-use assets of \$47,210.

Notes to the consolidated financial statements for the year ended 31 December 2019

Note 24 Adjustments made subsequent to the lodgement of the ASX Appendix 4E

Subsequent to the lodgement of the ASX Appendix 4E:

- a. In the statement of comprehensive income, the Group made the following adjustments to expenses:
 - i. Increase in – *Depreciation*: \$13,744;
 - ii. Increase in – *Impairment expenses (decrease in impairment recovered)*: \$104,350;These adjustments had the effect of increasing the loss to \$904,034.
- b. In the statement of position, the Group adjusted the following balances:
 - i. Increase in *Right of Use Assets*: \$61,362;
 - ii. Decrease in *Intangible Assets*: \$104,350;
 - iii. Increase in *Provisions*: \$275,000;These adjustments had the effect of reducing net assets to \$3,569,602.
- c. In the statement of changes in equity, the Group adjusted the following balances:
 - i. Decrease in *Reserves*: \$193,462;
 - ii. Increase in *Accumulated Losses*: \$272,390;
 - iii. Decrease in *Non-controlling interest*: \$147,864;These adjustments had the effect of reducing total equity to \$3,569,602.

Note 25 Company details

The registered office of the Company is:

Address:

Street: 283 Rokeby Road
SUBIACO WA 6008
Telephone: +61 (0)8 6141 3500
Facsimile: +61 (0)8 6141 3599

Postal: PO Box 52
WEST PERTH WA 6872

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 31 to 87, are in accordance with the *Corporations Act 2001* (Cth) and:
 - (a) comply with Accounting Standards;
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 22.1.2 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 31 December and of the performance for the year ended on that date of the Group.
 - (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



DR RAJEN MANICKA

Managing Director

Dated this Tuesday, 31 March 2020

INDEPENDENT AUDITOR'S REPORT

Stantons International Audit and Consulting Pty Ltd
trading as

Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

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West Perth WA 6005
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOLISTA COLLTECH LIMITED

Report on the Audit of the Financial Report

Our Opinion

We have audited the financial report of Holista Colltech Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without modifying our opinion expressed above, attention is drawn to the following matter:

As referred to Note 22.1.3 to the financial statements, the consolidated financial statements have been prepared on a going concern basis. The Group incurred a loss of \$904,034 and cash outflow from operating activities of \$160,975 for the financial year ended 31 December 2019, respectively. As at 31 December 2019, the Group had cash and cash equivalents totalling \$101,400 and working capital of \$1,468,844.

We also draw attention to the recent market uncertainty arising from the spread of the COVID-19 virus and its effects on the business environments in Australia, Malaysia and the United States. Management are reviewing what impact, if any, this will have on their business.

Independent Auditor's Report

Stantons International

The ability of the Group to continue as going concern is subject to the future profitability of the Group and/or successful recapitalisation of the Company. In the event that the Group is not successful in commencing profitable operations and/or raising further capital, the Group may not be able to meet their liabilities as and when they fall due and the realisable value of the Group's assets may be significantly less than book values.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
<p>Carrying value of goodwill</p> <p>As disclosed in Note 6.4 to the financial statements, the Group recognised goodwill of \$572,378 as at 31 December 2019.</p> <p>The Group is required to annually test the intangible balance for impairment. This annual test is significant to our audit because the balance of \$572,378 (being 7.2% of the total assets of the Group) as at 31 December 2019 is material to the financial statements.</p> <p>At the same time, management's assessment process for goodwill is highly judgmental and is based on assumptions, specifically with respect to the sales forecasts for the next 5 years.</p>	<p>Inter alia, our audit procedures included the following:</p> <ul style="list-style-type: none"> i. Obtained and reviewed the value-in-use calculation of the cash-generating unit (CGU) and assessed that the recoverable amount of the CGU is higher than the carrying amount of the goodwill recorded as at 31 December 2019; ii. Assessed for reasonableness the assumptions and estimates used by the Group to determine the recoverable amount of goodwill; iii. Assessed the adequacy of related disclosures within the financial report.
<p>Adoption of AASB 16 Leases effective from 1 January 2019</p> <p>The Group adopted AASB 16 Leases ("AASB 16") effective 1 January 2019 using the modified retrospective approach. AASB 16 introduces a new lease accounting model, where lessees are required to recognise a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet.</p> <p>The cumulative effect of adopting AASB 16, recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, amounted to \$224,652. As at 31 December 2019, the Group recognised a ROU asset of \$158,982 and total lease liabilities of \$148,139 (refer to Note 6.3 to the financial statements).</p> <p>The assessment of the impact of the new standard is significant to our audit, as the balances recorded are material. The update of the accounting policy requires policy elections and the implementation process to identify and process all relevant data associated with the leases. The measurement of the ROU asset and lease liability is based on assumptions such as a discount rate and the lease terms, including termination and renewal options. Hence, this is considered a key audit matter.</p>	<p>Inter alia, our audit procedures included the following:</p> <ul style="list-style-type: none"> i. Obtained an understanding and evaluated the Group's implementation process, including the assessment of the updated accounting policy and policy elections in accordance with AASB 16; ii. Evaluated management assumptions, specifically the assumptions used to determine the discount rates, lease terms and measurement principles; iii. Tested the factual inputs and calculation of the ROU asset and lease liability recorded by management for each material lease contract; iv. Assessed the retrospective application and adequacy of the Group's disclosures of the impact of the new standard in the consolidated financial statements.

Independent Auditor's Report

Stantons International

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit

Independent Auditor's Report

Stantons International

matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 29 of the directors' report for the year ended 31 December 2019. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion the Remuneration Report of Holista CollTech Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
31 March 2020

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The Company's governance-related documents can be found on its website at www.holistaco.com/the-investors.

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION (YES/NO)
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which: (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	YES	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is stated in Schedule 1 of the Corporate Governance Plan which is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	YES	(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. (b) Material information relevant to any decision on whether or not to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Corporate governance statement

PRINCIPLES AND RECOMMENDATIONS	COMPLY EXPLANATION (YES/NO)
Recommendation 1.5 A listed entity should: <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board: <ul style="list-style-type: none"> (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period: <ul style="list-style-type: none"> (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: <ul style="list-style-type: none"> (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012. 	NO (not followed in full) <ul style="list-style-type: none"> (a) The Company has adopted a Diversity Policy. <ul style="list-style-type: none"> (i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives. (b) The Diversity Policy is stated in Schedule 9 of the Corporate Governance Plan which is available on the company website. (c) <ul style="list-style-type: none"> (i) how the company can comply. <p>The Company is committed to workplace diversity and recognises the benefits arising from employee and board diversity, including a broader pool of high-quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.</p> <p>The Board is responsible for developing objectives and strategies, if any, to meet the objectives of the Diversity Policy and will report at least annually on the progress against and achievement of these objectives. The Board may also set measurable objectives for achieving gender diversity. The Board is responsible for implementing, monitoring and reporting on any measurable objectives it has set.</p> <p>Given the size of the Company, no measurable objectives or strategies have been set by the Board at this stage.</p> <p>However, it is Company practice to recruit from a diverse pool of candidates for all positions, including senior management and the Board.</p> <p>As at the date of this report, the Company has the following proportion of women appointed:</p> <ul style="list-style-type: none"> ■ to the Board - 0% ■ to senior management - 33% ■ to the organisation as a whole - 60%
Recommendation 1.6 A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	YES <ul style="list-style-type: none"> (a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan. (b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. An annual review is required in accordance with the Corporate Governance Charter; however, it has not yet been completed. The review will be carried out by members of the board. The review will be a survey completed by each board member on each other board members performance during the year. A board report will then be compiled and tabled for the board to discuss. In respect to the MD a similar survey will be compiled by members of the senior management.
Recommendation 1.7 A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	YES <ul style="list-style-type: none"> (a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives. (b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 'Performance Evaluation' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Report.

Corporate governance statement

PRINCIPLES AND RECOMMENDATIONS	COMPLY EXPLANATION (YES/NO)																																		
Principle 2: Structure the board to add value																																			
Recommendation 2.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively. 	NO (a) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Nomination Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee. The duties of the Nomination Committee are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website. The Board devotes time at each board meeting to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.																																		
Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	YES <table border="1"> <thead> <tr> <th>Board Skills Matrix</th><th>Number of Directors that Meet the Skill</th></tr> </thead> <tbody> <tr><td>Executive & Non- Executive experience</td><td>4</td></tr> <tr><td>Industry experience & knowledge</td><td>4</td></tr> <tr><td>Leadership</td><td>4</td></tr> <tr><td>Corporate governance & risk management</td><td>4</td></tr> <tr><td>Strategic thinking</td><td>4</td></tr> <tr><td>Desired behavioural competencies</td><td>4</td></tr> <tr><td>Geographic experience</td><td>4</td></tr> <tr><td>Capital Markets experience</td><td>4</td></tr> <tr><td><i>Subject matter expertise:</i></td><td></td></tr> <tr><td>- accounting</td><td>4</td></tr> <tr><td>- capital management</td><td>4</td></tr> <tr><td>- corporate financing</td><td>4</td></tr> <tr><td>- industry taxation ¹</td><td>0</td></tr> <tr><td>- risk management</td><td>4</td></tr> <tr><td>- legal ²</td><td>0</td></tr> <tr><td>- IT expertise ³</td><td>0</td></tr> </tbody> </table> <ul style="list-style-type: none"> (1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements. (2) Skill gap noticed however an external legal firm is employed on an ad hoc basis to maintain legal requirements. (3) Skill gap noticed however an external IT firm is employed on an ad hoc basis to maintain IT requirements. 	Board Skills Matrix	Number of Directors that Meet the Skill	Executive & Non- Executive experience	4	Industry experience & knowledge	4	Leadership	4	Corporate governance & risk management	4	Strategic thinking	4	Desired behavioural competencies	4	Geographic experience	4	Capital Markets experience	4	<i>Subject matter expertise:</i>		- accounting	4	- capital management	4	- corporate financing	4	- industry taxation ¹	0	- risk management	4	- legal ²	0	- IT expertise ³	0
Board Skills Matrix	Number of Directors that Meet the Skill																																		
Executive & Non- Executive experience	4																																		
Industry experience & knowledge	4																																		
Leadership	4																																		
Corporate governance & risk management	4																																		
Strategic thinking	4																																		
Desired behavioural competencies	4																																		
Geographic experience	4																																		
Capital Markets experience	4																																		
<i>Subject matter expertise:</i>																																			
- accounting	4																																		
- capital management	4																																		
- corporate financing	4																																		
- industry taxation ¹	0																																		
- risk management	4																																		
- legal ²	0																																		
- IT expertise ³	0																																		

Corporate governance statement

PRINCIPLES AND RECOMMENDATIONS	COMPLY EXPLANATION (YES/NO)
Recommendation 2.3 A listed entity should disclose: <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director 	YES <ul style="list-style-type: none"> (a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and Company website. (b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website. (c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	NO <p>The Board Charter requires that where practical the majority of the Board will be independent.</p> <p>Only one director is deemed an independent director being Mr Chan Heng Fai.</p>
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	YES <p>The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.</p>
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES <p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p>
Principle 3: Act ethically and responsibly	
Recommendation 3.1 A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	YES <ul style="list-style-type: none"> (a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website.
Principle 4: Safeguard integrity in financial reporting	
Recommendation 4.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	NO <ul style="list-style-type: none"> (a) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>

Corporate governance statement

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION (YES/NO)
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	YES	(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure – Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website. Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.

Corporate governance statement

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION (YES/NO)
Principle 7: Recognise and manage risk		
Recommendation 7.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework. 	NO	<p>Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.</p>
Recommendation 7.2 The board or a committee of the board should: <ul style="list-style-type: none"> (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place. 	NO (not followed in full)	<ul style="list-style-type: none"> (a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure - Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. (b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report. <p>The Board will complete a risk review in conjunction with the regulatory disclosures. The Board has responsibility for the monitoring of risk management, and intends working alongside the external auditors in the identification of risks and risk mitigation. The Board believes that the Group is currently effectively managing its significant and material risks and discusses this regularly in board meetings. The company will review further to assess the implementation of a more formal system of identifying, assessing, monitoring and managing risk in the Company.</p> <p>The Company will continually review risk as its operations grow and evolve.</p>
Recommendation 7.3 A listed entity should disclose: <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	YES	<p>Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. The Board Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p>
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	<p>Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p>

Corporate governance statement

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION (YES/NO)
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have a remuneration committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	NO	<p>Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors</p>
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it. 	YES	<ul style="list-style-type: none"> (a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity-based plans. (b) A copy of the Company's Corporate Governance Plan is available on the Company's website.

Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital as at 16 March 2020.

a. Ordinary share capital

269,049,087 ordinary fully paid shares held by 2,041 shareholders.

b. Unlisted Options over Unissued Shares

Number of Options	Exercise Price \$	Expiry Date	
6,500,000	0.20	23 Mar 2020	<i>Subsequently expired</i>
3,500,000	0.20	23 Mar 2020	<i>Subsequently expired</i>
6,000,000	0.20	23 Jun 2020	
3,000,000	0.25	23 Jun 2020	
2,000,000	0.30	23 Jun 2020	
2,000,000	0.10	1 Aug 2020	
7,000,000	0.20	16 Oct 2020	
30,000,000			

c. Performance Rights over Unissued Shares

Class of Performance Right	Performance Condition	Performance rights No.	Milestone Date	Expiry Date
A	Upon the Company signing a binding agreement for the sale, distribution, licensing and/or manufacturing of at least 3 Low GI Products.	3,600,000	30 June 2020	5 years from the date of issue
B	Upon the Company securing the patents associated with its Low GI Products.	2,700,000	30 June 2020	5 years from the date of issue
C	The Company achieving an EBIT of at least \$2.2m from the sale of Low GI Products.	1,800,000	30 June 2021	5 years from the date of issue
D	The Company achieving an EBIT of at least \$4m from the sale of Low GI Products.	900,000	30 June 2021	5 years from the date of issue
		9,000,000		

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options:** Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.
- **Performance Rights:** A Performance Right does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company. A Performance Right does not entitle a Holder to any dividends. A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up of the Company. A Performance Right is not transferable.

e. Substantial Shareholders as at 16 March 2020.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Dr. Rajen Manicka	79,435,272	29.52
Global eHealth Limited	46,226,673	17.18

Additional Information for Listed Public Companies

f. Distribution of Shareholders as at 16 March 2020.

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 - 1,000	232	73,306	0.03
1,001 - 5,000	427	1,383,536	0.51
5,001 - 10,000	358	2,762,028	1.03
10,001 - 100,000	819	30,155,471	11.21
100,001 - and over	205	234,674,746	87.22
	2,041	269,049,087	100.00

g. Unmarketable Parcels as at 16 March 2020

At the date of this report there were 519 shareholders who held less than a marketable parcel of shares holding 6,667 shares.

h. On-Market Buy-Back

There is no current on-market buy-back.

i. Restricted Securities

The Company has no restricted securities

j. 20 Largest Shareholders - Ordinary Shares as at 16 March 2020

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Dr. Rajen Manicka	79,435,272	29.52
2.	Global eHealth Limited	46,226,673	17.18
3.	Acuity Capital Investment Management Pty Ltd <Acuity Capital Holdings A/C>	10,120,669	3.76
4.	Ms Sarinderjit Kaur	9,675,785	3.60
5.	HSBC Custody Nominees (Australia) Limited	8,777,458	3.26
6.	Fairview Holdings Pty Ltd <The Manjule Super A/C>	6,014,285	2.24
7.	Mr Himmat Singh	3,500,000	1.30
8.	Chandra Sekaran P Perumal	3,333,333	1.24
9.	Dr Fathil Mohamed	2,683,158	1.00
10.	Comsec Nominees Pty Limited	2,389,978	0.89
11.	North Laura Nominees Pty Ltd <The A S Condon Family A/C>	2,319,885	0.86
12.	Mr Ravindran Govindan	2,061,119	0.77
13.	Mr Kok Wah Ong	1,696,220	0.63
14.	Bubobi Pty Ltd <Woodward A/C>	1,513,000	0.56
15.	Mr Kok Seng Chen	1,482,459	0.55
16.	Citicorp Nominees Pty Limited	1,366,019	0.51
17.	Mrs Jalpaben Nileshkumar Shah + Mr Nileshkumar Dineshchandra Shah	1,070,624	0.40
18.	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,041,481	0.39
19.	Pinewood Asset Pty Ltd <The Fraser Family A/C>	1,028,572	0.38
20.	Catl Pty Ltd <The Minto A/C>	1,000,000	0.37
	TOTAL	186,735,990	69.41

2 The Company Secretary is Stuart Usher.

3 Principal registered office

As disclosed in Note 25 Company details on page 87 of this Annual Report.

Additional Information for Listed Public Companies

4 **Registers of securities**

As disclosed in the Corporate directory on page iii of this Annual Report.

5 **Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page iii of this Annual Report.

6 **Use of funds**

The Company has used its funds in accordance with its initial business objectives.

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