



**HOLISTA
COLLTECH**

ANNUAL REPORT

31 DECEMBER 2023

ABN 24094515992

Holista Colltech Limited
Corporate directory
31 December 2023

Directors	Mr David Deloub Mrs Loren King Mr Lai Kwok Kin	Non-Executive Chairman Non-Executive Director Non-Executive Director (appointed 19 March 2024)
Company Secretary	Mr Jay Stephenson	
Registered office and Principal place of business	Australia: 283 Rokeby Road Subiaco, WA 6008 Malaysia: Unit 1201, 12th Floor, Amcorp Trade Centre, PJ Tower No. 18, Persiaran Barat 46000 Petaling Jaya, Malaysia Telephone: +603 7965 2828 Facsimile: +603 7965 2777 Email: enquiries@holistaco.com Website: www.holistaco.com	
Share register	Computershare Investor Services Pty Limited Level 17, 221 St Georges Terrace Perth WA 6000 Telephone: 1300 850 505 (investors within Australia) Telephone: +61 (0)3 9415 4000	
Auditor	Stantons Level 2, 40 Kings Park Road West Perth WA 6005, Australia Telephone: +61(0)8 9481 3188 Facsimile: +61(0)8 9321 1204	
Solicitors	Edwards Mac Scovell Level 1/8 St Georges Terrace Perth WA 6005, Australia Telephone: +61(0)8 6245 0222	
Stock exchange listing	Holista Colltech Limited shares are listed on the Australian Securities Exchange (ASX code: HCT)	
Corporate Governance	The Company's Corporate Governance Statement can be found on the company's website: https://www.holistaco.com/the-investors.html	
Media Enquiries	Australia and New Zealand: Vantage Point Partners Email: brendon@vantagepointpartners.com.au Telephone: +61 409 341 613 Global: WeR1 Consultants Pte Ltd 1 Raffles Pl Singapore 048616 Telephone: +65 67217161 Email: holista@wer1.net	

Holista Colltech Limited

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General information

The consolidated financial statements cover Holista Colltech Limited as a consolidated entity consisting of Holista Colltech Limited (**Company**) and the entities it controlled at the end of, or during, the year (**Group**). The consolidated financial statements are presented in Australian dollars. Holista Colltech Limited's functional and presentation currency is Australian Dollars.

Holista Colltech Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

283 Rokeby Road
Subiaco
WA 6008
Australia

Principal place of business

Unit 1201, 12th Floor,
Amcorp Trade Centre, PJ Tower
No 18, Persiaran Barat,
46000 Petaling Jaya, Malaysia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the consolidated financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 March 2023. The directors have the power to amend and reissue the consolidated financial statements.

About Us

Holista Colltech's core business is to conduct research to find natural solutions so that people can live healthier lives. The Group holds proprietary solutions to help food manufacturers produce healthier alternatives – without use of chemicals – that do not compromise tastes and mouth-feel. Building on its partnership network and expertise, Holista has also developed sanitising solutions for individual and corporate use to control pandemic infections.

Corporate Profile

Holista Colltech Ltd ("Holista") is a research-driven 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 multiple countries, including Malaysia and North America.

In the Food Ingredients space, Holista specialises in herbs and natural products that allow food manufacturers to produce healthier products. 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 mouthfeel. It has brought to markets thus far, low-Glycemic Index (GI) bread, noodles/pasta and flatbreads as well as a low-calorie/Low-GI sugar substitute.

Holista is the only company in the world that produces ovine collagen from disease-free Australian sheep using patented extraction methods.

Holista is a leader in Malaysia for the distribution of natural health supplements. It leverages on its R&D background and scientific expertise to build a world-class company focused on providing consumers with scientifically enhanced natural supplements and consumer products.

Further, the Group also has a range of all-natural, non-toxic and effective sanitisers for consumers and industrial applications within its product portfolio.

Letter from Chair

Dear Shareholders,

On behalf of the Board of Directors (the **Board**) of Holista Colltech Limited (**Holista**, the **Company**, or the **Group**), I present our Annual Report and audited statements for the financial year ended 31 December 2023 (**FY2023**).

Update on ASIC Legal Matter

This report is being presented to you following significant corporate and legal developments having occurred subsequent to the 2023 financial year end. On 19 March 2023 the Federal Court delivered judgement in relation to ASIC's civil proceedings against the Company. In brief, i) the Company been ordered to pay a pecuniary penalty of \$1.8 million; ii) the Company's former CEO and Managing Director, Dr Rajen Marnickavasagar has been disqualified from managing a corporation for four years; iii) the Company has been ordered to pay the plaintiff's legal costs in excess of \$200,000; and iv) the Company has been ordered to file written submissions regarding the payment of the pecuniary penalty in instalments.

Over the past three years the Board has continued to update shareholders on this legal matter. I draw your attention to the judgement to provide context for the performance of the year under review, as well as the forward actions the Company is taking to achieve corporate recovery and improve its financial position.

Review of Financial Performance

Our performance in FY2023 should be seen against the backdrop of our emergence from the nearly two years of movement restrictions in Malaysia due to the pandemic. At the same time the aforementioned legal case consumed significant management time and financial resources subsequently affecting management's ability to develop and launch new products and pursue new business opportunities.

While Group revenue declined 28% to \$5.9 million in FY2023 compared to FY2022, Holista demonstrated resilience by achieving a 70-basis point increase in gross margin to 49.1% and a 63% improvement in net operating cash outflow to \$410,000. These achievements were driven primarily by favourable changes in the sales mix and effective cost controls. They helped to mitigate some of the losses from slower sales across Holista's key divisions, as outlined below.

Holista reported a FY2023 net loss after tax of \$4.9 million (FY2022 net loss: \$1.5 million) due to a combination of unfavourable foreign exchange rates, increased research and development investments relating to new launches, higher impairment charges, as well as abnormally high professional fees associated with the legal case referred to above.

Impact of Court's Decision on ASIC Matter

As a consequence of Dr Rajen Manika's disqualification, Mr Lai Kwok Kin, a Singaporean who specialises in investor relations and crisis communications, was appointed as an Independent Director on 19 March 2024. Through deemed interest he is currently Holista's fourth largest shareholder. The current Board now comprises three Independent Directors who will all be due for re-election at the Annual General Meeting to be convened on 17 May 2024.

On the matter of the penalty, the Board and will be submitting a proposal to pay the penalty in instalments. The Board hopes to achieve a balance between the progressive full settlement of the penalty and management of cashflow, a balance necessary corporate recovery.

Over the past three years Holista has navigated through uncertainty, largely stemming from the ASIC legal matter. This case tested our resilience and focused our commitment to compliance and governance. It also consumed significant Group resources in terms of both human and financial capital.

The Court's decision on 19 March 2024 and the immediate changes outlined above will eliminate a layer of uncertainty which had held back product launches and affected negotiations with suppliers. At the same time, we expect our non-operational costs to decline substantially in the current year. This closure of this matter will free up resources and management time to re-focus on organic growth including the development and launch of new products, re-branding of product lines, move to the online marketing and sales and the pursuit of additional business opportunities.

Holista Colltech Limited
Directors' report
31 December 2023

We are currently working to arrange a payment plan for the penalty that will allow Holista to meet its obligations and provide some latitude to manage the business. Effective liquidity management, contingent upon a structured repayment schedule for the penalty, is paramount to ensuring the company's ongoing viability and future success.

While the details of the ASIC legal case have been complex, the outcome has set a clear path forward for us. These initiatives reflect our commitment to rectify the issues identified and fulfill our obligations while still providing scope for the business to succeed.

The lessons learned serve as a bedrock for our future strategies and actions. With the resolution of the ASIC legal case, we can now re-direct our full attention back to the core of our mission to harness the potential of our assets, our people, and our innovations, to not only recover but also to thrive.

While the last financial year has been a challenging period, management expects to deliver an improved result for FY2024 due to growth in revenue and operating leverage from cost efficiencies achieved in FY2023.

The restructuring of Holista's sales and marketing team has been completed. Sales have been improved from the low experienced in the second quarter of 2023. Consumer spending in Malaysia is starting to recover. The Company intends to launch introduce a number of new innovations this year that are expected to bolster revenue and earnings.

These include a line of cosmetics containing exosomes¹ and Holista's patented ovine collagen, due to roll out in the second half of this year. Holista also plans to expand its Holista-Nugevity product line to include new supplements. These new innovations are expected to give the Dietary Supplements division an additional tailwind in FY2024.

Separately, the recent rebound in the Food Ingredients division is expected to persist. Discussions with Rex Industry and other potential customers indicate that demand for Holista's innovative ingredients should be higher in 2024 than in the prior year.

Meanwhile, Holista is optimistic about the outlook for the Ovine Collagen division. The Group is in active negotiations with Behn Meyer Thailand for a new supply agreement. It is also fielding enquiries from potential customers such as Guangzhou Sinbio Cosmetic Co Ltd, a Chinese State-Owned Enterprise, which continues to test Holista's ovine collagen product for a new range of cosmetics.

Holista believes it will deliver improved results in FY2024 as a result of the expected growth of its two largest divisions, Dietary Supplements and Food Ingredients, which contributed around 95% of total revenue in FY2023, is likely to more than offset weakness in other divisions.

On behalf of the Board, I wish to thank suppliers, partners, customers, and shareholders for their past support this last year.

Following three years of legal challenges and uncertainty, we now move forward with a clear vision and renewed sense of purpose. We remain steadfast in our commitment to deliver value to shareholders and contribute positively to our community and the wider economy.

Best regards,



David Deloub
Non-Executive Chair

¹ Exosomes are found in biological fluids, such as saliva and blood, and have specialised functions in physiological processes, from coagulation and waste management to intercellular communication.

Holista Colltech Limited
Directors' report
31 December 2023

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 2023.

Holista is listed on the Australian Securities Exchange (**ASX:HCT**).

Directors

The following persons were directors of Holista Colltech Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr David Deloub	Non-Executive Chairman
Mrs Loren King	Non-Executive Director
Mr Lai Kwok Kin	Non-Executive Director (Appointed 19 March 2024)
Dr Rajen Manicka	Managing Director and Chief Executive Officer (disqualified 19 March 2024)

Company Secretary

Mr Stephenson appointed on 1 September 2021 as the Company Secretary, 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, nutraceuticals, resources, manufacturing, wine, hotels, and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

Currently he is a non-executive Director of Dragon Mountain Gold Limited, and Stonehorse Energy Limited as well as Company Secretary for a number of ASX Listed resource and industrial companies and a Director of a number of private companies.

Dividends paid or recommended

There were no dividends paid, recommended or declared during the current or previous financial year.

Principal activities

During the financial year ended 31 December 2023 (FY2023), the Group, consisting of Holista Colltech Limited and its controlled entities, remained focused on the four core areas Healthy Food Ingredients, Dietary Supplements, Ovine Collagen and Infection Control Solutions.

Group Operations Review

Holista Colltech Limited (**Holista** or the **Company**) recorded a 28% decline in Group revenue to \$5.9 million, as net loss after tax increased by 255.7% to \$4.8 million in the financial year 2023 (FY2023) when compared to the prior year.

A challenging trading environment, particularly in Malaysia, and the restructuring of the sales team weighed on Group performance in the period, although Holista believes that its performance in FY2024 will show a marked improvement over last year.

Additionally, Holista delivered an increase in gross margin to 49.1% and a 63% improvement in net operating cash outflow to \$410K in FY2023 despite the headwinds.

During FY2023, the Group focused on its four core business areas as follows:

- **Healthy Food Ingredients:** Holista's Health Food Ingredients division reported a 54.5% pcp decline in revenue to \$852,000 in FY2023. A slowdown in orders from customers in the United States more than offset robust demand from Malaysia-based food and drinks manufacturer, Rex Industry Berhad (**Rex Industry**).

Sales from this division have started to recover steadily since hitting a low point of \$107,000 in the second quarter of FY2023. Revenue in the third and fourth quarters were \$204,000 and \$334,000 respectively.

- **Dietary Supplements:** The Dietary Supplements division, Holista's largest business by sales, recorded a 20.6% decline in revenue for FY2023 to \$4.8 million compared to a year earlier. This division has been most impacted by a challenging trading environment, particularly in Malaysia. The sales team in Malaysia has undergone a recent reorganisation.

Meanwhile, the launch of Holista-Nugevity branded plant-based protein supplement in October last year was still ramping up. Due to the launch timing this new offering did not make a meaningful contribution in FY2023. However, it is expected to be a key growth driver for the current year.

- **Ovine Collagen:** The performance of the Ovine Collagen division was largely steady with revenue of \$301,000 in FY2023 compared to \$306,000 a year earlier.

Holista has a binding sales contract that ran to the end of FY2023 with cosmetics manufacturer, Behn Meyer Thailand, with whom a new one is currently being renegotiated.

- **Infection Control:** Finally, the Infection Control division – the newest and smallest revenue contributor – recorded negligible sales last year. This business may provide optionality to Holista in the future.

Outlook

The last financial year has been a challenging period for Holista, but management is expecting to deliver an improved result for FY2024 due to growth in total revenue and operating leverage from cost efficiencies achieved in the previous year.

Topline growth is expected to be driven by several factors. Firstly, the restructure of sales team has been successfully completed and sales have been recovering since the 2023 second quarter low.

Economic headwinds in Malaysia are also easing with consumer spending starting to recover. This bodes well for Holista as it intends to launch several new innovations in 2024 that are expected to bolster revenue and earnings.

This includes a line of cosmetics containing exosomes and Holista's patented ovine collagen, in the second half of this year. Holista also plans to expand its Holista-Nugevity product line to include new supplements. These new innovations are expected to give the Dietary Supplements division an additional tailwind in FY2024.

Separately, the recent rebound in the Food Ingredients division is expected to persist. Discussions with Rex Industry and other potential customers indicate that demand for Holista's innovative ingredients should be higher in 2024 than in the prior year.

Meanwhile, Holista is optimistic about the outlook for the Ovine Collagen division. The Group is in active negotiations with Behn Meyer Thailand for a new supply agreement and is fielding enquiries from other potential customers.

Guangzhou Sinbio Cosmetic Co Ltd, a Chinese State-Owned Enterprise, continues to test Holista's ovine collagen product in a new range of cosmetics, although there is no certainty that a commercial agreement will eventuate.

Importantly, Holista believes it will deliver improved results in FY2024 even if the Ovine Collagen and Infection Control businesses underperform. This is because the expected growth in its two largest divisions, Dietary Supplements and Food Ingredients, which contributed around 95% of total revenue in FY2023, is likely to more than offset weakness in other parts of the Group.

While there are several headwinds buffeting the global economy, Holista believes it is well positioned to overcome these challenges, and that the Group's short and longer-term outlook is generally positive. This optimism is grounded in the following factors:

- **Organic Growth in Key Markets:** Holista's largest divisions are strategically positioned in rapidly expanding markets due to the increasing demand for health products. For example, the global health food ingredients market is projected to grow at a compound annual growth rate (**CAGR**) of 7.8% from 2022 to 2027, reaching a value of US\$146.3 billion². Similarly, the global vitamins and supplements market is forecasted to achieve a CAGR of 6.1% from 2021 to 2028, reaching US\$196.6 billion³.

² <https://www.marketsandmarkets.com/Market-Reports/health-ingredients-market-69194289>.

³ <https://www.fortunebusinessinsights.com/vitamins-and-supplements-market-104051>.

- **Potential Peaking of Inflation:** Cost pressures have begun to ease since 2022. If this trend persists, as predicted by numerous economists, it will positively impact Holista's margins and further enhance the Group's ability to increase operating cash flow in the current financial year.
- **Rebound in the Dietary Supplement Division:** As previously outlined, there has been a significant improvement in the sales of Holista's market-leading supplements in Malaysia, following a subdued performance in the December quarter. The rebound experienced in January 2023 has continued, and management anticipates a robust performance from this division (which constitutes the largest cash contributor of the Group) in the current quarter and beyond.
- **Reopening of the Chinese Economy:** The return to normal business operations in China is expected to unlock new growth opportunities as highlighted earlier. While the success of these initiatives by Holista's partners is not imperative for driving further growth, these opportunities have the potential to significantly scale over the medium to longer-term without necessitating significant investments from Holista's part to pursue.

Business Risks

There are specific risks associated with the activities of the Company and general risks which are largely beyond the control of the Company and the Directors. The risks identified below, or other risk factors, may have a material impact on the future financial performance of the Company.

All companies are exposed to risks and the Company continues to monitor risks associated with current activities whilst also analysing the risks associated with any new opportunities.

The below risks are not exhaustive but are the minimum exposure areas observed by the Company. These risks may cover such areas as:

Economic

General economic conditions, introduction of tax reform, new legislation, the general level of activity within the bio tech industry, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Future funding risk

In the future, the Company may require additional funds (whether by way of debt and/or equity), so as to, without limitation:

- fund business development; and
- fund corporate, administrative, and working capital needs.

Exchange Rate Risk

The Company with operations across Malaysia, Australia, and the USA, is exposed to exchange rate risks primarily involving the Australian Dollar (**AUD**), Malaysian Ringgit (**MYR**), and the United States Dollar (**USD**). These risks arise from transactional activities such as sales and purchases in different currencies, and from translating financial statements of international operations into AUD, affecting our profitability and reported financial position. To mitigate these risks, we employ strategies including natural hedging, use of financial derivatives like forward contracts, and diversification of currency exposure. Despite the inherent volatility in currency exchange rates, our proactive risk management approach, including monitoring market conditions and employing effective hedging strategies, aims to minimise the financial impact on Holista, ensuring we remain resilient against the uncertainties of currency fluctuations.

Regulatory Risk

On 19 March 2023, the Federal Court Justice Sarah C Derrington has delivered her judgement in the matter between the Company and the Australian Securities and Investments Commission (**ASIC**) in relation to ASIC's civil penalty proceedings (**Order**). A summary of the Order as it relates to the Company (the **First Defendant**) is outlined in the subsequent event note.

As part of our commitment to uphold the highest standards of corporate governance and compliance, we continuously monitor and assess the landscape of regulatory requirements that impact our operations globally. The regulatory environment in which we operate is subject to change due to political, economic, and social pressures. It is important to acknowledge that such changes can have significant implications for our business practices, cost structure, and competitive positioning.

1. Changes in Legislation and Regulation: Our operations are governed by laws and regulations at local, national, and international levels. Any changes in these legal frameworks can impose new obligations on our company. For instance, amendments to tax laws, environmental regulations, data protection statutes, and employment legislation could necessitate operational adjustments, entail additional compliance costs, or lead to exposure to new legal risks.

2. Compliance and Enforcement Trends: Regulatory bodies worldwide are enhancing their scrutiny and enforcement activities across various sectors. An increase in enforcement actions can result in significant financial penalties, reputational damage, and operational disruptions. We have implemented comprehensive compliance programs and internal controls to mitigate such risks, but no system can completely eliminate the possibility of non-compliance.

3. Regulatory Approvals and Licenses: Certain aspects of our operations require approvals, permits, or licenses from regulatory authorities. Delays in obtaining or renewing these approvals, or the revocation thereof, can impact our ability to carry out our business activities, launch new products or services, and enter or expand in specific markets.

4. International Trade and Sanctions: Our international operations are subject to laws and regulations related to trade compliance and economic sanctions. Changes in trade policies, tariffs, and sanctions regimes can affect our supply chains, increase costs, or restrict access to key markets and technologies.

5. Environmental, Social, and Governance (ESG) Regulations: The evolving landscape of ESG-related regulations requires us to continually adapt our business practices to meet higher standards of environmental stewardship, social responsibility, and corporate governance. Non-compliance with ESG standards and regulations can affect investor confidence and consumer perception, alongside potential legal and financial repercussions.

Risk Management Approach

To manage regulatory risks, we employ a proactive approach that includes regular monitoring of the regulatory environment, engagement with legal and industry experts, and active participation in relevant trade associations. Our risk management framework is designed to identify, assess, and mitigate regulatory risks, ensuring that we remain agile and compliant in a dynamic regulatory landscape.

Outlook

We remain vigilant in monitoring regulatory developments and are committed to adapting our compliance strategies to meet the challenges posed by the evolving regulatory environment. By maintaining open lines of communication with regulators, staying informed about impending regulatory changes, and investing in compliance infrastructure, we aim to minimise our regulatory risk exposure and safeguard our operations and strategic objectives.

Information relating to the directors

Name:	Mr David Deloub
Title:	Non-Executive Chairman - Independent
Qualifications:	Bachelor's degree in economics with Honors and post graduate qualifications in Banking and Finance.
Experience and expertise:	Mr Deloub has over 30 years' experience in the finance and corporate sectors. He has held a number of executive positions including Chief Financial Officer at the ASX listed Neptune Marine Services and Executive Director at Patersons Capital Partners, a Perth based boutique advisory firm providing strategic and financial advice to ASX listed companies. David has considerable corporate finance, business development and financial market experience both in Australia the United States and Africa where he has held senior management positions at Alinta Energy Limited , Neptune Marine Services and Alcoa Inc in the US.
Other current directorships:	David currently holds executive Board positions on the ASX listed Stonehorse Energy Limited and Avira Resources Limited.
Former directorships (last 3 years):	He has previously held a number of non-executive board positions including; Neptune Marine Services Limited, Merah Resources and Minquest Limited.
Interests in shares:	Nil
Name:	Mrs Loren King
Title:	Non-Executive Director - Independent
Qualifications:	Bachelor of Science (Psychology), Graduate Diploma of Applied Corporate Governance.
Experience and expertise:	Mrs Loren King has worked in corporate finance and senior administration roles with ASX listed companies, stockbroking and corporate advisory services for the past 18 years. During this time, she gained valuable experience in dealing with all aspects of corporate governance and compliance, specialising in initial public offerings (IPO), backdoor listings, private capital raising and business development.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil
Name:	Mr Lai Kwok Kin
Title:	Non-Executive Director (Appointed 19 March 2024) - Independent
Qualifications:	Bachelor in Arts, Post-graduate diploma Journalism.
Experience and expertise:	Mr Lai is Founder and Managing Director of Singapore-based WeR1 Consultants Pte Ltd which provides counsel for investor relations and crisis communications to companies listed on regional exchanges
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Shares held by spouse 9,675,785
Name:	Dr Rajen Manicka
Title:	Managing Director and Chief Executive Officer (disqualified 19 March 2024) Non-independent
Qualifications:	B Ph. (Hons)
Experience and expertise:	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.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	85,735,272

"Other current directorships" quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

"Former directorships (last 3 years)" quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2023, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Dr Rajen Manicka	11	11	4	4	4	4
Mr Walter Edward Joseph (resigned 6 April 2023)	3	3	-	-	-	-
Mr David Deloub	8	8	4	4	4	4
Mrs Loren King	11	11	4	4	4	4

Held: represents the number of meetings held during the time the director held office.

Indemnity and insurance of officers

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.

Insurance premiums

During the financial year the Group has paid a premium of \$nil (2022: \$ nil) 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). The Group is currently working with its brokers to find an alternate policy.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Shares under option

There were no unissued ordinary shares of Holista Colltech Limited under option outstanding at the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Holista Colltech Limited issued on the exercise of options during the year ended 31 December 2023 and up to the date of this report.

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Shares under Performance Rights

There were no unissued ordinary shares of Holista Colltech Limited under performance rights outstanding at the date of this report.

Subsequent events

On 19 March 2023, the Federal Court Justice Sarah C Derrington has delivered her judgement in the matter between the Company and the Australian Securities and Investments Commission (ASIC) in relation to ASIC's civil penalty proceedings (Order). A summary of the Order as it relates to the Company (the First Defendant) is outlined below:

1. Pursuant to s 1317G(1) of the *Corporations Act 2001* (Cth) (the Act), the Company pay to the Commonwealth of Australia a pecuniary penalty in the amount of \$1,800,000 in respect of the contraventions of s 674(2) and 1041H of the Act;
2. Pursuant to s 206C(1) of the Act, Dr Rajen Marnickavasagar (the Second Defendant or "Dr Marnickavasagar"), be disqualified from managing a corporation for a period of 4 years, from the date of the Order;
3. The Company pay the plaintiff's costs of the proceedings in so far as they exceed \$200,000 to be taxed, if not agreed; and
4. Within 14 days of service of the Order, the Company and the plaintiff file and serve written submissions, not exceeding three pages in length, as to whether the pecuniary penalty ordered to be paid by the Company should be paid in instalments.

On the same day, the Company advised that it appointed Mr Lai Kwok Kin as a Director of the Company.

Non-audit services

During the year, no fees were paid or payable for other services provided by Stantons International Audit and Consulting Pty Ltd ("Stantons"). However, Marsden Stantons, an affiliate of Stantons provided tax compliance and independent expert services. Non-audit fees amounted to \$5,050 (2022: \$5,510).

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the consolidated financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Proceedings on behalf of the 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Holista Colltech Limited

Directors' report

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Remuneration report (audited)

Key management personnel (KMP)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of KMP remuneration
- Service agreements
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

Remuneration committee

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives, and currently its responsibilities 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.

Remuneration structure

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

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 2023 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 year ended 31 December 2023 is detailed in note 28 'Key management personnel disclosures' of this consolidated financial statement.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Senior manager and executive director remuneration

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

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 page 15 of this remuneration report.

Variable Remuneration

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

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*

There have been no cash bonuses issued during the financial 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.

Service Contracts

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

Engagement of Remuneration Consultants

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

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.

Details of KMP remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Holista Colltech Limited:

- Rajen Manicka
- David Deloub
- Loren King

Holista Colltech Limited
Directors' report
31 December 2023

	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Other	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
2023								
<i>Non-Executive Directors:</i>								
Walter Joseph	12,000	-	-	-	-	-	-	12,000
Loren King ¹	48,000	-	-	-	-	-	-	48,000
<i>Non-Executive Chairman</i>								
David Deloub ²	44,167	-	-	-	-	-	-	44,167
<i>Executive-Directors:</i>								
Rajen Manicka ³	306,407	-	-	-	58,466	-	-	364,873
	410,574	-	-	-	58,466	-	-	469,040

* Superannuation refers to Malaysia entitlement calculated at 19% of the total of the Short-term benefits.

(1) Mrs Loren King's remuneration was paid by way of fees to Risky Vulture Enterprise Pty Ltd.

(2) Mr David Deloub's remuneration was paid by way of fees to DRD Corporate.

(3) Mr Rajen Manicka was disqualified 19 March 2024.

	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Other	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
2022								
<i>Non-Executive Directors:</i>								
Walter Joseph	48,000	-	-	6,000 ²	-	-	-	54,000
Loren King ¹	48,000	-	-	-	-	-	-	48,000
<i>Executive-Directors:</i>								
Rajen Manicka*	289,533	46,850	-	302	63,915	-	-	400,600
	385,533	46,850	-	6,302	63,915	-	-	502,600

* Superannuation refers to Malaysia entitlement calculated at 19% of the total of the Short-term benefits.

(1) Mrs Loren King's remuneration was paid by way of fees to Risky Vulture Enterprise Pty Ltd.

(2) Mr Walter Joseph received \$6,000 as fees for ISO certificate consultation.

Service agreements

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. On 14 June 2021, the existing contract was renewed for 3 years.

Name:	Dr Rajen Manicka
Commencement date:	10 July 2021
Termination date of contract:	Initial 3-year period
Period of notice for resignation/termination:	3 months
Remuneration:	RM778,524 per annum
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.

Mr David Deloub

Mr Deloub was appointed as a Non-Executive Chairman on 6 April 2023. Mr Deloub's contract is \$60,000 per annum, effective on the date of appointment until further notice. No termination payments are applicable.

Mrs Loren King

Mrs King was appointed as a Non-Executive Director on 31 July 2021. Mrs King's contract is \$48,000 per annum, effective on the date of appointment until further notice. No termination payments are applicable.

Share-based compensation

Issue of shares

There were no shares issued to directors as part of compensation during the year ended 31 December 2022.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of compensation	Exercise of performance rights	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Rajen Manicka	85,735,272	-	-	-	85,735,272
Walter Edward Joseph	-	-	-	-	-
Loren King	-	-	-	-	-
Total Ordinary Shares	85,735,272	-	-	-	85,735,272

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.

This concludes the remuneration report, which has been audited.

Officers of the company who are former partners of Stantons

There are no officers of the Company who are former partners of Stantons.

Auditor

Stantons continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



David Deloub
Non-Executive Chair

28 March 2024

28 March 2024

Board of Directors
Holistia Colltech Limited
283 Rokeby Road
SUBIACO WA 6008

Dear Directors

RE: HOLISTA COLLTECH LIMITED

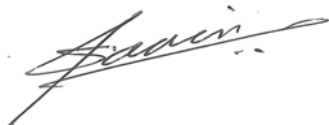
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Holista Colltech Limited

As Audit Director for the audit of the financial statements of Holista Colltech Limited for the year ended 31 December 2023, 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 sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)



Samir Tirodkar
Director

Holista Colltech Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	Note	Consolidated 2023 \$	2022 \$
Income			
Revenue from contracts with customers	4	5,946,909	8,241,225
Other income	5	34,416	73,388
Expenses			
Changes in inventories of finished goods and work in progress		(494,729)	565,881
Raw materials and consumables used		(2,083,659)	(4,334,259)
Distribution costs and other costs of sales		(446,917)	(480,757)
Advertising and promotion		(365,197)	(553,444)
Consultancy and professional fees		(1,197,202)	(771,174)
Depreciation and amortisation expense		(239,773)	(273,952)
Employee benefits	6	(2,311,771)	(2,703,629)
Finance costs		(90,909)	(66,528)
Foreign exchange gain/(loss)		93,700	45,373
Impairment	6	(886,700)	(134,252)
Research and development		(129,471)	(68,875)
Other expenses	6	(882,741)	(903,740)
ASIC Penalty	30	(1,800,000)	-
(Loss) before income tax expense		(4,854,044)	(1,364,743)
Income tax expense	7	(65,043)	(157,387)
(Loss) after income tax expense for the year		(4,919,087)	(1,522,130)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(23,646)	22,491
Other comprehensive loss for the year, net of tax		(23,646)	22,491
Total comprehensive (loss) for the year		<u>(4,942,733)</u>	<u>(1,499,639)</u>
(Loss) for the year is attributable to:			
Non-controlling interest		(113,324)	(69,228)
Owners of Holista Colltech Limited		(4,805,763)	(1,452,902)
		<u>(4,919,087)</u>	<u>(1,522,130)</u>
Total comprehensive (loss) for the year is attributable to:			
Non-controlling interest		(141,363)	(151,287)
Owners of Holista Colltech Limited		(4,801,370)	(1,348,352)
		<u>(4,942,733)</u>	<u>(1,499,639)</u>
		Cents	Cents
Basic (loss) per share	38	(1.72)	(0.52)
Diluted (loss) per share	38	(1.72)	(0.52)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Holista Colltech Limited
Consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	8	59,767	117,528
Trade and other receivables	9	1,047,928	1,321,880
Inventories	10	658,168	1,411,962
Income tax recoverable	12	91,735	68,204
Other current assets	13	450,225	1,146,780
Total current assets		<u>2,307,823</u>	<u>4,066,354</u>
Non-current assets			
Property, plant and equipment	14	716,972	898,361
Right-of-use assets	11	254,178	335,884
Intangible assets	15	7,443	104,610
Deferred tax asset	7.1	64,554	67,831
Total non-current assets		<u>1,043,147</u>	<u>1,406,686</u>
Total assets		<u>3,350,970</u>	<u>5,473,040</u>
Liabilities			
Current liabilities			
Trade and other payables	16	4,724,872	2,269,349
Contract liabilities	17	59,867	52,851
Borrowings	18	929,789	483,087
Leases	19	32,668	37,050
Short-term provisions	20	51,146	40,530
Total current liabilities		<u>5,798,342</u>	<u>2,882,867</u>
Non-current liabilities			
Borrowings	18	408,073	457,562
Leases	19	196,895	242,218
Long-term provisions	20	333,819	333,819
Total non-current liabilities		<u>938,787</u>	<u>1,033,599</u>
Total liabilities		<u>6,737,129</u>	<u>3,916,466</u>
Net assets		<u>(3,386,159)</u>	<u>1,556,574</u>
Equity			
Issued capital	21	21,787,478	21,787,478
Reserves	22	(95,559)	(99,952)
Accumulated losses	23	(23,663,997)	(18,858,234)
Equity attributable to the owners of Holista Colltech Limited		(1,972,078)	2,829,292
Non-controlling interest	24	(1,414,081)	(1,272,718)
Total equity		<u>(3,386,159)</u>	<u>1,556,574</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Holista Colltech Limited
Consolidated statement of changes in equity
For the year ended 31 December 2023

Consolidated	Issued capital \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 January 2022	21,707,478	(204,502)	(17,405,332)	(1,121,431)	2,976,213
Loss after income tax expense for the year	-	-	(1,452,902)	(69,228)	(1,522,130)
Other comprehensive income for the year, net of tax	-	104,550	-	(82,059)	22,491
Total comprehensive income/(loss) for the year	-	104,550	(1,452,902)	(151,287)	(1,499,639)
Shares based payment expenses	80,000	-	-	-	80,000
Balance at 31 December 2022	21,787,478	(99,952)	(18,858,234)	(1,272,718)	1,556,574

Consolidated	Issued capital \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 January 2023	21,787,478	(99,952)	(18,858,234)	(1,272,718)	1,556,574
Loss after income tax expense for the year	-	-	(4,805,763)	(113,324)	(4,919,087)
Other comprehensive income for the year, net of tax	-	4,393	-	(28,039)	(23,646)
Total comprehensive income/(loss) for the year	-	4,393	(4,805,763)	(141,363)	(4,942,733)
Shares issued during the year	-	-	-	-	-
Balance at 31 December 2023	21,787,478	(95,559)	(23,663,997)	(1,414,081)	(3,386,159)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Holista Colltech Limited
Consolidated statement of cash flows
For the year ended 31 December 2023

	Note	Consolidated 2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		6,883,981	9,236,287
Payments to suppliers and employees		(7,109,882)	(10,150,152)
Finance costs		(90,909)	(80,505)
Interest received		2,546	854
Income tax paid		(92,857)	(159,285)
Government grants		-	41,357
Net cash (used in) operating activities		<u>(407,121)</u>	<u>(1,111,444)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(4,548)	(76,971)
Increase/(Refund) of deposits/investments		(42,155)	(59,892)
Proceeds from disposal of property, plant and equipment		-	31,177
Net cash (used in)/provided by investing activities		<u>(46,703)</u>	<u>(105,686)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,109	-
Proceeds from borrowings, net		4,459,928	4,101,325
Repayment of borrowings		(4,001,527)	(3,943,332)
Repayment of lease liabilities		(41,090)	(37,140)
Net cash provided by financing activities		<u>418,420</u>	<u>120,853</u>
Net (decrease) in cash and cash equivalents		(35,404)	(1,096,277)
Cash and cash equivalents at the beginning of the financial year		117,528	1,213,093
Change in foreign currency held		(22,357)	712
Cash and cash equivalents at the end of the financial year	8	<u><u>59,767</u></u>	<u><u>117,528</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 \$4,919,087(2022: \$1,522,130 loss) and a net cash out-flow from operating activities of \$407,121 (2022: \$1,111,444 out-flow). As at 31 December 2023, the Group's working capital amounted to negative \$3,490,519 (2022: \$1,183,487 working capital), as disclosed in note 21 of the issued capital note.

On 19 March 2023, the Federal Court Justice Sarah C Derrington has delivered her judgement in the matter between the Company and the Australian Securities and Investments Commission (ASIC) in relation to ASIC's civil penalty proceedings (Order). A summary of the Order as it relates to the Company (the First Defendant) is outlined below. Pursuant to s 1317G(1) of the *Corporations Act 2001* (Cth) (the Act), the Company pay to the Commonwealth of Australia a pecuniary penalty in the amount of \$1,800,000 in respect of the contraventions of s 674(2) and 1041H of the Act. Within 14 days of service of the Order, the Company and the plaintiff file and serve written submissions, not exceeding three pages in length, as to whether the pecuniary penalty ordered to be paid by the Company should be paid in instalments. As at the date of this financial report, the payment plan has not yet been agreed.

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.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the group not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Parent entity information

In accordance with the Corporations Act 2001, financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Holista Colltech Limited ('company' or 'parent entity') as at 31 December 2023 and the results of all subsidiaries for the year then ended. Holista Colltech Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 1. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

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. The legal parent entity's functional and presentation currency is Australian Dollars.

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.

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 consolidated statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

Current and non-current classification

Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classification.

Note 1. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Financial assets

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.

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated entity has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

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 (Sales and Service Tax or SST), hereafter collectively referred to as GST.

Revenues, expenses, and assets are recognised net of the amounts 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 consolidated 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.

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

Fair Value

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.

Note 1. Significant accounting policies (continued)

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.

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.

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

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 into 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.

Note 1. Significant accounting policies (continued)

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.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

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.

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:

- Key estimate – impairment of property, plant and equipment (note 14 Property, plant and equipment)
- Key estimate – determining stand-alone selling price of the loyalty points (note 17 Contract liabilities)
- Key estimate – determining the lease term (note 19 Leases)
- Key estimate – determining the allowance for expected credit losses (note 9 Trade and other receivables)
- Key estimate – carrying amount of deferred tax assets (note 7 Income tax expense)

Note 3. Operating segments

Identification of reportable operating 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; Ovine Collagen; Infection Control Solutions; Food Ingredients; and Corporate.

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.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Supplements	This operating segment is involved in the manufacture and wholesale distribution of dietary supplements.
Ovine collagen	This operating segment is involved in the manufacture and distribution of cosmetic grade collagen.
Food ingredients	This operating segment is involved in the manufacture and wholesale distribution of healthy food ingredients.
Infection control	This operating segment is involved in the infection control solutions.

Note 3. Operating segments (continued)

Intersegment 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.

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.

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.

Major customers

The Group has a number of customers to whom it provides both products and services.

Within the Supplement segment, the Group supplies to a number of retailers through one single external distributor who accounts for 90% (2022: 91%) of total revenue for this segment. For Food Ingredients business segments, the Group supplies to a few major customers that accounts 90% (2022: 70%) of revenue for this segment. The Group supplies to a few external customers for the Ovine Collagen segment, where the major customer accounts for 100% (2022: 98%) of revenue for this segment.

Segment Financial Performance

Year ended 31 December 2023	Supplements \$	Sheep Collagen \$	Food Ingredients US+Malaysia \$	Infection Control \$	Corporate \$	Total \$
Revenue						
External sales	4,793,872	300,850	852,115	72	-	5,946,909
Other income	-	-	-	-	34,416	34,416
Total segment revenue	<u>4,793,872</u>	<u>300,850</u>	<u>852,115</u>	<u>72</u>	<u>34,416</u>	<u>5,981,325</u>
Reconciliation of segment revenue to group revenue:						
Total expenses	(4,310,601)	(667,656)	(1,889,031)	(207,273)	(3,760,808)	(10,835,369)
Segment (loss) from continuing operations before tax	<u>483,271</u>	<u>(366,806)</u>	<u>(1,036,916)</u>	<u>(207,201)</u>	<u>(3,726,392)</u>	<u>(4,854,044)</u>

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Note 3. Operating segments (continued)

Year ended 31 December 2022	Supplements \$	Sheep Collagen \$	Food Ingredients US+Malaysia \$	Infection Control \$	Corporate \$	Total \$
Revenue						
External sales	6,037,720	306,255	1,874,630	22,620	-	8,241,225
Other income	-	-	-	-	73,388	73,388
Total segment revenue	<u>6,037,720</u>	<u>306,255</u>	<u>1,874,630</u>	<u>22,620</u>	<u>73,388</u>	<u>8,314,613</u>
Reconciliation of segment revenue to group revenue:						
Total expenses	<u>(5,156,078)</u>	<u>(638,972)</u>	<u>(2,368,498)</u>	<u>(265,134)</u>	<u>(1,250,673)</u>	<u>(9,679,355)</u>
Segment (loss) from continuing operations before tax	<u>881,642</u>	<u>(332,717)</u>	<u>(493,868)</u>	<u>(242,514)</u>	<u>(1,177,285)</u>	<u>(1,364,742)</u>

As at 31 December 2023	Supplements \$	Sheep Collagen \$	Food Ingredients US+Malaysia \$	Infection Control \$	Corporate \$	Total \$
Segment Assets	2,222,102	4,921,621	1,997,219	2,328	70,648	9,213,919
Intra-segment eliminations	-	-	(651,755)	-	(5,211,193)	(5,862,949)
Total assets	<u>2,222,102</u>	<u>4,921,621</u>	<u>1,345,464</u>	<u>2,328</u>	<u>(5,140,545)</u>	<u>3,350,970</u>
Segment Liabilities	(2,069,756)	(4,090,336)	(4,086,696)	364,219	98,015	(10,709,022)
Intra-segment eliminations	-	-	287,258	-	3,684,635	3,971,893
Total liabilities	<u>(2,069,756)</u>	<u>(4,090,336)</u>	<u>(3,799,438)</u>	<u>364,219</u>	<u>3,586,621</u>	<u>(6,737,130)</u>
Total net assets	<u>152,346</u>	<u>831,286</u>	<u>(2,453,974)</u>	<u>(3,61,891)</u>	<u>(1,553,926)</u>	<u>(3,386,159)</u>

As at 31 December 2022	Supplements \$	Sheep Collagen \$	Food Ingredients US+Malaysia \$	Infection Control \$	Corporate \$	Total \$
Segment Assets	3,069,194	5,256,297	2,289,398	196,633	-	10,811,522
Intra-segment eliminations	-	-	(668,179)	-	(4,670,303)	(5,338,482)
Total assets	<u>3,069,194</u>	<u>5,256,297</u>	<u>1,621,219</u>	<u>196,633</u>	<u>(4,670,303)</u>	<u>5,473,040</u>
Segment Liabilities	(1,765,545)	(2,748,008)	(4,987,737)	(415,065)	-	(9,916,355)
Intra-segment eliminations	-	-	298,057	-	5,701,832	5,999,889
Total liabilities	<u>(1,765,545)</u>	<u>(2,748,008)</u>	<u>(4,689,680)</u>	<u>(415,065)</u>	<u>5,701,832</u>	<u>(3,916,465)</u>
Total net assets	<u>1,303,649</u>	<u>2,508,289</u>	<u>(3,068,461)</u>	<u>(218,432)</u>	<u>1,031,529</u>	<u>1,556,574</u>

Assets by geographical region

The location of segment assets (before intra-segment eliminations) by geographical location of the assets is disclosed below:

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Note 3. Operating segments (continued)

	Consolidated	
	2023	2022
	\$	\$
Australia	4,921,621	5,256,297
Malaysia	3,123,790	4,269,912
United States	1,189,007	1,285,313
	<u>9,234,418</u>	<u>10,811,522</u>
Total assets	<u>9,234,418</u>	<u>10,811,522</u>

Revenue by geographical area

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

	Consolidated	
	2023	2022
	\$	\$
Australia	300,850	306,255
Malaysia	5,565,567	6,909,072
United States	80,493	1,025,898
	<u>5,946,910</u>	<u>8,241,225</u>
Total revenue	<u>5,946,910</u>	<u>8,241,225</u>

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

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue from contracts with customers

	Consolidated	
	2023	2022
	\$	\$
Revenue from contracts with customers	<u>5,946,909</u>	<u>8,241,225</u>

Note 4. Revenue from contracts with customers (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2023	2022
	\$	\$
Supplements	4,793,872	6,037,720
Sheep Collagen	300,850	306,255
Food Ingredients	852,115	1,874,630
Infection Control	72	22,620
	5,946,909	8,241,225
<i>Geographical regions</i>		
Australia	300,850	306,255
Malaysia	5,565,566	6,909,072
United States	80,493	1,025,898
	5,946,909	8,241,225
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	5,946,909	8,241,225

Accounting policy for 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 Group 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:

- Identify the contract with a customer;
- Identify the performance obligations in the contract and determine at what point they are satisfied;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- 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.

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:

Note 4. Revenue from contracts with customers (continued)

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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.

Sale of health care products

Sale of health care products comprise revenue from supplements, food ingredients and infection control.

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.

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.

Royalty income

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.

Sale of raw ingredients

Sale of raw ingredients comprise sales from sheep collagen, food ingredients and infection control.

Revenue from sales of sheep collagen, food ingredients, and infection control 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.

Customer loyalty points

Deferred revenue in respect to customer loyalty points is recognised in accordance with note 17 Key estimates –Deferred revenue for customer loyalty points.

Assets and liabilities arising from rights of return

Assets and liabilities arising from rights of return in accordance with note 11 Right-of-return assets, note 16 Trade and other payables, and note 17 Contract liabilities.

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Note 5. Other income

	Consolidated	
	2023	2022
	\$	\$
Retention fee reversal	31,870	-
Government Grants – US COVID-19 Subsidy	-	41,357
Gain on disposal of property, plant and equipment	-	31,177
Interest income	2,546	854
	<u>34,416</u>	<u>73,388</u>
Total Other income	<u>34,416</u>	<u>73,388</u>

Accounting Policy for Interest Income

Interest income is recognised on a time proportionate basis that considers the effective yield on the financial asset.

Accounting Policy for Government grants

Government grants are recognised upon receipt of cash.

Note 6. Loss before income tax

	Consolidated	
	2023	2022
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Impairment</i>		
Impairment of other assets		
Related Party Loans	542,339	-
Impairment of Goodwill	104,363	-
Bad debt written-off	239,998	134,252
	<u>886,700</u>	<u>134,252</u>
Total impairment	<u>886,700</u>	<u>134,252</u>
Other Expenses		
Compliance and regulatory costs	158,774	164,964
Insurance	82,864	92,723
Other expenses	19,487	16,179
Stocks written-off – finished goods	203,321	228,976
Collie factory maintenance costs	103,296	109,825
Audit fees	121,476	108,989
Operating lease and rental expense	193,523	182,084
	<u>882,741</u>	<u>903,740</u>
Total Other Expenses	<u>882,741</u>	<u>903,740</u>
Employee Benefit Expense Short-term		
Salary and wages, including directors fees	1,750,988	1,946,537
Superannuation	228,980	249,448
Medical and Insurance	77,949	81,185
Bonus and Incentive	38,658	171,151
Travel	140,710	126,810
Others	74,486	128,498
	<u>2,311,771</u>	<u>2,703,629</u>
Total Employee Benefit Expense Short-term	<u>2,311,771</u>	<u>2,703,629</u>

Note 6. Loss before income tax (continued)

Accounting policy for Expected credit losses

Refer to note 9.

Accounting policy for Impairment on Intangibles including Goodwill

Refer to note 15.

Accounting policy for Employee Benefit Expense Short-term

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.

Accounting policy for 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 profit or loss as incurred.

Note 7. Income tax expense

	Consolidated	
	2023	2022
	\$	\$
<i>Income tax expense</i>		
Current Income tax	65,043	172,722
<i>Deferred tax (Note 7.1)</i>		
-current year	-	(19,332)
-over provision in prior year	-	3,997
Aggregate income tax expense	65,043	157,387
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(4,854,044)	(1,364,742)
Tax at the statutory tax rate of 25% (2022: 26%)	(1,213,511)	(341,186)
Non-deductible expenses	732,914	101,550
Research and development tax offset exempted from tax	-	(10,339)
Foreign tax losses not recognised	47,411	28,590
Foreign income tax payable	65,043	172,722
Deferred tax asset not brought to account	365,712	257,632
Profit attributable to foreign subsidiaries	(5,968)	(67,097)
Over/(under) provision of deferred tax	-	(15,335)
Timing differences	73,442	30,850
Income tax expense	65,043	157,387
	%	%
The applicable weighted average effective tax rates attributable to operating profit are as follows:	1.34	11.53

The tax rates used in the above reconciliations is the corporate tax rate of 25% 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.

The foreign income 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.

	Consolidated	
	2023	2022
	\$	\$
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	3,179,274	2,813,562
Tax losses attributable to foreign subsidiaries	1,219,367	1,177,925
	4,398,641	3,991,487

Potential deferred tax assets attributable to tax losses have not been brought to account at 31 December 2023 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:

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- i. 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;
- ii. the Group continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Balances disclosed in the consolidated 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 Group 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 \$12,812,811 (2022: \$13,053,344) 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 \$1,462,847 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 such taxable profit.

7.1 Deferred Tax Assets

	Consolidated	Consolidated
	2023	2022
	\$	\$
Deferred tax assets at the beginning of the year:	67,831	83,166
Recognised in profit or loss		
- Current year	(3,277)	(19,332)
- Over provision in previous years	-	3,997
	<u>64,554</u>	<u>67,831</u>
	Consolidated	Consolidated
	2023	2022
	\$	\$
Gross:		
Deferred tax assets	109,181	111,747
Deferred tax liabilities	(44,627)	(43,916)
	<u>64,554</u>	<u>67,831</u>

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Deferred tax liabilities are in respect of the following:

	Consolidated	
	2023	2022
	\$	\$
Tax effects of:		
Unrealised gain on foreign exchange	(11,140)	(13,345)
Differences between		
- Accounting depreciation and finance lease payments	(64)	(134)
Right of return assets	(32,786)	(29,768)
Differences between		
- Accounting depreciation and tax capital allowances	(637)	(669)
	<u>(44,627)</u>	<u>(43,916)</u>

Accounting policy for Income tax expense

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.

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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.

Note 8. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Cash at bank	59,767	117,528
Cash on deposit	-	-
	<u>59,767</u>	<u>117,528</u>

Accounting policy for cash and cash equivalents

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

Note 9. Trade and other receivables

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Trade receivables	3,032,562	3,293,464
Less: Allowance for expected credit losses	(2,062,598)	(2,090,325)
	<u>969,964</u>	<u>1,203,139</u>
Other receivables	20,397	60,620
Amounts advanced to a third party	475,157	475,157
Less: Allowance for expected credit losses	(475,157)	(475,157)
Interest receivable	<u>57,567</u>	<u>58,121</u>
	<u>1,047,928</u>	<u>1,321,880</u>

Note 9. Trade and other receivables (continued)

	Not past due	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
	\$	\$	\$	\$	\$	\$
2023						
Trade receivables-Gross value	763,788	286,311	30,635	26,408	1,925,420	3,032,562
Allowance for expected credit loss	-	-	-	-	(2,062,598)	(2,062,598)
Other receivables-net	77,964	-	-	-	-	77,964
	<u>841,752</u>	<u>286,311</u>	<u>30,635</u>	<u>26,408</u>	<u>(137,178)</u>	<u>1,047,928</u>
2022						
Trade receivables-Gross value	995,158	205,432	55,727	-	2,037,147	3,293,464
Allowance for expected credit losses	-	-	(55,727)	-	(2,034,598)	(2,090,325)
Other receivables-net	118,741	-	-	-	-	118,741
	<u>1,113,899</u>	<u>205,432</u>	<u>-</u>	<u>-</u>	<u>2,549</u>	<u>1,321,880</u>

The average credit period on sales of goods and rendering of services ranges from 30 to 60 days. Interest is not charged. During the year ended 31 December 2023 an allowance of \$2,062,598 has been recognised for estimated irrecoverable trade receivable amounts arising from past sale of goods, 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.

Included in trade receivables is an amount due from companies in which a director has interest of \$1,086,419 (2022: \$1,091,838). During the year, the carrying amount of the allowance for credit losses amounted to \$1,086,419 (2022: \$1,091,838).

As at 31 December 2023, the amounts advanced to a third party of \$475,157 charged interest at 3% in its first year and 5% in its second year, on accrual basis. In prior year, an impairment of \$475,157 has been made to fully impair the amounts advanced to a related party and a third party. The related party ceased being a related party and moved to third party status on 31 December 2021.

Accounting policy for trade and other receivables

Trade receivables are generally due for settlement within periods ranging from 30 to 60 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 allowance for expected credit losses.

Accounting policy for allowance for expected credit losses

The Group assesses impairment on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. 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 10. Inventories

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	164,507	600,124
Finished goods - at cost pre write off	466,695	1,040,814
Less: Finished goods stock written off	(166,854)	(228,976)
Finished goods - at cost	464,348	1,411,838
Stock-in-transit	193,820	-
	<u>658,168</u>	<u>1,411,962</u>

Accounting policy for inventories

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.

Stock-in-transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

Note 11. Right-of-use assets

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current assets</i>		
Properties	115,096	141,026
Motor vehicles	139,082	194,858
	<u>254,178</u>	<u>335,884</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Properties	Motor	
	\$	vehicles	Total
	\$	\$	\$
Consolidated			
Balance at 1 January 2023	141,026	194,858	335,884
Exchange differences	(645)	(9,415)	(10,060)
Depreciation expense	(25,285)	(46,361)	(71,646)
Balance at 31 December 2023	<u>115,096</u>	<u>139,082</u>	<u>254,178</u>

Note 11. Right-of-use assets (continued)

Consolidated	Properties \$	Motor vehicles \$	Total \$
Balance at 1 January 2022	107,583	5,830	113,413
Additions	58,819	243,572	302,391
Exchange differences	-	358	358
Depreciation expense	(25,655)	(54,623)	(80,278)
Balance at 31 December 2022	<u>140,747</u>	<u>195,137</u>	<u>335,884</u>

Accounting policy for right-of-use assets

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.

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 measurement of lease liabilities.

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.

Note 12. Income tax refund due

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Income tax refund due	<u>91,735</u>	<u>68,204</u>

Note 13. Other current assets

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Prepayments	160,927	365,093
Security deposits	130,971	94,904
Other deposits	21,371	15,048
Loan to a related party	-	547,542
Right-of-return assets	136,956	124,193
	<u>450,225</u>	<u>1,146,780</u>

In FY2020, there was an amount of \$428,787 included in prepayments for deposit and advances previously made to ProImmune Company LLC for supply contract. ProImmune Company LLC filed for purported breaches of supply contracts by the Company in February 2020. As it is not practical to estimate when the decision of the court will be made, the prepayments has been fully impaired (refer to Note 30 for further details).

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.

Loan to a related party as at 31 December 2023 is related to loan to Galen BioMedical Inc. which is non-interest bearing and repayable upon demand. This loan has been written off as non-recoverable.

Accounting policy for 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.

Accounting policy for customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Note 14. Property, plant and equipment

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current assets</i>		
Freehold land and buildings	1,000,876	1,051,694
Less: Accumulated depreciation and impairment	(365,258)	(364,159)
	<u>635,618</u>	<u>687,535</u>
 Plant and equipment	 2,080,207	 2,089,353
Less: Accumulated depreciation	(1,998,853)	(1,878,527)
	<u>81,354</u>	<u>210,826</u>
 Total property, plant and equipment	 <u><u>716,972</u></u>	 <u><u>898,361</u></u>

Note 14. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

Consolidated	Freehold land and buildings \$	Plant and equipment \$	Total \$
Balance at 1 January 2022	697,773	312,490	1,010,263
Additions	-	76,971	76,971
Exchange rate differences	9,406	420	9,826
Depreciation expense	(19,644)	(179,055)	(198,699)
Balance at 31 December 2022	687,535	210,826	898,361
Additions	-	4,386	4,386
Exchange rate differences	(33,222)	(2,196)	(35,418)
Depreciation expense	(18,695)	(131,662)	(150,357)
Balance at 31 December 2023	<u>635,618</u>	<u>81,354</u>	<u>716,972</u>

Land and buildings with a carrying amount of \$635,618 (2022: \$687,535) are subject to a first charge to secure a loan from CIMB Bank, Malaysia.

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 2023 (2022: \$nil).

Accounting policy for property, plant and equipment

Recognition and measurement

Freehold land and buildings are measured at cost 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 table below) and impairment losses (see accounting policy for impairment below).

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.

Note 14. Property, plant and equipment (continued)

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 profit or loss as an expense as incurred.

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.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation

Depreciation is charged to the profit or loss 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.

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

	2023 Bottom %	2023 Top %	2022 Bottom %	2022 Top %
Buildings	4.00	4.00	4.00	4.00
Plant and equipment	20.00	33.33	20.00	33.33
Motor vehicles	20.00	20.00	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.

Impairment of property, plant and equipment

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of 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.

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Note 15. Intangible assets

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current assets</i>		
Goodwill	-	-
Patents and licences	123,908	224,032
Less: Accumulated amortisation	(116,465)	(119,422)
	<u>7,443</u>	<u>104,610</u>
	<u><u>7,443</u></u>	<u><u>104,610</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

Consolidated	Goodwill	Patents and	Total
	\$	licences	\$
		\$	
Balance at 1 January 2022	-	134,157	134,157
Additions	-	-	-
Exchange differences	-	(14,147)	(14,147)
Transfers (out)	-	-	-
Amortisation expense	-	(15,400)	(15,400)
	<u>-</u>	<u>(15,400)</u>	<u>(15,400)</u>
Balance at 31 December 2022	-	104,610	104,610
Additions	-	-	-
Exchange differences	-	(5,674)	(5,674)
Transfers (out)	-	(77,644)	(77,644)
Amortisation expense	-	(13,849)	(13,849)
	<u>-</u>	<u>(13,849)</u>	<u>(13,849)</u>
Balance at 31 December 2023	<u><u>-</u></u>	<u><u>7,443</u></u>	<u><u>7,443</u></u>

Note 15. Intangible assets (continued)

Goodwill impairment testing

Goodwill relates to the acquisition of the food ingredients business in the USA. Consequently, the carrying amount of goodwill was allocated to the food ingredients CGU.

The recoverable amount of goodwill has been determined based on a value-in-use calculation using cash flow projections for the food ingredients business in the USA. Cash flows beyond the five-year forecast are extrapolated using estimated terminal growth rates.

Since the previous financial year, there has been considerable volatility in the economic environment as a result of COVID-19. Management has carefully assessed the impact of COVID-19 and the implications of lower economic activity on its operations. Management has observed that there has been a significant impact in the performance of the food ingredients business in the USA. As such, management has impaired the carrying amount of goodwill in full.

Accounting policy on Intangible assets

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.

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

	2023 years	2022 years
Patents and Licenses	20	20

Note 15. Intangible assets (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business 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.

Impairment of non-financial assets, including goodwill

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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.

Note 16. Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	3,256,524	1,128,239
Accruals	839,689	416,745
Dividends payable	25,177	25,419
Refund	495,902	516,158
Other payables	107,580	182,788
	<u>4,724,872</u>	<u>2,269,349</u>

Refer to note 26 for further information on financial instruments.

Note 16. Trade and other payables (continued)

Accounting policy for 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.

Accounting policy for Refund liability

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).

Note 17. Contract liabilities

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Advance deposits and deferred revenue	<u>59,867</u>	<u>52,851</u>

Deferred revenue amounting to \$59,867 (2022: \$52,851) 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.

Accounting policy for 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.

Accounting policy for loyalty points programme

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 Group updates its estimates of the points that will be redeemed and any adjustments to the contract liability balance are charged against revenue.

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 Group updates its estimates of the points that will be redeemed and any adjustments to the contract liability balance are charged against revenue.

Note 18. Borrowings

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Term loan	32,513	32,888
Banker's acceptance	882,035	434,812
Loan from related parties*	15,241	15,387
	<u>929,789</u>	<u>483,087</u>
<i>Non-current liabilities</i>		
Term loan	408,073	457,562
	<u><u>1,337,862</u></u>	<u><u>940,649</u></u>

Refer to note 26 for further information on financial instruments.

* Loan from a related party is repayable upon demand and non-interest bearing.

The bankers' acceptance bears interest of 5.12% (2022: 4.53%).

The term loan is repayable over 240 monthly instalments (principal plus interest) of \$2,896 (2022: \$2,840) which commenced on 1 October 2020. The term loan bears interest rates of 3.74% (2022: 3.84%) per annum.

Both facilities are secured by the following:

- Fixed deposits with licensed banks of the Group and the Company;
- Facility agreement;
- First party assignment over the office lots of the Company;
- Deed of assignment of rental proceeds;
- Executed fresh letter of authorisation, memorandum of deposit and letter of off-set; and
- Guarantee by a director of the Company.

Assets pledged as security of liabilities

The carrying amounts of assets pledged as security for borrowings are:

	Consolidated	
	2023	2022
	\$	\$
Security deposits	130,971	94,904
Freehold land and buildings	635,618	687,535
	<u>766,589</u>	<u>782,439</u>
At balance date, the following financing facilities had been negotiated and were available:		
	Total facilities	Total facilities
	2023	2022
	\$	\$
Term loan	1,337,861	490,450
Banker's acceptance	2,069,009	1,170,647
	<u>3,406,870</u>	<u>1,661,097</u>
	Facilities used	Facilities used
	2023	2022
	\$	\$
	(1,337,861)	(490,450)
	(882,035)	(434,812)
	<u>(2,219,896)</u>	<u>(925,262)</u>
Total facilities at balance date	<u><u>1,186,975</u></u>	<u><u>735,835</u></u>
	Unused facilities	Unused facilities
	2023	2022
	\$	\$
	-	-
	1,186,975	735,835

Note 18. Borrowings (continued)

Accounting policy for 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.

Borrowings are removed from the consolidated 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.

Note 19. Leases

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Current	32,668	37,050
<i>Non-current liabilities</i>		
Non-current	196,895	242,218
	<u>229,563</u>	<u>279,268</u>

Refer to note 26 for further information on financial instruments.

Accounting policy for 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.

Note 19. Leases (continued)

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.

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. No change or revise in lease terms during the financial year.

Note 20. Short-term provisions

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Provision for employee entitlements	51,146	40,530
<i>Non-current liabilities</i>		
Make good provision	333,819	333,819
	<u>384,965</u>	<u>374,349</u>

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 estimated expenditure to be incurred to reinstate the premises. 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.

Note 20. Short-term provisions (continued)

Accounting policy for provisions

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 consolidated statement of profit or loss and other 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.

Note 21. Issued capital

	Consolidated		
	2023	2022	2023
	Shares	Shares	\$
			\$
Ordinary shares - fully paid	<u>278,800,067</u>	<u>278,800,067</u>	<u>21,787,478</u>
			<u>21,787,478</u>

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.

	Consolidated	
	2023	2022
	\$	\$
Options		
At beginning of the year	-	-
Issued options	-	20,000,000
Expired options	-	(20,000,000)
At reporting date	<u>-</u>	<u>-</u>

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 2022.

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

Note 21. Issued capital (continued)

The working capital position of the Group was as follows:

Working Capital	Consolidated	
	2023	2022
	\$	\$
Cash and cash equivalents (note 8)	59,767	117,528
Trade and other receivables (note 9)	1,047,928	1,321,880
Inventories (note 10)	658,168	1,411,962
Income tax refund due (note 12)	91,735	68,204
Other current assets (note 13)	450,225	1,146,780
Trade and other payables (note 16)	(2,924,872)	(2,269,349)
Contract liabilities (note 17)	(59,867)	(52,851)
Current borrowings (note 18)	(929,789)	(483,087)
Leases (note 19)	(32,668)	(37,050)
Provisions (note 20)	(1,851,146)	(40,530)
Total Working Capital	<u>(3,490,519)</u>	<u>1,183,487</u>

Accounting policy for issued capital

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.

Note 22. Reserves

	Consolidated	
	2023	2022
	\$	\$
Foreign currency reserve	(95,559)	(99,952)
Share-based payment reserve	-	-
	<u>(95,559)</u>	<u>(99,952)</u>

Foreign currency reserve

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

Share-based payments reserve

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

Note 23. Accumulated losses

	Consolidated	
	2023	2022
	\$	\$
Accumulated losses at the beginning of the financial year	(18,858,234)	(17,405,332)
Loss after income tax expense for the year	(4,805,763)	(1,452,902)
Transfer from options reserve	-	-
Accumulated losses at the end of the financial year	<u>(23,663,997)</u>	<u>(18,858,234)</u>

Note 24. Non-controlling interest

	Consolidated	
	2023	2022
	\$	\$
Non-controlling interest	<u>(1,414,081)</u>	<u>(1,272,718)</u>

Note 25. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 26. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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.

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. 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.

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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 MYR functional currency of the Group.

Note 26. Financial instruments (continued)

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	2023	2022	2023	2022
Australian dollars				
US dollars	0.6644	0.6947	0.6840	0.6775
MY Ringgit	3.0297	3.0535	3.1416	2.9898
Indian Rupee	54.8696	54.54	56.88	56.06
SG Dollar	0.8922	0.9575	0.9014	0.9102

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date on its original currencies were as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
Consolidated				
US dollars	801,744	870,799	(2,560,810)	(2,494,198)
MY Ringgit	9,813,699	12,799,782	(9,009,935)	(10,458,652)
Indian Rupee	-	-	-	-
SG Dollar	-	-	(9,465)	(2,830)
	<u>10,615,443</u>	<u>13,670,581</u>	<u>(11,580,210)</u>	<u>(12,955,680)</u>

If the relevant foreign currencies is strengthened by 15% against the functional currency of the Group, the effect in equity will increase/decrease by:

	AUD strengthened		AUD weakened	
	% change	Effect on equity	% change	Effect on equity
Consolidated - 2023				
US dollars	15%	385,760	(15%)	(385,760)
MY Ringgit	15%	(38,377)	(15%)	38,377
Indian Rupee	15%	-	(15%)	-
Singapore Dollar	15%	1,575	(15%)	(1,575)
		<u>348,958</u>		<u>(348,958)</u>

	AUD strengthened		AUD weakened	
	% change	Effect on equity	% change	Effect on equity
Consolidated - 2022				
US dollars	15%	117,456	(15%)	(117,456)
MY Ringgit	15%	(359,424)	(15%)	359,424
Indian Rupee	15%	-	(15%)	-
Singapore Dollar	15%	425	(15%)	(425)
		<u>(241,543)</u>		<u>241,543</u>

The opposite applies if the relevant foreign currencies weaken by 15% against the functional currency of the Group.

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.

Note 26. Financial instruments (continued)

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.

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.

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 expected credit losses 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 consolidated 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 is disclosed in note 9.

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.

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, contract liabilities, borrowings and lease liabilities 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.

Note 26. Financial instruments (continued)

Remaining contractual maturities

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

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the consolidated statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2023						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	(2,724,872)	-	-	-	(2,724,872)
<i>Interest-bearing - variable</i>						
Borrowings	5.12%	(929,789)	(22,378)	(70,851)	(314,844)	(1,337,862)
Leases	3.74%	(229,564)	(12,589)	(39,857)	(177,117)	(459,127)
Total non-derivatives		<u>(1,159,353)</u>	<u>(34,967)</u>	<u>(110,708)</u>	<u>(491,961)</u>	<u>(1,796,989)</u>
Consolidated - 2022						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	(2,269,349)	-	-	-	(2,269,349)
<i>Interest-bearing - variable</i>						
Borrowings	4.185%	(503,304)	(29,752)	(94,425)	(420,513)	(1,047,994)
Leases	3.61%	(38,388)	(15,582)	(49,108)	(217,313)	(320,391)
Total non-derivatives		<u>(2,811,041)</u>	<u>(45,334)</u>	<u>(143,533)</u>	<u>(637,826)</u>	<u>(3,637,734)</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position where the consolidated entity currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount shows the impact on the consolidated entity's statement of financial position if all set off rights were exercised.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. Refer to note 1 for accounting policy on fair value measurement.

Note 27. Fair value measurement

Valuation techniques for fair value measurements categorised within level 2 and level 3

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:

Note 27. Fair value measurement (continued)

- 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.

Note 28. Key management personnel disclosures

Directors

The following persons were directors and key management personnel of Holista Colltech Limited during the financial year:

Dr Rajen Manicka	Managing Director and Chief Executive Officer
Mr David Deloub	Non-Executive Chairman
Mrs Loren King	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.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits*	410,574	438,685
Post-employment benefits - Defined contribution superannuation funds and fees	58,466	63,915
Share-based payments	-	-
	469,040	502,600

* Short-term employee benefits in year 2022 include other benefits of \$6,302, which represents \$6,000 in fees paid to Walter Joseph for ISO certificate consultation and \$302 to Rajen Manicka for other statutory employee benefit.
There are no other benefits included in Short-term employee benefits for the year 2023

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Stantons, the auditor of the company:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services - Audit or review of the financial statements</i>		
Stantons	77,741	71,023
Russell Bedford LC & Company	39,608	37,006
Other	594	589
Taxation services provided by a related practice of the Auditor	5,050	5,510
	<u>122,993</u>	<u>114,128</u>

Note 30. Contingent liabilities

ProlImmune Company LLC ("Pro immune")

The present lawsuit involves four claims brought by Proimmune against the Company for breach of four distinct contracts which seeks total damages of USD 2 million. The Company has completed the discovery phase of the litigation where after attempting to seek dismissal of the claims brought against it, the Company has answered the complaint of ProlImmune Company LLC and asserted its own counterclaims against ProlImmune for breach of contract as well as one claim for breach of express warranty, both of which seeking monetary damages in excess of USD300,000 plus interest.

With the completion of the discovery phase of the litigation, both sides have filed respectively their own motions for summary judgment in September 2021, which effectively seeks a judgment without trial on either sides' respective claims and/or defences. The court granted partial summary judgment on the issue of liability in favour of ProlImmune, however failed to award any damages until it received further legal briefing on whether or not (a) ProlImmune had a duty to mitigate its damages (in which case it could likely be awarded nothing or an amount to be determined) and (b) whether the last contract entered into by the parties was still in full force and effect.

The Court granted its summary judgement on the issue of liability including legal costs of approximately USD 2.06 million in favour of ProlImmune in January 2024. Based on the Company's legal advice, this is a non-final Judgement and the Judgement is pending appeal and to this extent there has been no meaningful settlement discussion that have taken place between the parties. The Company have filed an appeal on 4 March 2024 on this non final Judgement where it is expected briefing of the appeal will take place over the next 30 to 60 days thereof and it is expected that a decision on the appeal may be forthcoming no sooner than Q3 of 2024.

At the date of this report, pending the outcome of the appeal, it is premature to estimate any material contingent liabilities for this case.

ASIC

The Australian Securities and Investments Commission (ASIC) has commenced Federal Court proceedings against the Company on 5 August 2021. The proceedings relate to allegedly false and misleading statements with respect to Holista's sanitiser products over a posted YouTube video on its efficacy and partnership with Global Infection Control Consultants (GICC), which are said to have been disseminated by the Company in the period from January 2020 to July 2020. ASIC also claims that between April and July 2020 the Company was in breach of its continuous disclosure obligations. The proceedings also alleged that Dr Marnicka, the Company's Chairman, Managing Director and CEO, breached his director's duties to the Company by causing or permitting the Company to engage in the conduct complained of by ASIC.

The Company and its directors, being the defendants of this case, have filed their respective concise statements to the Court in 2021. A mediation on this matter was held on 28 April 2022 but with no avail and was ended by ASIC. The Company have also filed in the expert evidence on which they intend to rely on at trial, the defendants' and witnesses' affidavits or a written outline of evidence they anticipate giving at trial to the Court on 24 February 2023. The case management was completed on 1 March 2023 with ordered evidence submission deadlines to be met by the plaintiff ie ASIC by 29 March 2023 and the defendants by 26 April 2023. The trial is set tentatively for 2 weeks from 9 to 20 October 2023 (inclusive) followed by 1 week in reserve from 4 to 8 December 2023 (inclusive).

Prior to the trial dates scheduled in October 2023, a second mediation was accorded on 14 September 2023 as per the Court directive. During the said mediation, both ASIC and Dr Manicka have agreed on the reduced allegations to only continuous disclosures obligations and penalties was ascertained. Subject to the Court final determination, Dr Marnicka shall be disqualified from managing a corporation for a period of 4 years and payment of a pecuniary penalty of \$150,000 plus reimbursement of ASIC's costs of investigation and litigation in the sum of \$200,000. These pecuniary penalties are covered by the Directors and Officers insurance policy.

The mediation was then extended to 18 September 2023 where both ASIC and the Company could not reach an agreement on the quantum of pecuniary penalty for breaching the reduced allegation of continuous disclosure obligations. The mediation was then called off and with the cancellation of further mediation scheduled initially on 2 November 2023, both ASIC and the Company have decided to sort the Court determination on pecuniary penalty in the hearing dates set on 6 and 7 of December 2023.

The proceeding was held on 6 December 2023 with a new Judge and the matter was initially scheduled to take two full days, however the proceedings completed at the end of the first day. ASIC is seeking civil pecuniary penalties against the Company as a result of the alleged failures by the Company to update the market. ASIC is also seeking costs orders against the Company. Judgement was reserved following the conclusion of the hearing.

The Federal Court justice Sarah C Derrington delivered her judgement on 19 March 2024 where the Company is to pay a pecuniary penalty of \$1.8 million, Dr Marnicka shall be disqualified from managing a corporation for a period of 4 years and the Company is to pay ASIC legal proceeding costs in so far as they exceed \$200,000 to be taxed, if not agreed. Within 14 days of service of the Order, the Company and ASIC to file and serve written submissions as to whether the pecuniary penalty ordered to be paid by the Company should be paid in instalments.

Inline with the judgement, the Company have provided a liability of \$2 million for the financial year ended 31 December 2023.

The prosecution commenced by ASIC in relation with Directors, Ex-Directors, and Ex-Company Secretaries is coverable by the insurer of Director and Officers insurance policy.

The Board has confirmed that as of the date of this report, other than those detailed above, there are no known additional costs, fees, or penalties associated with the above.

Note 31. Commitments

The Group has no capital commitments at 31 December 2023 (31 December 2022: \$nil).

Note 32. Related party transactions

Parent entity

Holista Colltech Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2023	2022
	\$	\$
Transactions (P/L impact):		
Professional fees paid to Sumita K & Associates for provision of legal advice. Mrs Sumita's husband is a director of the Holista Biotech Sdn Bhd	11,883	11,790
Director fee paid to Mrs Sumita	11,883	11,790
Consulting fees paid to Samabudi Consulting Sdn Bhd which certain directors of Holista Biotech Sdn Bhd have interest	47,530	47,158
Legal fees paid by the Group on behalf of its directors, ex-company secretary and ex-director, with insurance refund	-	(60,544)
Transactions (BS impact)		
Loans to Galen Biomedical Inc., an entity 75% owned by Rajen Manicka	542,339	547,542

Receivable from and payable to related parties

Included in trade receivables is an amount due from iGalen (companies in which director has interest) of \$nil (2022: \$nil).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2023	2022
	\$	\$
Loss after income tax	(5,662,089)	(1,245,701)
Total comprehensive income	(5,662,089)	(1,245,701)

Holista Colltech Limited
Notes to the consolidated financial statements
31 December 2023

Note 33. Parent entity information (continued)

Statement of financial position

	Parent	
	2023	2022
	\$	\$
Total current assets	115,505	910,234
Total non-current assets	155,314	2,270,094
Total assets	270,819	3,180,328
Total current liabilities	2,350,756	264,209
Total non-current liabilities	1,073,863	407,830
Total liabilities	3,424,619	672,039
Equity		
Issued capital	20,296,403	20,296,403
Share-based payment reserve	-	-
Accumulated losses	(23,450,203)	(17,788,114)
Total equity	<u>(3,153,800)</u>	<u>2,508,289</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

There are no guarantees entered into by Holista Colltech Limited for the debts of its subsidiaries as at 31 December 2023 (2022: Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Holista Colltech Limited
Notes to the consolidated financial statements
31 December 2023

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Holista Biotech Sdn Bhd	Malaysia	100.00%	100.00%
Total Health Concept Sdn Bhd	Malaysia	100.00%	100.00%
Alterni (M) Sdn Bhd	Malaysia	100.00%	100.00%
Medi Botanics Sdn Bhd	Malaysia	100.00%	100.00%
Revonutrix Sdn Bhd	Malaysia	100.00%	100.00%
Holista Ingredients India Private Ltd *	India	51.00%	51.00%
Holista Infection Control Pte Ltd	Singapore	100.00%	100.00%
LiteFoods Inc **	USA	53.00%	53.00%
Holista Foods Inc. (74% owned by LiteFoods Inc.)	USA	39.00%	39.00%
HF Pre IPO Fund I LLC	USA	67.00%	67.00%
Ovicoll LLC ***	USA	100.00%	100.00%
Holista Life LLC ***	USA	100.00%	100.00%

* Incorporated in 2018. The company has been deregistered.

** Lite Foods Inc. is 53% owned by the Group with the remaining 47% being held by private shareholders including the company's previous director, Mr Chan Heng Fai.

*** Incorporated in year 2020. Inactive since incorporation.

Note 34. Interests in subsidiaries (continued)

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	LiteFoods Group(LiteFoods Inc. and Holista Foods Inc.)		HF Pre IPO Fund I LLC	
	2023	2022	2023	2022
	\$	\$	\$	\$
<i>Summarised statement of financial position</i>				
Current assets	618,542	679,513	600,042	605,799
Non-current assets	-	-	-	-
Total assets	618,542	679,513	600,042	605,799
Current liabilities	3,743,874	3,656,053	25,177	25,419
Total liabilities	3,743,874	3,656,053	25,177	25,419
Net assets/(liabilities)	(3,125,332)	(2,976,540)	574,865	580,380
<i>Summarised statement of profit or loss and other comprehensive income</i>				
Revenue and other income	80,493	1,025,898	-	-
Expenses	(267,322)	(1,139,311)	-	-
Loss before income tax expense	(186,370)	(113,413)	-	-
Income tax expense	(1,942)	(1,126)	-	-
Loss after income tax expense	(188,771)	(114,539)	-	-
Other comprehensive income	39,979	29,438	(5,515)	-
Total comprehensive income	(148,792)	(85,101)	(5,515)	-
<i>Statement of cash flows</i>				
Net cash (used in) operating activities	-	(778)	-	-
Net cash generated from/(used in) investing activities	-	-	-	-
Net cash provided by financing activities	-	-	-	-
Net (decrease) in cash and cash equivalents	-	(778)	-	-

Holista Colltech Limited
Notes to the consolidated financial statements
31 December 2023

Note 36. Reconciliation of loss after income tax to net cash (used in) operating activities

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax expense for the year	(4,919,087)	(1,522,130)
Adjustments for Non-cash items:		
Depreciation and amortisation	239,773	273,952
Interest income	-	-
Foreign exchange loss	-	-
Non-cash payment in lieu of services (through shares)	-	80,000
Stocks written-off – Finished goods	166,854	228,976
Net share-based payments (reversed)/expensed	-	-
Impairment	886,700	134,252
Interest on lease liabilities	-	-
ASIC Penalty	1,800,000	-
Other – stock written off	-	-
Change in operating assets and liabilities:		
Decrease(Increase) in trade and other receivables	273,952	308,749
(Increase) in inventories	753,794	(92,225)
(Increase) in prepayments	204,166	(48,442)
Increase/(decrease) in trade and other payables	177,947	(478,964)
Increase/(decrease) in other provisions	10,616	6,034
(Decrease) in tax balances	(1,834)	(1,646)
Net cash (used in) operating activities	<u>(407,121)</u>	<u>(1,111,444)</u>

Note 37. Changes in liabilities arising from financing activities

	Short-term borrowings	Long-term borrowings	Leases	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 January 2022	364,882	417,774	107,667	890,323
Cash flows	118,205	39,788	(37,140)	120,853
Exchange differences	-	-	-	-
Other changes	-	-	208,741	208,741
Balance at 31 December 2022	483,087	457,562	279,268	1,219,917
Cash flows	486,793	(28,392)	(41,090)	417,310
Exchange differences	-	-	-	-
Other Changes	(40,091)	(21,097)	(8,615)	(69,802)
Balance at 31 December 2023	<u>929,789</u>	<u>408,073</u>	<u>229,563</u>	<u>1,567,425</u>

Note 38. Earnings per share

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax	(4,919,087)	(1,522,130)
Non-controlling interest	113,324	69,228
Loss after income tax attributable to the owners of Holista Colltech Limited	<u>(4,805,763)</u>	<u>(1,452,902)</u>

Note 38. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	278,800,067	276,821,233
Weighted average number of ordinary shares used in calculating diluted earnings per share	278,800,067	276,821,233
	Cents	Cents
Basic loss per share	(1.72)	(0.52)
Diluted loss per share	(1.72)	(0.52)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Holista Colltech Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

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

All potential fully paid ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

Holista Colltech Limited
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Deloub
Non-Executive Chair

28 March 2023

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HOLISTA COLLTECH LIMITED**

Report on the Audit of the Financial Report***Opinion***

We have audited the financial report of Holista Colltech Limited ("the Company"), and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other 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 2023 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 report.

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

Material Uncertainty Relating to Going Concern

As referred to in Note 1 to the financial statements, the financial statements have been prepared on a going concern basis. On 31 December 2023, the Group had cash and cash equivalents totalling \$59,767, net deficiencies of \$3,386,159, incurred a loss after tax for the year of \$4,919,087 and incurred net cash outflows from operating activities of \$409,667.

These matters, and other matters disclosed in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern.

The ability of the Group to continue as a going concern is subject to the future profitability of the Group, and the ability of management to collect the receivables and sell its inventories. The Group's ability to generate revenue from its operations also depends on the proper utilisation of its property, plant and equipment, intangible assets and right-of-use assets.

In the event that the Group is not successful in commencing profitable operations, collecting receivables, selling the inventories and properly utilising its non-current assets, the Group may not be able to meet its liabilities as 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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be Key Audit Matters to be communicated in our report.

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 period. 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 matters were addressed in the audit
<p>Revenue recognition</p> <p>For the financial year ended 31 December 2023, the Group's sales revenue amounted to \$5,946,909 (2022: \$8,241,225). The Group earns revenue from different business streams, with each stream having differing revenue recognition points under the Group's revenue recognition policies (Note 4).</p> <p>On the basis of the significant of the amount to the consolidated financial statements and the processes used to determine the recognition point, we have considered revenue recognition as a key audit matter.</p>	<p>Inter alia, our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Obtained a detailed understanding of each of the sources of revenue and the related systems processes for quantifying and recording revenue; ▪ Evaluated a sample of contracts, identified performance obligations, and agreed revenue amounts to the records, including supporting billing system and bank records; ▪ Performed cut-off procedures to ensure that the revenue is recognised in the correct period; ▪ Assessed the consistency of the Group's accounting policies in respect of revenue recognition with the criteria prescribed by the applicable standard, AASB 15 <i>Revenue from contract with customers</i>; and ▪ Assessed the adequacy of the related disclosures within the consolidated financial statements.
<p>Allowance for credit losses against trade and other receivables</p> <p>As at 31 December 2023, the Group's trade and other receivables gross balance amounted to \$3,585,683 (2022: \$3,887,362).</p> <p>Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective</p>	<p>Inter alia, our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Reviewed methodology applied in the allowance for credit loss calculation by comparing it to the requirements of AASB 9 <i>Financial Instruments</i> and tested key underlying assumptions used by

Key Audit Matters	How the matters were addressed in the audit
<p>interest method, less any allowance for credit losses (Note 9).</p> <p>The allowance for expected credit losses represents management's best estimate of the impairment losses incurred at the balance date. The Group assessed impairment on a forward-looking basis and applied the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. As at 31 December 2023, the Group recognised allowance for credit losses of \$2,537,755 (2022: \$2,565,482) for its trade and other receivables.</p> <p>Calculation of allowance for credit losses is a complex area and requires management to make significant assumptions on the customer payment behaviour and other relevant risk characteristics such as historical information and estimating the level and timing of expected future cashflows. On this basis, we identified provisioning allowance for expected credit losses as a key audit matter.</p>	<p>management to calculate the impairment provision;</p> <ul style="list-style-type: none"> ▪ Held discussion with management and challenged the judgments and estimates used to determine if provision is required with reference to supporting documentation and external evidence where applicable; ▪ Reviewed the working papers of component auditor with great care and in accordance with the requirements of ASA 600; and ▪ Assessed the adequacy of the related disclosures within the consolidated financial statements.
<p>Inventory valuation and existence</p>	
<p>As at 31 December 2023, the Group's inventories (excluding stock-in-transit) amounted to \$464,348 (2022: \$1,411,962).</p> <p>Inventories are carried at the lower of cost and net realisable value on a first-in-first-out basis for both raw materials and finished goods (Note 10).</p> <p>Inventory valuation and existence was identified as a key audit matter because of the variety and volume of inventory items which are management across 4 warehouses in Malaysia and the judgment applied in the valuation of inventory.</p>	<p>Inter alia, our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Performed stock-take procedures and agreed the samples to the final inventory listing and obtained explanations for any variances noted; ▪ Performed substantive testing to ensure that the inventories have been recorded on a first-in-first-out basis; ▪ Reviewed the final stock listing for any slow-moving and obsolete stock; ▪ Recalculated inventory valuation allowance as appropriate; and ▪ Assessed the adequacy of the related disclosures within the consolidated financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Group 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 Group 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 Group'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 Group 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 Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group 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 the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit 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

Opinion on the Remuneration Report

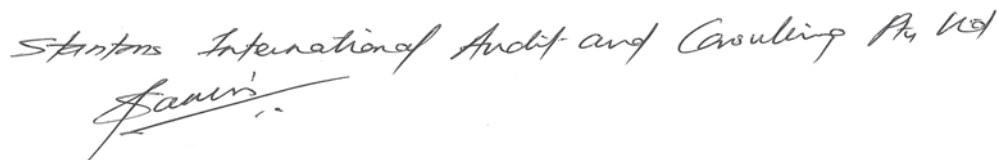
We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Holista Colltech Limited for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)



Samir Tirodkar

Director

West Perth, Western Australia

28 March 2024

HOLISTA COLLTECH LIMITED
ACN 094 515 992
(Company)

Corporate Governance Statement

This Corporate Governance Statement is current as at 28 March 2024 and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company will, as at the date it is admitted to the official list of the ASX, follow the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations – 4th Edition (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons provided for not following them along with what (if any) alternative governance practices the Company intends to adopt in lieu of the recommendation.

The Company has adopted a Corporate Governance Plan which provides the written terms of reference for the Company's corporate governance duties.

Due to the current size and nature of the existing Board and the scale of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage, the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

The Company's Corporate Governance Plan is available on the Company's website at www.holistaco.com

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<i>Principle 1: Lay solid foundations for management and oversight</i>		
Recommendation 1.1 (a) A listed entity should have and disclose a board charter which sets out the respective roles and responsibilities of the Board, the Chair and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.	YES	<p>The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management.</p> <p>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.</p> <p>A copy of the Company's Board Charter, which is part of the Company's Corporate Governance Plan, is available on the Company's website.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a Director; and</p> <p>(a) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.</p>	YES	<p>(a) The Company has guidelines for the appointment and selection of the Board and senior executives in its Corporate Governance Plan. The Company's Nomination Committee Charter (in the Company's Corporate Governance Plan) requires the Nomination Committee (or, in its absence, the Board) to ensure appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director. In the event of an unsatisfactory check, a Director is required to submit their resignation.</p> <p>(b) Under the Nomination Committee Charter, all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.</p>
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	YES	<p>The Company's Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is personally a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p> <p>The Company has written agreements with each of its Directors and senior executives.</p>
<p>Recommendation 1.4</p> <p>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.</p>	YES	<p>The Board Charter outlines the roles, responsibilities and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</p>
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p> <p>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</p> <p>(c) disclose in relation to each reporting period:</p>	YES	<p>(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish, achieve and measure diversity objectives, including in respect of gender diversity. The Diversity Policy is available, as part of the Corporate Governance Plan, on the Company's website.</p> <p>(b) The Diversity Policy allows the Board to set measurable gender diversity objectives and to continually monitor both the objectives and the Company's progress in achieving them.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>(i) the measurable objectives set for that period to achieve gender diversity;</p> <p>(ii) the entity's progress towards achieving those objectives; and</p> <p>(iii) either:</p> <p>(A) the respective proportions of men and women on the Board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act. If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	N/A	<p>(c) The measurable diversity objectives for each financial year (if any), and the Company's progress in achieving them, will be detailed in the Company's Annual Report</p> <p>(i) the Board currently has 1 woman Director of the Company. The board does not anticipate there will be a need to appoint any new Directors or senior executives due to the scale of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans;</p> <p>(ii) if it becomes necessary to appoint any new Directors or senior executives, the Board will consider the application of the measurable diversity objectives and determined whether, given the small size of the Company and the Board, requiring specified objectives to be met will unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing the best person for the job; and</p> <p>(iii) 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) for each financial year will be disclosed in the Company's Annual Report.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>Recommendation 1.6</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	YES	<p>(a) The Company's Nomination Committee is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company's Corporate Governance Plan, which is available on the Company's website.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the Board, its committees (if any) and individual Directors for each financial year in accordance with the above process.</p>
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	YES	<p>(a) The Company's Nomination Committee (is responsible for evaluating the performance of the Company's senior executives on an annual basis. The Company's Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director.</p> <p>The applicable processes for these evaluations can be found in the Company's Corporate Governance Plan, which is available on the Company's website.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the senior executives (if any) for each financial year in accordance with the applicable processes.</p> <p>At this stage, due to the current size and nature of the existing Board and the scale of the Company's operations, the Company has not appointed any senior executives other than the Executive Director.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
Principle 2: Structure the Board to be effective and add value		
<p>Recommendation 2.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <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: (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 <p>(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, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	YES	<p>(a) The Board has a Nomination Committee made up of three independent directors.</p> <p>The Nomination Committee members are Loren King, David Deloub and Mr Lai Kwok Kin.</p> <p>The Charter of the committee is located in the Company Corporate Governance Plan. The Committee met 4 times throughout the year.</p>
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership.</p>	YES	<p>Under the Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee is required to prepare a Board skills matrix setting out the mix of skills that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills to discharge its obligations effectively and to add value and to ensure the Board has the ability to deal with new and emerging business and governance issues.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION																																
		<p>The Company has 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. A copy will be available in the Company’s Annual Report.</p> <table><tr><th>Board Skills Matrix</th><th>Number of Directors that meet the skill</th></tr><tr><td>Executive and Non-Executive experience</td><td>3</td></tr><tr><td>Industry experience and knowledge</td><td>3</td></tr><tr><td>Leadership</td><td>3</td></tr><tr><td>Corporate governance and risk management</td><td>3</td></tr><tr><td>Strategic thinking</td><td>3</td></tr><tr><td>Desired behavioural competencies</td><td>3</td></tr><tr><td>Geographic experience</td><td>3</td></tr><tr><td>Capital markets experience</td><td>3</td></tr><tr><td>Accounting</td><td>1</td></tr><tr><td>Capital management</td><td>3</td></tr><tr><td>Corporate financing</td><td>3</td></tr><tr><td>Industry taxation¹</td><td>0</td></tr><tr><td>Risk management</td><td>2</td></tr><tr><td>Legal²</td><td>0</td></tr><tr><td>IT expertise³</td><td>0</td></tr></table> <p>1. Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.</p> <p>2. Skill gap noticed however an external legal firm is employed to maintain legal requirements.</p> <p>3. Skill gap noticed however an external IT firm is employed on an adhoc basic to maintain IT requirements.</p> <p>The Board Charter requires the disclosure of each Board member’s qualifications and expertise. Full details as to each Director and senior executive’s relevant skills and experience will be available in the Company’s Annual Report.</p>	Board Skills Matrix	Number of Directors that meet the skill	Executive and Non-Executive experience	3	Industry experience and knowledge	3	Leadership	3	Corporate governance and risk management	3	Strategic thinking	3	Desired behavioural competencies	3	Geographic experience	3	Capital markets experience	3	Accounting	1	Capital management	3	Corporate financing	3	Industry taxation ¹	0	Risk management	2	Legal ²	0	IT expertise ³	0
Board Skills Matrix	Number of Directors that meet the skill																																	
Executive and Non-Executive experience	3																																	
Industry experience and knowledge	3																																	
Leadership	3																																	
Corporate governance and risk management	3																																	
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Geographic experience	3																																	
Capital markets experience	3																																	
Accounting	1																																	
Capital management	3																																	
Corporate financing	3																																	
Industry taxation ¹	0																																	
Risk management	2																																	
Legal ²	0																																	
IT expertise ³	0																																	
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the Directors considered by the Board to be independent Directors;</p>	YES	<p>(a) The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Board considers there are two independent Directors</p> <p>(b) complies</p> <p>(c) The Company’s Annual Report will disclose the length of service of each Director, as at the end of each financial year.</p>																																

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
(b) if a Director has an interest, position or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendations (4th Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position or relationship in question and an explanation of why the Board is of that opinion; and the length of service of each Director		
Recommendation 2.4 A majority of the Board of a listed entity should be independent Directors.	YES	The Company's Board Charter requires that, where practical, the majority of the Board should be independent. The Board currently comprises a total of 3 directors, 3 of whom are considered to be independent. As such, independent directors currently comprise the majority of the Board.
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	The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director. The Chair of the Company is an independent Director and is not the CEO/Managing Director.
Recommendation 2.6 A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively.	YES	In accordance with the Company's Board Charter, the Nomination Committee 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. The Company Secretary is responsible for facilitating inductions and professional development including receiving briefings on material developments in laws, regulations and accounting standards relevant to the Company.
Principle 3: Instil a culture of acting lawfully, ethically and responsibly		
Recommendation 3.1 A listed entity should articulate and disclose its values.	YES	(a) The Company is committed to conducting all of its business activities fairly, honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board, management and employees are dedicated to high ethical standards and recognise and support the Company's commitment to compliance with these standards.

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
		(b) The Company's values are set out in its Code of Conduct (which forms part of the Corporate Governance Plan) and are available on the Company's website. All employees are given appropriate training on the Company's values and senior executives will continually reference such values.
Recommendation 3.2 A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a code of conduct for its Directors, senior executives and employees; and (b) ensure that the Board or a committee of the Board is informed of any material breaches of that code. 	YES	<ul style="list-style-type: none"> (a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees. (b) The Company's Corporate Code of Conduct (which forms part of the Company's Corporate Governance Plan) is available on the Company's website. Any material breaches of the Code of Conduct are reported to the Board or a committee of the Board.
Recommendation 3.3 A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a whistleblower policy; and (a) ensure that the Board or a committee of the Board is informed of any material incidents reported under that policy. 	YES	The Company's Whistleblower Protection Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Whistleblower Protection Policy are to be reported to the Board or a committee of the Board.
Recommendation 3.4 A listed entity should: <ul style="list-style-type: none"> (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the Board or committee of the Board is informed of any material breaches of that policy. 	YES	The Company's Anti-Bribery and Anti-Corruption Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Anti-Bribery and Anti-Corruption Policy are to be reported to the Board or a committee of the Board.
Principle 4: Safeguard the integrity of corporate reports		
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: 	YES	<ul style="list-style-type: none"> (a) The Company has an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee with at least three members, all of whom must be non-executive Directors, and majority of the Committee must be independent Directors. The Committee must be chaired by an independent Director who is not the Chair. <ul style="list-style-type: none"> (i) The audit and risk committee has three members, all of which are independent non-executive Directors

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<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 <p>(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 corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<ul style="list-style-type: none"> (ii) The audit and risk committee is chaired by Loren King who is not the Chair of the board. (iii) The charter of the committee is disclosed on the Company website. (iv) The qualifications of the members of the committee are disclosed in this Annual Report. (v) The Committee met 4 times during the past financial year.
<p>Recommendation 4.2</p> <p>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.</p>	YES	<p>The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms.</p> <p>The Company intends to obtain a sign off on these terms for each of its financial statements in each financial year.</p>
<p>Recommendation 4.3</p> <p>A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	YES	<p>The Company will include in each of its (to the extent that the information contained in the following is not audited or reviewed by an external auditor):</p> <ul style="list-style-type: none"> (a) annual reports or on its website, a description of the process it undertakes to verify the integrity of the information in its annual directors' report; (b) quarterly reports, or in its annual report or on its website, a description of the process it undertakes to verify the integrity of the information in its quarterly reports; (c) integrated reports, or in its annual report (if that is a separate document to its integrated report) or on its website, a description of the process it undertakes to verify the integrity of the information in its integrated reports; and

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
		(d) periodic corporate reports (such as a sustainability or CSR report), or in its annual report or on its website, a description of the process it undertakes to verify the integrity of the information in these reports.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	YES	(a) The Company's Corporate Governance Plan details the Company's Continuous Disclosure policy. (b) The Corporate Governance Plan, which incorporates the Continuous Disclosure policy, is available on the Company's website.
Recommendation 5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	YES	Under the Company's Continuous Disclosure Policy (which forms part of the Corporate Governance Plan), all members of the Board will receive material market announcements promptly after they have been made.
Recommendation 5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	YES	All substantive investor or analyst presentations will be released on the ASX Markets Announcement Platform ahead of such presentations.
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.
Recommendation 6.2 A listed entity should have an investor relations program that facilitates 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 Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's Corporate Governance Plan.

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
Recommendation 6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	YES	Shareholders are encouraged to participate at all general meetings, including the annual general meeting of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting. All substantive resolutions at securityholder meetings will be decided by a poll rather than a show of hands.
Recommendation 6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	YES	All substantive resolutions at securityholder meetings will be decided by a poll rather than a show of hands.
Recommendation 6.5 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	The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications 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 queries should be referred to the Company Secretary at first instance.
Principle 7: Recognise and manage risk		
Recommendation 7.1 The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and	YES	(a) The Company has an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee with at least three members, all of whom must be non-executive Directors, and majority of the Committee must be independent Directors. The Committee must be chaired by an independent Director who is not the Chair. A copy of the Corporate Governance Plan is available on the Company's website.

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
<p>(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</p> <p>(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.</p>		
<p>Recommendation 7.2</p> <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	YES	<p>(a) The Audit and Risk Committee Charter requires that the Audit and Risk Committee should, at least annually, satisfy itself that the Company's risk management framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose at least annually whether such a review of the Company's risk management framework has taken place.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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 governance, risk management and internal control processes.</p>	YES	<p>(a) The Audit and Risk Committee Charter provides for the Audit and Risk Committee to monitor and periodically review the need for an internal audit function, as well as assessing the performance and objectivity of any internal audit procedures that may be in place.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	YES	<p>The Audit and Risk Committee Charter requires the Audit and Risk Committee to assist management to determine whether the Company has any potential or apparent exposure to environmental or social risks and, if it does, put in place management systems, practices and procedures to manage those risks.</p> <p>The Company's Corporate Governance Plan requires the Company to disclose whether it has any potential or apparent exposure to environmental or social risks and, if it does, put in place management systems, practices and procedures to manage those risk.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
		<p>Where the Company does not have material exposure to environmental or social risks, report the basis for that determination to the Board, and where appropriate benchmark the Company's environmental or social risk profile against its peers.</p> <p>The Company will disclose this information in its Annual Report.</p>
Principle 8: Remunerate fairly and responsibly		
<p>Recommendation 8.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	YES	<p>(a) The Company has a remuneration committee which is made up of three independent directors.</p> <p>(b) The Charter of the committee is found on the Company website.</p> <p>(c) The Members of the committee are Loren King, David Deloub and Lai Kwok Kin</p> <p>(d) The committee met 4 times during the past financial year.</p>
<p>Recommendation 8.2</p> <p>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.</p>	YES	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed in the remuneration report contained in the Company's Annual Report as well as being disclosed on the Company's website.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p>	YES	<p>(a) The Company does not have an equity-based remuneration scheme. The Company does not 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.</p>

RECOMMENDATIONS (4 TH EDITION)	COMPLY	EXPLANATION
(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.		
<i>Additional recommendations that apply only in certain cases</i>		
Recommendation 9.1 A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.		Not Applicable
Recommendation 9.2 A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.		Not Applicable
Recommendation 9.3 A listed entity established outside Australia, and an externally managed 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.		Not Applicable

Holista Colltech Limited
Shareholder information
31 December 2023

The shareholder information set out below was applicable as at 28 March 2024.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	4,850	-
1,001 to 5,000	160,887	0.06
5,001 to 10,000	1,087,873	0.39
10,001 to 100,000	21,812,383	7.82
100,001 and over	255,734,074	91.73
	<u>278,800,067</u>	<u>100.00</u>
Holding less than a marketable parcel	623	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
GALEN BIOMEDICAL INC	58,514,245	20.99
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	36,305,083	13.02
818 CORPORATE PTY LTD <818 A/C>	13,544,100	4.86
MS SARINDERJIT KAUR	9,675,785	3.47
CITICORP NOMINEES PTY LIMITED	8,201,949	2.94
MR ROBERT GEMELLI	7,915,016	2.84
MR ANTHONY ROBERT RAMAGE	7,859,500	2.82
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,829,702	2.81
FAIRVIEW HOLDINGS PTY LTD <THE MANJULE SUPER A/C>	6,358,570	2.28
123 HOME LOANS PTY LTD	5,300,000	1.90
BNP PARIBAS NOMS PTY LTD UOBKH A/C R'MIERS	4,258,201	1.53
DRISCOLL FUTURE PTY LTD <DRISCOLL SUPER FUND A/C>	3,750,000	1.35
MR HIMMAT SINGH	3,500,000	1.26
CHANDRA SEKARAN P PERUMAL	3,333,333	1.20
IDE SUPER PTY LTD <IDE SUPER FUND A/C>	3,005,221	1.08
PERPETUAL CAPITAL INVESTMENTS PTY LTD	3,000,000	1.08
JAZ FUTURE FUND PTY LTD <ARR SUPERANNUATION FUND A/C>	2,515,500	0.90
MRS JALPABEN NILESHKUMAR SHAH	2,230,864	0.83
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,131,422	0.76
MR PETER KLIMIS	1,876,029	0.67
	<u>191,038,282</u>	<u>68.52</u>

Unquoted equity securities

There are no unquoted equity securities.

Holista Colltech Limited
Shareholder information
31 December 2023

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
DR. RAJEN MANICKA	85,735,272	30.75
GLOBAL EHEALTH LIMITED	36,159,845	12.97

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.