

# HOLISTA COLLTECH

ABN 24 094 515 992

## **ANNUAL REPORT** 31 December 2017

**About Us**

*"We all strive to be healthy. Yet sometimes, making the right choice is beyond our control. That's where Holista CollTech comes in. We have devoted our time into researching and finding natural solutions to help you improve their health. After all, being healthy is the best gift you can give your body."*

**CORPORATE PROFILE**

Holista CollTech Ltd (**Holista**) is research-driven biotech company and is the result of the merger of Holista Biotech Sdn. Bhd. and CollTech Australia Ltd.

Headquartered in Perth with extensive operations in Malaysia, Holista is dedicated to delivering first-class natural ingredients and wellness products, and leads in research on herbs and food ingredients.

Holista, listed on the Australian Securities Exchange (ASX:HCT), researches, develops, manufactures and markets "health-style" products to address the unmet and growing needs of natural medicine.

Holista has a suite of food ingredients which does not compromise on taste, odour and mouth-feel. This includes low-Glycemic Index ("GI") baked products, low sodium salt, low fat fried foods and low calories sugar.

It is the only company to produce sheep (ovine) collagen using patented extraction methods from Australia, and is on track in nano-nising and encapsulating liposomes for the ovine collagen.

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

**Corporate directory****Current Directors**

Dr Rajen Manicka *Managing Director and Chief Executive Officer*

Mr Daniel Joseph O'Connor *Non-executive Director*

Mr Chan Heng Fai *Non-executive Director*

**Joint Company Secretary**

Mr Jay Stephenson

Mr Brett Fraser

**Registered Office**

Street + Postal: 283 Rokeby Road

SUBIACO WA 6008

Telephone: +61 (0)8 6141 3500

Facsimile: +61 (0)8 6141 3599

Email: [enquiries@holistaco.com](mailto:enquiries@holistaco.com)

Website: [www.holistaco.com](http://www.holistaco.com)

**Share Registry**

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

PERTH WA 6000

Telephone: 1300 850 505 (investors within Australia)

Telephone: +61 (0)3 9415 4000

Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

Website: [www.investorcentre.com](http://www.investorcentre.com)

**Auditors**

Stantons International

Street: Level 2, 1 Walker Avenue

WEST PERTH WA 6005, AUSTRALIA

Telephone: +61(0)8 9481 3188

Facsimile: +61(0)8 9321 1204

**Securities Exchange**

Australian Securities Exchange

Level 40, Central Park, 152-158 St Georges Terrace

Perth WA 6000

Telephone: 131 ASX (131 279) (within Australia)

Telephone: +61 (0)2 9338 0000

Facsimile: +61 (0)2 9227 0885

Website: [www.asx.com.au](http://www.asx.com.au)

ASX Code HCT

**Contents**

- Managing Director’s Report .....1
- Key Milestones .....4
- Messages From Our Key Partners.....5
- Directors' report.....7
- Auditor's independence declaration .....19
- Consolidated statement of profit or loss and other comprehensive income .....20
- Consolidated statement of financial position .....21
- Consolidated statement of changes in equity .....22
- Consolidated statement of cash flows .....23
- Notes to the consolidated financial statements.....24
- Directors' declaration .....72
- Independent auditor's report.....73
- Corporate governance statement .....77
- Additional Information for Listed Public Companies .....83

## Managing Director's Report

Dear Shareholders,

On behalf of the Board of Directors (**the Board**), I am pleased to present the Annual Report and audited financial statements of Holista CollTech Limited (**Holista** or **the Group**) for the 12 months ended 31 December 2017 (**FY2017**).

This report represents a scorecard of our performance for the period in review as well as a snapshot of our strategic direction, taking into account significant developments subsequent to the financial year-end. In summary, after scientific validation and extensive engagement with potential clients, we have finally broken through to the global mass market for healthier white-flour based products, starting with noodles.

### *Low-GI Products To Address Global Healthcare Pandemic*

As shareholders are aware, we have expended considerable efforts to develop our proprietary formula for clean-label low glycemic index (**GI**) flour-based products. The global pandemic of obesity and diabetes, which is due largely to diet, represents a major healthcare problem worldwide.

It also offers an exceptional opportunity for Holista. What we seek to achieve is simple and yet exciting – to develop solutions which allow us to collaborate with major food manufacturers. The pandemic has to be fought with food economics – and our response has been an affordable low-GI formula free of additives or chemicals (clean label) which does not change the taste or texture of food products.

We announced on 12 January 2016 that the University of Sydney had successfully tested our formula of PANATURA®GI in white bread, developed by Holista and our Swiss partner Veripan Ltd (**Veripan**). Clinical trials showed that white bread made with four different blends of the formula scored readings of 49, 51 and 54 (twice), far lower than the average for normal white bread.

On 27 November 2017, we announced that Veripan will join an Australian consortium led by Food Innovation Australia Ltd. (**FIAL**) to develop new GI screening methods that will help manufacturers meet rising consumer appetite for healthy food. The consortium consists of several prominent Australian organisations: the Glycemic Index Foundation, the University of Sydney, the NSW Department of Primary Industries, Logio Group Pty. Ltd., Next Instruments Pty. Ltd. and SunRice/Ricegrowers Ltd. Under the FIAL Programme EO 1, Holista and Veripan will work with the consortium to develop validated in-vitro ('within the glass') using test tube methods for rapid mass screening of starch-based foods such as bread, potatoes, rice, pasta and cereal.

Currently, there are 5 ongoing trials with the formulas of leading bread manufactures in North America, Europe, Asia and Australia. This should all be completed by June 2018.

### *Low-GI Noodles, A Market Breakthrough Starting In North America*

On 19 October 2017, we announced a low-GI noodle formula developed by our U.S. subsidiary, HolistaFoods Inc. (**HolistaFoods**). This significant breakthrough is a result of a research and development (**R&D**) collaboration between HolistaFoods and Wing's Food Products (**Wing's**) – a major North American noodle manufacturer based in Canada – to develop the world's first low-GI noodles.

HolistaFoods, which is based in New York, was formed on 12 July 2016 following a partnership with Nadja Foods LLC (Nadja Foods). On 17 October 2017, Litefood Inc. acquired an additional 25% of HolistaFoods, following which HolistaFoods became a 39%-owned subsidiary of Holista CollTech. HolistaFoods is now 74%-owned by LiteFood Inc. and 26% owned by Nadja Foods. LiteFoods Inc. is 53%-owned by Holista.

The low-GI noodles recorded a GI reading of 38 in independent tests by Glycemic Index Laboratories, Inc., Toronto, Canada, compared to the global average of 60. The noodles are endorsed by the Glycemic Index Foundation and follow the guidelines and recommendations of Diabetes Canada. An 85-gram serving of noodles contains 11 grams of protein, three grams of fibre and zero sugar, while being low in sodium and cholesterol and providing sustained energy. The noodles cook in just three minutes. The low-GI formula comprises extracts of okra (ladies' fingers), lentils, barley and fenugreek – all-natural clean label ingredients, with no artificial ingredients or preservatives.

I am pleased to announce that subsequent to the year-end, HolistaFoods shipped the first 1,000 kg of our GI-reducer for noodles to Wing's. Our agreement with Wing's, together with the maiden shipment, places us on course to record about US\$6 million in sales in FY2018 for this noodle formula. While this first shipment was made from Malaysia, all future shipments will be sourced from India and Canada. The final blending will be done in a Canadian facility approved and certified for food safety and acceptance for consumption by Muslims (halal) and the Jewish community (kosher). Shareholders should note that Holista will benefit in terms of direct royalty payments of all sales via HolistaFoods as well as a share of profits in the subsidiary company.

This delivery marks HolistaFoods' entry into the global noodle market. According to Grand View Research, the global pasta and noodle market was valued at US\$59.6 billion in 2016 and is expected to grow at a compounded annual rate of 3.6%. The noodle market in the United States, the world's sixth largest consumer of instant noodles, is itself worth US\$270 million. In 2016, the World Instant Noodles Association reported 97.5 billion servings consumed around the world. Noodles account for half the world's supply of wheat, compared to 25% for bread.

## Managing Director's Report

We are working towards significantly increasing the volume shipment to Wing's from FY2018 and beyond. Under our Memorandum of Understanding (**MoU**), sales to Wing's are expected to be US\$6 million for 2018 before increasing to US\$12 million in 2019 and US\$25 million in 2020. We are working very hard to achieve these targets.

### *Other Low-GI Products*

The validation of our low-GI noodle formula is significant because i) it will help Holista to market in other parts of the world, including the major noodle markets of China and Indonesia; ii) it has attracted interest and increased confidence from breadmakers whom we are already engaging for our bread GI-reducer; and iii) improve opportunities for similar low-GI formulas for other flour-based products which we are already developing, such as muffins, pancakes and pasta.

On 6 January 2017, we announced the collaboration with 2016 Nobel Prize Nominee Daryl Thompson to file a patent for the low-GI sugar made from all-natural ingredients. Unlike other forms of low-GI sugar that are cane-based, our patented low-GI sugar covers common natural sugars such as cane, palm, beetroot, corn and more. It can also be melted, baked and caramelized for use in all cooking applications.

We are now moving into prototype making and low GI testing in North America.

### *Food-Grade Collagen*

This area of business registered an increase during the year due to the seasonal nature of cosmetic collagen. We delivered 8,440 kg of collagen during the 12 months in review, compared to 1,520 kg in the previous reporting period.

On 3 April 2017, the Group announced that it will supply collagen sourced from Australian sheep – certified disease-free by the U.S. Department of Agriculture – to units of Australia's Keneric Medical Supplies Pty Ltd, which will develop products aimed at the multibillion-U.S. dollar global medical collagen market, marking Holista's entry into the sector.

According to U.K. biotechnology market research group Meticulous Research, the global collagen market is expected to grow at a compounded annual rate of 6.3% from 2015 to reach US\$3.97 billion by 2020. The world's largest collagen market is China, as collagen forms a critical component of Traditional Chinese Medicine. It is also popular with ethnic Chinese people elsewhere in the world.

During the year under review, we commenced an A\$1 million retrofit of our facility in Collie, Western Australia, to prepare for production of halal-certified food-grade collagen. The retrofit is scheduled for completion by end-June 2018. Upon completion of the retrofit and the securing of halal certification, the Collie plant's capacity will be an additional 4 tonnes of food-grade collagen per month, supplementing the 1-2 tonnes of cosmetic-grade collagen we currently produce.

The Group will sell food collagen via a unique collaboration with iGalen International Inc. (**iGalen**), a global network marketing company headquartered in San Diego

### *iGalen*

As announced on 21 September 2017, I sold a 47% stake in iGalen to Holista – of which I am CEO and single-largest shareholder – for the nominal sum of US\$1.

iGalen sources all bio-pharmaceutical and dietary supplement products exclusively from Holista. It currently has more than 8,000 independent distributors, with its main markets being North America, the Philippines, Malaysia, Australia and New Zealand. iGalen currently distributes two main products – **Emulin**<sup>®</sup> (an all-natural refined carbohydrate manager which improves weight loss and metabolic outcomes) and **Klamax** (a supplement which can enhance stem cell growth and promote their release).

### *Sales of Supplements*

Dietary supplements were the Group's main source of income this year. While the Group has a strong distribution network throughout Malaysia, market conditions in the country remain challenging as inflation (due to the relative weakness of the Malaysian Ringgit against major world currencies) continues to impact customers' purchasing power.

The Group has launched initiatives to increase its presence in the dietary supplements market. In the year under review, we released a new dietary supplement product, PRISTIN<sup>®</sup> GOLD, in Malaysia. PRISTIN<sup>®</sup> GOLD contains Omega-3 benefits in fewer servings. The fish oil is imported from EPAX AS, Norway, and is encapsulated in fish gelatin capsules by Eurocaps Ltd., UK. Sales reached \$566,000 in the first year of launch.

On 9 August 2017, the Group secured global rights to Emulin<sup>®</sup>, which has also proven successful in combating obesity and diabetes.

On 14 November 2017, the Group secured global distribution rights for Klamax, which is sourced from algae found in pristine conditions in a United States lake.

The Group is also exclusively supplying raw material to multi-level marketing companies and will continue to source for new potential products in the coming financial year.

## Managing Director's Report

### *Financial Performance*

As announced on 9 January 2017, the Group changed its financial year-end to 31 December from 30 June previously. For FY2017, we will be comparing the 12-month performance against the previous six-month performance for FY2016.

The Group recorded a net loss attributable to owners of the parent of \$3,030,290 for FY2017. Included in the loss for the year are share-based payments and share-based consulting fees amounting to \$2,350,921. These are non-cash transactions and are not part of the operating activities of the Group.

### *Outlook*

Having secured our first significant order for the noodle GI-reducer in early 2018, the Group will focus on shipping the deliverables as indicated in the MoU with Wing's of Canada, so as to achieve the US\$6 million in anticipated sales for 2018. Assuming full delivery and constant foreign exchange rate – and barring unforeseen circumstances – sales to Wing's alone could even reach A\$7.8 million in FY2018, slightly higher than the \$7.6 million recorded in FY2017 when no revenue for the noodle GI-reducer was recognised.

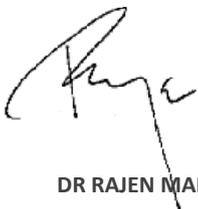
With the growing momentum of iGalen sales, the Group expects to record higher revenue from the supply of Emulin+ and Klamax to the direct marketing company. The introduction of new products during FY2018, such as sheep collagen, will also contribute to the Group's financial performance. We also expect sheep collagen production to increase following completion of the retrofitting at the Collie plant; the agreement with Keneric Healthcare to supply medical-grade collagen is the first step towards higher demand for this particular product.

### *Appreciation*

On behalf of the Board of Directors, I would like to express my deepest gratitude to all stakeholders for their support, as well as our R&D collaborators, retailers, suppliers and customers. I am also very grateful to my fellow Board members, our management team and our staff for all their hard work.

Holista is committed to providing healthier alternatives to empower consumers with better choices. Together, we will continue to achieve excellence in the coming years. We look forward to another exciting year ahead with all of you.

Thank you.



**DR RAJEN MANICKA**  
Managing Director

## Key Milestones

Date	Milestone
27 November 2017	Veripan joins an Australian consortium led by Food Innovation Australia Ltd. (FIAL) to develop new GI screening methods
14 November 2017	Secured global distribution rights for <b>Klamax</b>
19 October 2017	Holista's breakthrough formula for noodles is certified to have a low GI score of 38 by the Glycemic Index Laboratories, Inc., Toronto, Canada. The global average GI reading for noodles is 60.
17 October 2017	Litefood Inc acquired an additional 25% of Holista Foods, following which HolistaFoods became a 39%-owned subsidiary of Holista CollTech. HolistaFoods is now 74% owned by LiteFood Inc of US and 26% owned by Nadja Foods. LiteFoods Inc is 53% owned by Holista.
21 September 2017	Acquired 47% stake in iGalen for the nominal sum of US\$1 (pending shareholders' approval)
21 August 2017	Commenced a A\$1 million retrofit of its facility in Collie, Western Australia, to prepare for production of halal-certified food-grade collagen
9 August 2017	Secured global rights to distribute Emulin®
3 April 2017	Secured exclusive rights to supply medical grade collagen to Australia's Keneric Medical Supplies Pty. Ltd.
9 January 2017	Announced change of Financial year end to 31 December
6 January 2017	Announced collaboration with Nobel Prize nominee and emerging thought leader in carbohydrate chemistry, Mr. Daryl Thompson, to file patent for the low Glycemic Index sugar made out of all-natural ingredients.

## Messages From Our Key Partners

### **MS. NADJA PIATKA**

#### **CEO of Nadja Foods and CEO of Holista Foods**

All over the world, cakes, cookies and other delicious desserts are part of the human diet. But there is a potential dark side to this sweet-tooth craving – it is a major cause of obesity and diabetes.

As a bakery supplier to fast food chains for over 24 years, I have spent most of my career at Nadja Foods working to meet this challenge. It began with the low-fat movement in the nineties when I first had great success with a line of muffins I created. However, the science has moved on and it is increasingly clear that the new frontier is in lowering the sugar content of foods to make them healthier.

The food and beverage industry is well aware of this. In North America, fast food chains are in a race to roll out healthier menu items to win over customers. But how do we do it the natural way, without pricing products out of reach? This is why it was important that we partnered with Holista. Dr Rajen and his team have laboured to develop and validate the science of lowering the Glycemic Index, or GI, of common foods. Holista has set the gold standard for clean-label GI reduction for white flour products.

Our joint venture aims to convince food manufacturers and fast food chains to accept a new and better way to make food healthier. We will initially focus on North America where obesity and diabetes, linked to high glycemic foods, have become a national emergency that has strained health care costs and negatively affected living standards.

After collaborating with Holista for the past few months, I've seen firsthand the potential to revolutionise the North American food industry whilst meeting the concerns of food manufacturers. Given the market opportunity, it then made sense to cement our partnership with Holista with our joint venture company, Holista Foods.

Holista has collaborated with Wing's Food Products, a major noodle manufacturer across North America based in Canada, to begin research and development on low-GI noodles. Once our product is independently tested and validated at GI-Labs, a nutrition research organisation in Canada, we will enter a commercial agreement to manufacture and distribute it. In the coming year, we will develop and market low-GI baked goods and mixes which can be distributed to fast food companies, retailers, schools and hospitals.

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

Thank you!

Nadja Piatka

## Messages From Our Key Partners

### MR. MEIERT J. GROOTES

#### Chairman of VERIPAN AG, a partner of Holista CollTech

Obesity is a social burden generated by human that is one of the greatest threats to the global economy. It is more serious than climate change, smoking or air pollution. Currently, more than half of all people in Europe are directly affected by this social burden and more than 30 % are on a global level. From 1980 to 2014 the prevalence of obesity more than doubled, with more than 2 billion adults aged 18 years and older overweight today. Obesity is a chronic disease, growing in severity in both developed and developing countries, and reaching through all age groups. The problem seems particularly acute in countries such as Malaysia and Singapore which have the highest incidences of obesity in Southeast Asia (The Lancet, 2014).

In my opinion it was therefore clear from the beginning that the reformulation of food products should be one of the main areas of our R&D program when it comes to battling the obesity crisis. This is why we at Veripan want to attack the crisis head first and go after one of the biggest staple foods in the world: Our daily white bread. The global white bread market alone is currently worth US\$170 billion and it continues to grow. An increased consumption of white bread has been linked in multiple studies to an increase in weight and especially in Asian countries with the westernization of diets the effects are more and more visible.

With a Glycemic Index (GI) of 77, white bread is amongst the staple foods with the highest GI. Essentially, the Glycemic Index is a simple way to measure the quality of the carbohydrates we consume on a daily basis. Foods with a low GI (below 55) raise the blood sugar slower and sustain longer, making the person feel full for longer. A high GI number however, lets the blood sugar spike, giving the person a sugar rush, which plummets shortly after causing a quicker feeling of hunger. Furthermore, other side effects of the sugar low are decrease in mood, extreme tiredness and less productivity.

In our partnership with Holista we have worked on a significant reduction of the GI of products that are made from white flour – such as breads, muffins and noodles – in a simple and cost-effective way. On 12 January 2016, we were able to announce a global scientific breakthrough: world's first clean-label low GI white bread. Our innovation is made of a combination of Holista's proprietary natural GI lowering ingredients (GILITE®), combined with Veripan's proprietary natural sourdough PANATURA®. With GI readings between 49 and 53 white breads made with PANATURA® GI show the lowest GI reading ever achieved, and only increases production costs marginally without compromising the taste or mouthfeel of the final product. Since the launch of our low-GI solution beginning of 2016, I have received numerous positive responses and many enquiries from leading bread manufacturers all over the world.

Today, there are more than 2 billion overweight people all over the world and 600 million of them are obese. Just as much as there is not a single cause for today's obesity crisis there is also not a single solution. However, in the midst of this crisis it is vital not to forget that obesity is preventable and that every problem also holds an opportunity. Reformulation of food, such as developing a healthier white bread, much like PANATURA® GI, is an opportunity for industries to produce healthier foods for global consumers.

I have full confidence that our partnership with Holista will truly change the way we produce and consume white flour products. And the implications for individuals seeking a healthier lifestyle and for government health planners will be significant.

Thank you!

Meiert J. Grootes

## Directors' report

Your directors present their report on the consolidated entity, consisting of Holista CollTech Limited (**Holista** or **the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 31 December 2017.

Holista is listed on the Australian Securities Exchange.

### 1. Directors

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

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

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

### 2. Company secretary

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

- Mr Jay Richard Stephenson
  - Qualifications                       MBA, FCPA, CMA, FCIS, MAICD
  - Experience                               Mr Stephenson has been involved in business development for over 25 years including the past 20 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in 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
- Ms Julia Beckett                      *(Resigned 16 January 2018)*
  - Qualifications                       Ms Beckett holds a Certificate in Governance Practice and Administration and is a Certificated Member of the Governance Institute Australia.
  - Experience                               Ms Beckett is currently Company Secretary on a number ASX Listed and non-ASX listed companies. Julia has held non-executive director roles on a number of ASX listed companies.

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

- Mr Brett Francis Fraser              *(Appointed 16 January 2018)*
  - Qualifications                       FCPA, F.Fin, B.Bus. FGIA
  - Experience                               Mr Fraser has worked in the finance and securities industry for over 25 years' and has owned and operated businesses across wine, health, finance, media and mining.

In addition, Mr Fraser is a Fellow of Certified Practicing Accountants; Fellow of the Financial Services Institute of Australasia; Fellow of the Governance Institute of Australia and Grad Dip Finance, Securities Institute of Australia; Bachelor of Business (Accounting). Mr Fraser also holds an International Marketing Institute - AGSM Sydney.

### 3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 31 December 2017.

### 4. Significant Changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year ended 31 December 2017 other than disclosed elsewhere in this Annual Report.

## Directors' report

### 5. Operating and financial review

#### 5.1. Nature of Operations Principal Activities

During the financial year, the Group remained focused on its three core areas:

- Dietary Supplement
- Healthy Food Ingredients (including PANATURA®GI)
- Sheep Collagen (Ovine)

#### 5.2. Operations Review

During the financial year, the Group remained focused on three core areas:

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

##### a. Dietary Supplements

Dietary Supplements were the Group's main income contributor during the financial year. While the Group has a strong distribution network throughout Malaysia, market conditions in Malaysia remain challenging as inflation (due to the relative weakness of the Ringgit against major world currencies) continues to impact customers' purchasing power.

Revenue for this segment increased by 104.8% to \$7,176,607 for the 12 months ended 31 December 2017 (new financial year end), compared to \$3,503,976 from the previous 6 months ending 31 December 2016 (previous financial year end). The Group has launched initiatives to increase its presence in the Dietary Supplements market. In the year under review, the Group released a new dietary supplement product, PRISTIN® GOLD, in Malaysia. PRISTIN® GOLD contains Omega-3 benefits in fewer servings. The fish oil is imported from EPAX AS, Norway, and is encapsulated in fish gelatin capsules by Eurocaps Ltd, UK. Sales reached \$566,000 in the first year of launch.

On 8 March 2017, the Group launched iNContro™ (**iNContro**) in Kuala Lumpur, an all-natural spinach extract which helps reduce hunger and food cravings.

On 9 August 2017, the Group secured global rights to an all-natural carbohydrate manager developed by two Nobel Prize nominees, which has proven successful in combating obesity and diabetes.

On 14 November 2017, the Group secured global distribution rights for a supplement sourced from algae found in pristine conditions in a lake in the United States, which can enhance stem cell growth and promote their release.

The Group is also exclusively supplying raw material to multi-level marketing companies and will continue to source for new potential products in the next financial year.

##### b. Healthy Foods Ingredients

During the financial period, the Group focused on:

- Glycemic Index (GI) Reducer
- Low-GI Sugar

In the year under review, the Group's focus area within this segment was its GI reducer – a patented formula consisting of barley, dhal, fenugreek and okra – which has been independently verified to have significant reduction of blood sugar levels when added to white flour, without changing the taste or texture of the final product.

The Group has made significant progress with its GI reducer, which includes a partnership with Veripan Ingredients AG (**Veripan**), the largest independent bakery supplier in Europe, to develop and market PANATURA®GI, an all-natural sourdough. White bread made with PANATURA®GI has been proven to achieve a significantly low GI reading of 55.

On 3 March 2016, we began a partnership with Nadja Foods LLC (**Nadja Foods**) to co-develop clean-label low-GI muffins for distribution in U.S. and Canada. On 6 April 2016, Holista extended this partnership with Nadja Foods to include bagels, brownies and croutons.

On 12 July 2016, our U.S. subsidiary Litefood Inc (Litefood) announced the formation of a 51-49 joint venture company (Holista Foods) with Nadja Foods to distribute our low-GI product in North America. Holista Foods has food manufacturing operations in the U.S. and Canada, and will be helmed by Nadja Piatka, a celebrity chef who has pioneered many healthy food products, as CEO.

## Directors' report

This is a landmark partnership as North America is widely known as the home of fast food chains, and entering this market will present opportunities for the Group to generate income from this area in the near future. According to research by global food research house Statista, baked goods account for over US\$22.15 billion in retail sales across North America.

On 21 October 2016, Holista Foods secured its first major collaboration following the announcement of a Research and Development (**R&D**) collaboration with a leading North American noodle manufacturer, Wing's Food Products (**Wing's**), to develop the world's first low-GI noodles. Once validated, Wing's and Holista Foods will enter a commercial agreement to distribute the low-GI noodles to the North American market.

According to Statista, 50% of the world's wheat is consumed as noodles, with the largest markets being China and Indonesia. In the U.S. alone, the noodle market is worth US\$270 million. In 2015, the global demand for instant noodles amounted to 103.58 billion servings.

On 17 Oct 2017, Litefood acquired an additional 25% of Holista Foods, following which Holista Foods became a 39%-owned subsidiary of Holista CollTech.

On 19 October 2017, Holista Foods announced it had developed a breakthrough low-GI noodle formula, opening a major market for a healthier version of the staple, which will be vital in the global fight against diabetes and obesity. The noodles recorded a GI reading of 38 in independent tests conducted by Glycemic Index Laboratories, Inc, Toronto, Canada. The global average GI reading for noodles is 60.

On 14 February 2018, Holista Foods announced it had signed a three-year MOU to supply its low-GI mix to Wing's. Pursuant to the MOU, sales are expected to be US\$6 million for the 2018 financial year. This is projected to increase to US\$12 million in 2019 and to US\$25 million in 2020. In the month of February 2018, we delivered the first 1,000 kg of raw material to Canada for the first batch of production of low-GI noodles.

Another focus area in this segment is Low-GI sugar.

On 6 January 2017, we announced a collaboration with 2016 Nobel Prize Nominee, Daryl Thompson, to file a patent for low-GI sugar made from all-natural ingredients. Unlike most available alternatives on the market, our low-GI sugar can be melted, baked and caramelized for use in cooking applications – potentially replacing standard sugar altogether, with minimal formulation issues. Moreover, the product is made from all-natural ingredients and is therefore unlikely to face regulatory hurdles.

### c. Sheep (Ovine) Collagen

This area of business registered an increase during the year due to the additional markets we have secured in China, USA and some global. We delivered 8,440 kg of collagen during the 12 months in review, compared to 1,520 kg in the previous reporting period.

On 3 April 2017, the Group announced that it will supply collagen sourced from Australian sheep – certified disease-free by the U.S. Department of Agriculture – to the USA Division of Australia's Keneric Medical Supplies Pty Ltd, which will develop products targeted at the multibillion-U.S. dollar global medical collagen market, marking Holista's entry to the sector, through an exclusive partnership.

According to U.K. biotechnology market research group Meticulous Research, the global collagen market is expected to grow at a compounded annual rate of 6.3% from 2015 to reach US\$3.97 billion by 2020. The world's largest collagen market is China, as collagen forms a critical component of Traditional Chinese Medicine. It is also popular with ethnic Chinese people elsewhere in the world.

On 21 August 2017, the Group announced that it has begun a \$1 million retrofit of its facility in Collie, Western Australia, to prepare for production of halal-certified food-grade collagen. The retrofit is scheduled for completion by end-March 2018. The halal certification is now secured, taking the Collie plant's capacity to an additional 4 tonnes of food-grade collagen per month, supplementing the expected 3-4 tonnes of cosmetic-grade collagen we will produce from the second half of 2018.

The Group will carry out the sale of food collagen via a unique collaboration with iGalen, a global network marketing company headquartered in San Diego. iGalen sources all its bio-pharmaceutical and dietary supplement products exclusively from Holista. Beyond supplying to iGalen, Holista intends to market food collagen to the food supplement industry.

Among sources of mammalian collagen (warm-blooded like human beings), sheep-derived collagen is not subject to religious or cultural sensitivities, compared to collagen from cows or pigs. The use of ovine collagen also avoids the potential of "mad cow" or avian diseases (the latter being associated with chickens).

## Directors' report

### 5.3. Financial Review

The comparative figures presented in this report are the 31 December 2016 Annual Report, which was a six month annual report due to a change in financial year. Accordingly, changes from the comparative period have been effected by the differing length of reporting period.

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a loss for the year of \$3,174,268 (6 months to Dec 2016: \$163,858 profit).

The Group's revenue for the year ending 31 December 2017 was recorded at \$7,569,007 as compared with the previous six month period ending 31 December 2016 which recorded \$3,716,876. This increase in revenue can mainly be attributed to growth in sales to companies in the Multi-Level Marketing space.

The Group believes that its food grade collagen is expected to contribute better revenue as compared to its existing cosmetic-based collagen. From scientific studies, the recommended minimum dosage for food grade collagen is 5 grams a day (equivalent to 150 grams a month compared to 1 gram of cosmetic collagen per bottle). Food Grade Collagen offers significantly greater opportunity.

We expect Collie facility retrofitting will be completed in June 2018. The Group is confident that this new source of revenue from Collie will contribute positively to the Group's revenue in the coming financial year as oral grade collagen is a large and growing global market.

The Group's healthy food ingredients is targeted to continue growing in the coming financial year with the launch of Klamax, which is sourced from algae found in pristine conditions in a United States lake.

The positive development of both the healthy food ingredients in the U.S. and food grade collagen in Australia are expected to contribute positively to the Group in this coming financial year.

The net assets of the Group have increased from 31 December 2016 by \$374,134 to \$3,483,512 at 31 December 2017 (2016: \$3,109,378).

As at 31 December 2017, the Group's cash and cash equivalents increased from 31 December 2016 by \$62,877 to \$120,982 at 31 December 2017 (2016: \$58,105) and had working capital of \$964,764 (2016: \$1,181,394 working capital), as noted in Note 1a.iii Statement of significant accounting policies: Going Concern on page 24.

### 5.4. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 25 Events subsequent to reporting date on page 69.

### 5.5. Future Developments, Prospects and Business Strategies

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

### 5.6. Environmental Regulations

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

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

## 6. Risk Management

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

- **Oversight:** An Audit Committee has been established to direct, review and initiates corrective action in matters of internal control and minimise risk exposures compatible with a group company of this size and nature.

## Directors' report

- **Risk Profile**

An exercise has been performed to assess the various business risks that impinge upon the Group. They have been categorised according to which part or parts of the business would be effected, what controls might be put in place and whether the resulting levels of exposure are acceptable.
- **Risk Management**

The Group has taken decisions as to how it should manage the various categories of risk exposure and they include the imposition of Standard Operating Procedures (SOP's) for routine business transactions; mitigation policies to lessen or obviate risks such as Insurance Policies and formal long term Agreements with critical suppliers; and hedging arrangements if applicable.
- **Compliance and Control**

Standard Operating Procedures have been drawn up, circulated and regularly monitored to ensure adherence to company policy. They include the various cash, purchasing, sales, and payment cycles, and payroll. Levels of Authority have been set, divisions of duty are made and multiple signature approvals imposed. Regular checks are made by management to ensure that these controls are indeed in place and complied with.
- **Assessment of Effectiveness**

The management in the first instance assesses the effectiveness of the risk management policies and in conjunction with the Audit Committee and External Auditors, instructs improvements to be put in place.

### 7. Information relating to the directors

- **Dr Rajen Manicka**

Qualifications  Managing Director and Chief Executive Officer (*Appointed July 2009*)  
 B Ph. (Hons)

Experience  Dr Rajen Manicka, began his career as an intern pharmacist at the Kuala Lumpur General Hospital from 1986 - 1987. In 1987 he joined Lee Pharmacy as a community Pharmacist. Over a period of 9 years, Dr Rajen worked for several reputable pharmaceutical companies including Roche and CIBA Pharmaceuticals in various capacities including medical representative, product manager and marketing manager. In 1995, he incorporated Total Health Concept, which was restructured into Holista Biotech Sdn Bhd in January 2004 and has been Managing Director and major shareholder from inception of this group until its merger with Holista CollTech Limited in July 2009. He is a prominent figure in the Malaysian biotech industry, an industry which receives significant support and encouragement from the Malaysian government.

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

Dr Rajen Manicka is a member of the Malaysian Ministry of Health Standing Committee for Traditional Medicine and until March 2009 was on the board of Malaysian Herbal Corporation Sdn Bhd, a wholly owned subsidiary of the Malaysian Industry - Government Group for High Technology.
- Interest in Shares and Options  73,914,400 Ordinary Shares  
 3,600,000 Class A Performance Rights  
 2,700,000 Class B Performance Rights  
 1,800,000 Class C Performance Rights  
 900,000 Class D Performance Rights
- Directorships held in other listed entities  None

## Directors' report

- **Mr Daniel Joseph O'Connor**
- Qualifications  Non-Executive Director (*Appointed November 2011*)
- Experience  B.Bus, MBA, FAICD (Dip) CPM, AIMM, MAIM, MAIeX.
- Mr O'Connor has spent more than 30 years in the commercialisation of intellectual property and has worked with R&D teams across Asia, North America, and Australia. He is a published author, mentor, coach, commercialisation consultant, and Company Director. He is the Consultant Principal of the on-line coaching and mentoring group Incubate IP. Mr O'Connor is a member of the UN Task Force on Innovation and Competitiveness and works with Corporate Leaders, inventors, and R&D team managers who need greater traction and focus with patent portfolio management and driving their commercialisation projects ([www.incub8IP.com](http://www.incub8IP.com)). He has been a Director of Holista for more than five years.
- Interest in Shares and Options  3,500,000 Options
- Directorships held in other listed entities  None
- **Mr Chan Heng Fai**
- Qualifications  Non-Executive Director (*Appointed 13 June 2013*)
- Experience  Mr Chan has restructured over 35 companies in different industries and countries in the past 40 years.
- In 1987, Mr Chan acquired American Pacific Bank, a full service U.S. commercial bank, out of bankruptcy. He recapitalised, refocused and grew the bank's operations. Under his guidance, American Pacific Bank became a US NASDAQ high asset quality bank, with zero loan losses for over five consecutive years before it was ultimately bought and merged into Riverview Bancorp Inc. Prior to its merger with Riverview Bancorp Inc., in June 2004, American Pacific Bank was ranked 13 by the Seattle Times "Annual Northwest's Top 100 Public Companies" for the year 2003, and ranked 6 in the Oregon state [for the year 2003], which ranked ahead of names such as Nike, Microsoft, Costco, AT&T Wireless and Amazon.com.
- In 1997, Mr Chan acquired and ran a regional investment banking and securities broking-dealing business headquartered in Denver, with 12 offices throughout USA.
- Interest in Shares and Options  45,145,101 Ordinary Shares  
*Mr Chan exercised 12,330,166 options, via his company Global eHealth Limited and transferred 3,500,000 options to an unrelated third-party.*
- Directorships held in other listed entities  Mr Chan also sits on the board of Singapore eDevelopment Limited.

## 8. Meetings of directors and committees

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

	DIRECTORS' MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		FINANCE AND OPERATIONS COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Rajen Manicka	6	5	<i>At the date of this report, the Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.</i>					
Daniel Joseph O'Connor	6	6						
Chan Heng Fai	6	6						

## 9. Indemnifying officers or auditor

### 9.1. Indemnification

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

## Directors' report

### 9.2. Insurance premiums

During the financial year the Group has paid a premium of \$17,230 (6 months to 31 December 2016: \$17,381) 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.

## 10. Options

### 10.1. Unissued shares under option

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

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
11 April 2016	8 Sep 2018	0.25	3,954,205
11 April 2016	8 Mar 2019	0.30	3,954,205
27 Feb 2017	17 Dec 2018	0.06	3,500,000
23 Mar 2017	23 Mar 2020	0.20	6,500,000
18 May 2017	23 Mar 2020	0.20	3,500,000
18 May 2017	31 Dec 2019	0.10	1,000,000
26 Jun 2017	23 Jun 2020	0.20	6,000,000
26 Jun 2017	23 Jun 2020	0.25	3,000,000
26 Jun 2017	23 Jun 2020	0.30	2,000,000
26 Jul 2017	1 Aug 2020	0.10	2,000,000
16 Oct 2017	16 Oct 2020	0.20	7,000,000
			42,408,410

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

### 10.2. Shares issued on exercise of options

12,330,166 (Dec 2016: 2,136,500) ordinary shares have been issued by the Company during the financial year as a result of the exercise of options.

## 11. Non-audit services

During the year, Stantons International Audit and Consulting Pty Ltd, the Company's auditor, did not perform any services other than their statutory audits (2016: \$nil). Details of remuneration paid to the auditor can be found within the financial statements at Note 30 Auditor's Remuneration on page 71.

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

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

## 12. Proceedings on behalf of company

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

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

## 13. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 31 December 2017 has been received and can be found on page 19 of the annual report.

## DIRECTORS' REPORT

### 14. Remuneration report (audited)

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

#### 14.1. Key management personnel (KMP)

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

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

As at 31 December 2016, Mr Jay Stephenson was no longer a person having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Mr Stephenson has solely undertaken the role of Company Secretary, and is not a director of the Company. As such Mr Stephenson is not deemed to be KMP for the year ended 31 December 2017.

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

##### a. Remuneration philosophy

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

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

##### b. Remuneration committee

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

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

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

##### c. Remuneration structure

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

##### d. Non-executive director remuneration

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

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

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

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

The remuneration of non-executive directors for the period ended 31 December 2017 is detailed in section 14.3 of this remuneration report.

##### e. Senior manager and executive director remuneration

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

**DIRECTORS' REPORT****14. Remuneration report (audited)**

## f. Fixed Remuneration

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

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

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

## g. Variable Remuneration

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

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

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

 Short-term incentives

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

 Long-term incentives

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

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

## i. Service Contracts

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

## j. Engagement of Remuneration Consultants

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

## k. Relationship between Remuneration of KMP and Earnings

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

## 14.3. Directors and KMP remuneration

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

## Directors' report

## 14. Remuneration report (audited)

2017 – Group										
Group KMP	Short-term benefits				Post-employment benefits Super-annuation	Long-term benefits Other	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other				Equity / Perf. Rights	Options	
	\$	\$	\$	\$				\$	\$	
Rajen Manicka <sup>(1)</sup>	224,881	-	-	-	42,728	-	-	1,033,291	-	1,300,900
Daniel Joseph O'Connor <sup>(2)</sup>	48,000	-	-	-	-	-	-	-	192,036	240,036
Chan Heng Fai	36,000	-	-	-	-	-	-	-	-	36,000
	308,881	-	-	-	42,728	-	-	1,033,291	192,036	1,576,936

<sup>(1)</sup> In respect to Dr Manicka's equity-settled share-based payments, Dr Manicka was issued 9,000,000 performance rights in accordance with terms and conditions as detailed in Note 21b.i(7)

<sup>(2)</sup> In respect to Mr O'Connor's equity-settled share-based payments, Mr O'Connor was issued 3,500,000 options in accordance with terms and conditions as detailed in Note 21b.i(1)

2016 – Group										
Group KMP	Short-term benefits				Post-employment benefits Super-annuation	Long-term benefits Other	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other				Equity	Options	
	\$	\$	\$	\$				\$	\$	
Rajen Manicka	112,361	-	-	-	21,350	-	-	-	-	133,711
Daniel Joseph O'Connor	-	-	-	-	-	-	-	-	-	-
Chan Heng Fai	18,000	-	-	-	-	-	-	-	-	18,000
Jay Stephenson	24,400	-	-	-	-	-	-	-	-	24,400
	154,761	-	-	-	21,350	-	-	-	-	176,111

## 14.4. Service Agreements

## a. Employment Agreement with Dr Rajen Manicka

On 7 September 2010, the Group entered into an Employment Agreement with Dr Rajen Manicka to act as Chief Executive Officer and Managing Director. On the 28 August 2015, the Board of Directors reviewed and renewed the Employment Agreement of Dr Rajen Manicka as the Chief Executive Director and Managing Director of the Group. Saved for the changes below, all other terms and conditions of the original Agreement dated 7 September 2010 remains the same.

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

- Commencement date** 10 July 2015
- Termination date of contract** Initial 3 year period
- Period of notice for resignation/termination** 3 months
- Remuneration** RM692,160 per annum with annual increments of 3% - 5%.
- Termination (with cause)** The Company may terminate at any time without notice if serious misconduct has occurred. Where termination with cause occurs employees are only entitled to entitlements up to the date of termination and any unvested options will immediately be forfeited.
- Termination (without cause)** The Agreement provides for the termination of the Agreement by paying a severance payment of up to three months in addition to notice period.

**14.5. Share-based compensation**

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

No shares or options were issued as share based compensation during the year. (Jun 2016: nil)

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

**a. Securities received that are not performance-related**

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

**b. Options and Rights Granted as Remuneration**

During the financial year ended 31 December 2017 9,000,000 performance rights were granted to Dr Manicka and 3,500,000 options were granted to Mr O'Connor as remuneration as detailed note 21 Share-based payments. No equity instruments were granted in the six months ended 31 December 2016.

**14.6. KMP equity holdings**
**a. Fully paid ordinary shares of Holista CollTech Limited held by each KMP**

2017 – Group						
Group KMP	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.	
Rajen Manicka	73,914,400	-	-	-	73,914,400	
Daniel Joseph O'Connor	-	-	-	-	-	
Chan Heng Fai	32,814,935	-	12,330,166	-	45,145,101	
	106,729,335	-	12,330,166	-	119,059,501	

2016 – Group						
Group KMP	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.	
Rajen Manicka	73,914,400	-	-	-	73,914,400	
Daniel Joseph O'Connor	-	-	-	-	-	
Chan Heng Fai	32,514,935	-	300,000	-	32,814,935	
Jay Stephenson	-	-	-	-	-	
	106,429,335	-	300,000	-	106,729,335	

**b. Options in Holista CollTech Limited held by each KMP**

2017 – Group								
Group KMP	Balance at start of year No.	Granted as Remuneration during the year No.	Exercised during the year No.	Other changes during the year No.	Balance at end of year No.	Vested and Exercisable No.	Not Vested No.	
Rajen Manicka	-	-	-	-	-	-	-	
Daniel Joseph O'Connor	-	3,500,000	-	-	3,500,000	3,500,000	-	
Chan Heng Fai <sup>(1)</sup>	15,830,166	-	(12,330,166)	(3,500,000)	-	-	-	
	15,830,166	3,500,000	(12,330,166)	(3,500,000)	3,500,000	3,500,000	-	

<sup>(1)</sup> In respect to Mr Chan, other changes during the year relate to an off-market transfer of 3,500,000 options for consideration of \$210,000 (\$0.06 per option) to an unrelated third-party.

## Directors' report

## 14. Remuneration report (audited)

2016 – Group Group KMP	Balance at	Granted as	Exercised	Other changes	Balance at	Vested and	Not Vested
	start of year	Remuneration	during the year	during the year	end of year	Exercisable	
	No.	during the year	No.	No.	No.	No.	No.
Rajen Manicka	-	-	-	-	-	-	-
Daniel Joseph O'Connor	-	-	-	-	-	-	-
Chan Heng Fai	17,966,666	-	(300,000)	(1,836,500)	15,830,166	15,830,166	-
Jay Stephenson	-	-	-	-	-	-	-
	17,966,666	-	(300,000)	(1,836,500)	15,830,166	15,830,166	-

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

2017 – Group Group KMP	Balance at	Received during	Received during	Other changes	Balance at
	start of year	the year as	the year on	during the year	end of year
	No.	compensation	the exercise of	No.	No.
Rajen Manicka	-	9,000,000	-	-	9,000,000
Daniel Joseph O'Connor	-	-	-	-	-
Chan Heng Fai	-	-	-	-	-
	-	9,000,000	-	-	9,000,000

**2016 – Group:** There were no performance rights on issue in the comparative period.

## 14.7. Other Equity-related KMP Transactions

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

## 14.8. KMP Loans

There are no loans to or from KMP as at 31 December 2017. In the comparative period ended 31 December 2016, a loan amounting to US\$250,000 was advanced by an associated company of a Director as detailed in Note 17e. On 24 March 2017, 6,012,698 options were exercised to affect the settlement of a loan of \$360,762 from Global eHealth Limited.

## 14.9. Other transactions with KMP and or their Related Parties

As disclosed Note 16b, the Group has amounts due to Directors of \$297,601 (2016: 69,098). There have been no other transactions in addition to those described in the tables or as detailed in Note 28 Related party transactions.

**END OF REMUNERATION REPORT**

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



DR RAJEN MANICKA

Managing Director

Dated this Thursday, 29 March 2018

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
Chartered Accountants and Consultants

PO Box 1908  
West Perth WA 6872  
Australia

Level 2, 1 Walker Avenue  
West Perth WA 6005  
Australia

Tel: +61 8 9481 3188  
Fax: +61 8 9321 1204

ABN: 84 144 581 519  
[www.stantons.com.au](http://www.stantons.com.au)

29 March 2018

Board of Directors  
Holista CollTech Limited  
Suite 12, Level 1  
11 Ventnor Avenue  
West Perth WA 6005

Dear Directors

**RE: HOLISTA COLLTECH LIMITED**

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

As Audit Director for the audit of the financial statements of Holista CollTech Limited for the period ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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



**Samir Tirodkar**  
Director

West Perth, Western Australia

**Consolidated statement of profit or loss and other comprehensive income**

for the year ended 31 December 2017

	Note	12 months to 31 December 2017 \$	Restated 6 months to 31 December 2016 \$
<i>Continuing operations</i>			
Revenue	4	7,569,007	3,716,876
Other income	4	338,736	351,404
		7,907,743	4,068,280
Change in inventories of finished goods and work in progress		51,564	(51,263)
Raw materials and consumables used		(3,868,768)	(1,486,996)
Distribution costs		(313,880)	(176,955)
Consultancy and professional fees	21	(861,427)	(215,732)
Depreciation and amortisation		(224,514)	(70,532)
Employment costs		(2,379,167)	(877,867)
Finance costs		(83,580)	(34,032)
Foreign exchange loss		(78,053)	(46,429)
Share-based payments expense	21	(1,589,954)	(6,943)
Research and development	21	(468,223)	(65,237)
Advertising and promotion		(556,481)	(288,020)
Impairment	5b,2b	(152,205)	(10,434)
Other expenses	5a	(717,541)	(510,594)
(Loss) / profit before tax		(3,334,486)	227,246
Income tax benefit / (expense)	7	160,218	(63,388)
<b>Net (loss) / profit for the period</b>		<b>(3,174,268)</b>	<b>163,858</b>
<i>Other comprehensive income, net of income tax</i>			
■ Items that will not be reclassified subsequently to profit or loss		-	-
■ Items that may be reclassified subsequently to profit or loss:			
□ Foreign currency movement		(37,405)	(197,639)
<b>Other comprehensive income for the period, net of tax</b>		<b>(37,405)</b>	<b>(197,639)</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(3,211,673)</b>	<b>(33,781)</b>
<i>(Loss) / profit for the period attributable to:</i>			
■ Non-controlling interest		(143,978)	(2,410)
■ Owners of the parent		(3,030,290)	166,268
<i>Total comprehensive income attributable to:</i>			
■ Non-controlling interest		(143,978)	(8,012)
■ Owners of the parent		(3,067,695)	(25,769)
<i>Earnings per share:</i>			
Basic (loss) / profit loss per share (cents per share)	6	¢ (1.69)	¢ 0.10
Diluted profit per share (cents per share)	6	N/A	0.08

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

**Consolidated statement of financial position**

as at 31 December 2017

	Note	2017 \$	Restated 2016 \$
<i>Current assets</i>			
Cash and cash equivalents	8	120,982	58,105
Trade and other receivables	9	1,807,114	2,040,254
Inventories	10	956,236	891,340
Other current assets	11a	876,746	596,101
<b>Total current assets</b>		<b>3,761,078</b>	<b>3,585,800</b>
<i>Non-current assets</i>			
Property, plant, and equipment	12	1,557,436	1,569,356
Intangible assets	13	858,803	321,986
Investment accounted using the equity method	15c.iii, 2a	-	-
Deferred tax asset	7f	292,526	99,085
Other non-current assets	11b,2a	343,912	471,193
<b>Total non-current assets</b>		<b>3,052,677</b>	<b>2,461,620</b>
<b>Total assets</b>		<b>6,813,755</b>	<b>6,047,420</b>
<i>Current liabilities</i>			
Trade and other payables	16	2,557,670	1,672,621
Borrowings	17a	222,975	718,700
Current tax liabilities	7e	7,588	6,569
Short-term provisions	18	8,081	6,516
<b>Total current liabilities</b>		<b>2,796,314</b>	<b>2,404,406</b>
<i>Non-current liabilities</i>			
Deferred tax liability	7g	-	770
Borrowings	17b	533,929	532,866
<b>Total non-current liabilities</b>		<b>533,929</b>	<b>533,636</b>
<b>Total liabilities</b>		<b>3,330,243</b>	<b>2,938,042</b>
<b>Net assets</b>		<b>3,483,512</b>	<b>3,109,378</b>
<i>Equity</i>			
Issued capital	19a	11,538,515	10,798,705
Reserves	20	4,395,833	1,896,643
Accumulated losses		(12,257,265)	(9,378,424)
Non-controlling interest		(193,571)	(207,546)
<b>Total equity</b>		<b>3,483,512</b>	<b>3,109,378</b>

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

**Consolidated statement of changes in equity**  
for the year ended 31 December 2017

	Note	Issued Capital \$	Share-based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- controlling Interest (NCI) \$	Total \$
<i>Balance at 1 July 2016</i>							
Loss for the period attributable owners of the parent		-	-	-	166,268	(2,410)	163,858
Other comprehensive income for the period attributable owners of the parent		-	-	(192,037)	-	(5,602)	(197,639)
Total comprehensive income for the period attributable owners of the parent		-	-	(192,037)	166,268	(8,012)	(33,781)
<i>Transaction with owners, directly in equity</i>							
Shares issued during the period	19a	128,190	-	-	-	-	128,190
Options granted during the period	19e	-	6,943	-	-	-	6,943
Balance at 31 December 2016		10,798,705	2,272,673	(376,030)	(9,378,424)	(207,546)	3,109,378
<i>Balance at 1 January 2017</i>							
Loss for the year attributable owners of the parent		-	-	-	(3,030,290)	(143,978)	(3,174,268)
Other comprehensive income for the year attributable owners of the parent		-	-	(37,405)	-	-	(37,405)
Total comprehensive income for the year attributable owners of the parent		-	-	(37,405)	(3,030,290)	(143,978)	(3,211,673)
<i>Transaction with owners, directly in equity</i>							
Shares issued during the year	19a	739,810	-	-	-	-	739,810
Options granted during the year	19e	-	2,536,595	-	-	-	2,536,595
NCI upon acquisition of subsidiary	3a.ii	-	-	-	-	179,408	179,408
NCI acquisition of additional interests	21b	-	-	-	-	129,994	129,994
Reduction of interest in subsidiary	21b	-	-	-	151,449	(151,449)	-
Balance at 31 December 2017		11,538,515	4,809,268	(413,435)	(12,257,265)	(193,571)	3,483,512

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

**Consolidated statement of cash flows**

for the year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		8,362,462	3,716,876
Payments to suppliers and employees		(8,017,323)	(3,331,165)
Interest received		6,302	5,901
Finance costs		(75,235)	(24,080)
Other revenue		-	37,825
Net income tax received		(35,284)	283,851
<b>Net cash from operating activities</b>	8c.i	240,922	689,208
<i>Cash flows from investing activities</i>			
Proceeds from legal settlements		-	3,456
Proceeds from the sale of property, plant and equipment		-	3,467
Purchase of intellectual property		(68,663)	(117,181)
Purchase of property, plant, and equipment		(161,940)	(106,808)
Increase in fixed deposits pledged		-	(5,757)
Construction of plant and equipment		-	(532,427)
Loans provided, net		(257,166)	(48,144)
Net cash acquired on acquisition	8c.iv(2),(3)	28,035	-
Increase in deposits / investments		(104,579)	(115,703)
<b>Net cash used in investing activities</b>		(564,313)	(919,097)
<i>Cash flows from financing activities</i>			
Proceeds from exercise of options		379,049	128,190
Shares issued to non-controlling interest		128,968	-
(Repayment of) / proceeds from borrowings, net		(120,362)	355,663
Advance loan to third party		-	(377,453)
<b>Net cash provided by financing activities</b>		387,655	106,400
<b>Net decrease in cash held</b>		64,264	(123,489)
Cash and cash equivalents at the beginning of the period		58,105	348,434
Change in foreign currency held		(1,387)	(166,840)
<b>Cash and cash equivalents at the end of the period</b>	8a	120,982	58,105

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

## Notes to the consolidated financial statements

for the year ended 31 December 2017

### Note 1 Statement of significant accounting policies

These are the consolidated financial statements and notes of Holista Colltech Limited (**Holista** or **the Company**) and controlled entities (collectively **the Group**). Holista is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of Holista, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

The financial statements were authorised for issue on 29 March 2018 by the directors of the Company.

#### a. Basis of preparation

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

##### i. Statement of compliance

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

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

##### ii. Change in financial year end

In the prior reporting period, the company changed its financial year end from 30 June to 31 December. The current period figures relate to 12 months from 1 January 2017 to 31 December 2017, whereas (as a result of the change in financial year end), the comparative period relates to the 6 months ended 31 December 2016.

The comparative amounts disclosed in the financial report and related notes are not comparable as the lengths of the periods differ by six months.

##### iii. 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 for the year of \$3,174,268 (2016: \$163,858 profit) and a net cash in-flow from operating activities of \$240,922 (2016: \$689,208 in-flow). As at 31 December 2017, the Company working capital of \$964,764 (2016: \$1,181,394 working capital), as disclosed in Note 19f of the Issued capital note.

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

The Group's cosmetic collagen business continues to grow and is generating revenue of \$392,400 with a growth of 41.5% over 2016. This area of business will grow with new interest from an international cosmetic company operating out of China. This will be a much higher margin business that we contemplate with get attention with the network of this company in Thailand and Indonesia.

The Group has invested in some essential equipment at its Collie Plant to produce the Food Grade Collagen on a higher scale. We expect this equipment to be commissioned in June 2018. The Group is confident that this new source of revenue from Collie will contribute positively to the Group's revenue in the coming financial year as oral grade collagen is a large and growing global market.

Beside the cosmetic and food grade collagen, the Group will also enter into the Medical Grade collagen. The Group expects to get its ISO certification in June and be able to supply this as feedstock from September 2018.

On the Healthy Food Ingredients, we expect to see significant revenue in Australia, Asia and Europe in the next 12 months. Our US indirect subsidiary, Holista Foods Inc, to distribute our low-GI product in North America and has met with success with the low GI noodles. This business segment will expected to generate revenue in next financial year

Our sales of dietary supplement ingredients to companies in the Multi-Level Marketing space will continue to grow in the area of EMULIN and Glutathione precursors. This has grown to \$2.4 million and 97% in terms of growth

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

While the Group is optimistic that its Malaysian and Australian revenue will continue to grow and contribute positively in the future, it does realise the risk should the Group fail to generate sufficient positive cash flows and/or obtain funding when required. There is significant uncertainty as to whether the Group will continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## iv. Use of estimates and judgments

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

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

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 1t.

## v. Comparative figures

The comparative figures presented in financial statements are from the 31 December 2016 Annual Report, which was a six month annual report due to a change in financial year. Accordingly, changes from the comparative period have been effected by the differing length of reporting period. The Company believes these comparatives presented are the most relevant to users.

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

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

## b. Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 January 2017 but determined that their application to the financial statements is either not relevant or not material.

## c. Principles of consolidation

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

## i. Business combinations

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

**less**

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

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

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

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

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

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

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

## ii. Subsidiaries

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

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

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

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

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

A list of controlled entities is contained in Note 14 Interest In Subsidiaries of the financial statements.

## iii. Loss of control

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

## iv. Transactions eliminated on consolidation

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

## d. Foreign currency transactions and balances

## i. Functional and presentation currency

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

## Notes to the consolidated financial statements

for the year ended 31 December 2017

### Note 1 Statement of significant accounting policies

#### ii. Transaction and balances

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

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

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

#### iii. Group companies and foreign operations

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

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

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

#### e. Taxation

##### i. Income tax

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.

## Notes to the consolidated financial statements

for the year ended 31 December 2017

### Note 1 Statement of significant accounting policies

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

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

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

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

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

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

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

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return and disclosed as such in Note 7 Income Tax.

#### ii. Value added taxes

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

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

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

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2017

Note 1 Statement of significant accounting policies

f. Fair Value

i. Fair Value of Assets and Liabilities

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

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

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

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 takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

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

ii. Fair value hierarchy

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

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

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

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

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

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

iii. Valuation techniques

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

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

## Notes to the consolidated financial statements

for the year ended 31 December 2017

### Note 1 Statement of significant accounting policies

- *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.

#### g. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy 1e) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

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

#### h. Financial instruments

##### i. Initial recognition and measurement

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified on the contract expire or are discharged or cancelled.

##### ii. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

## Notes to the consolidated financial statements

for the year ended 31 December 2017

### Note 1 Statement of significant accounting policies

#### iii. Classification and Subsequent Measurement

##### (1) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities or the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### (2) *Loans*

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

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

##### (3) *Trade and other receivables*

Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance. (see also Note 1h.vii).

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

##### (4) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

##### (5) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies****(6) Available-for-sale investments**

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

**(7) Financial liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and the financial liability is derecognised..

**(8) 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.

**(9) Interest-bearing loans and borrowings**

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

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

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

**(10) Share 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.

**iv. Amortised cost**

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

**v. Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

## vi. Effective interest method

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

## vii. Impairment

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

(1) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(2) *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(3) *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## viii. Derecognition

(1) *Financial assets*

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**(2) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**ix. Finance income and expenses**

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

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

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

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

**i. 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.

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

**j. Property, Plant, and equipment****i. Recognition and measurement**

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

Items of plant and equipment are measured on the cost basis and carried at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1g Impairment of non-financial assets).

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

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

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 assets 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.

ii. Subsequent costs

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

iii. Depreciation

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

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

	2017 %	2016 %
■ Buildings	4.00	4.00
■ Plant and equipment	20.00 to 33.33	20.00 to 33.33
■ Motor Vehicles	20.00	20.00

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

iv. 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.

k. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 1c.i) 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.

The Group's policy for goodwill arising on the acquisition of an associate is described at Note 1m below.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

## i. Intangible assets and amortisation

## i. 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.

## ii. Intangible assets acquired in a business combination

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

## iii. Subsequent measurement

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

	2017	2016
	%	%
■ Licenses	10.00	10.00
■ Software	25.00	25.00

## m. Investments in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

## n. Employee benefits

## i. Short-term benefits

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

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

## ii. Other long-term benefits

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

## Notes to the consolidated financial statements

for the year ended 31 December 2017

### Note 1 Statement of significant accounting policies

#### iii. Retirement benefit obligations: Defined contribution superannuation funds

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

#### iv. Termination benefits

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

#### v. Equity-settled compensation

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

#### o. 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 statement of comprehensive income net of any reimbursement.

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

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

#### p. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the income statement on a straight-line basis over the term of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### q. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

All revenue is stated net of the amount of GST (Note 1e.ii Value added taxes).

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

## i. Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

## ii. Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

## iii. Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract.

## iv. Interest revenue

Interest revenue is recognised in accordance with Note 1h.ix Finance income and expenses.

## v. Customer loyalty points

Deferred revenue in respect of customer loyalty points is recognised in accordance with Note 1t.v Key estimates – Deferred revenue for customer loyalty points.

## r. Revenue and other income

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

## s. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

## t. Critical Accounting Estimates and Judgments

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

## i. Key judgements and estimates – Business Combinations

Refer Note 3 Business combinations.

## ii. Key estimate – Taxation

Refer Note 7 Income Tax.

## iii. Key estimates – Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 21 Share-based payments.

## iv. Key estimates – Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer Note 13 Intangible assets.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

## v. Key estimates – Deferred revenue for customer loyalty points

The Group operates a customer loyalty program that allows its customers to accumulate customer loyalty points on the purchases of the Group's products sold in the Group's stores. These customer loyalty points can be used for the redemption of products from the Group's stores.

The Group allocates consideration received from the sale of products to the products sold and the points issued that are expected to be redeemed.

The Group has estimated the fair value of the points issued that are expected to be redeemed and has accounted it as a deferred revenue in the statements of financial position. This deferred revenue is recognised as revenue when the points are redeemed or no longer expected to be redeemed and the amount of revenue recognised is based on the number of points that have been redeemed, relative to the total number expected to be redeemed..

## u. New Accounting Standards and Interpretations not yet mandatory or early adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

i. *AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)*

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

*The Directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.*

ii. *AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).*

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract(s);
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract(s); and
- (5) Recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

*The Directors are currently assessing the impact of the adoption of AASB 15; however currently anticipate adoption of the standard will not have a material impact on the Group's revenue recognition and disclosures.*

iii. *AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).*

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 1 Statement of significant accounting policies**

The main changes introduced by the new Standard are as follows:

- (1) recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- (2) depreciating the right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- (3) inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- (4) application of practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- (5) additional disclosure requirements.

*The Directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's recognition of leases and disclosures).*

## v. Adjustments made subsequent to the lodgement of the ASX Appendix 4E

Subsequent to the lodgement of the ASX Appendix 4E:

## i. Loss after tax increased by \$74,750 due to:

- (1) Increases in – Share-based payments: \$74,750.

## ii. Other changes having no impact on profit include:

- (1) Other income increased by \$78,053 due to the separate presentation of foreign exchange losses of \$78,053;
- (2) Other expenses decreased by \$1,175,307 due to the separate presentation of distribution costs of \$313,880 and consultancy and professional fees of \$861,427;

## iii. Reserves increased by \$74,750 due to valuation of options issued through share-based payments amounting to \$74,750.

## iv. Accumulated losses decreased by \$30,406 due to share-based payments expenses amounting to (\$74,750) and in increase in non-controlling interests of \$44,704

## v. Non-controlling interests increased by \$44,704.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 2 Prior period correction**

*Funds loaned to related companies*

In the prior reporting period a net amount of \$111,019 was incorrectly recorded as an investment in a joint venture. This value represented a loan (\$117,243 net of impairment \$6,224). As such, the comparative balances have been restated to reflect the correction to the classification. There has been no effect on reported profit and loss or net assets, being a reclassification of non-current assets and expense items.

Whilst the Company believed at the time this transaction was accounted for correctly, upon subsequent review, it was determined that a cash component transferred to the investment in a joint venture was in actuality a loan fully repayable to the Company.

The effect of the correction was contained within non-current assets, and has no effect on the net assets of the Group. Furthermore, the effect is quarantined to six months ended 31 December 2016, effecting balances of that period only. The correction has no effect on cash nor cash flows. There was no effect upon stated profit of the Group, as the amount of share of net loss of joint ventures was reclassified as an impairment to loan to related parties (in other non-current assets).

Details in relation to the impact of this correction on comparative financial information are disclosed following.

		Previously reported 31 Dec 2016 \$	Effect of accounting correction \$	31 Dec 2016 (restated) \$
<b>a. Adjustments made to statements of financial position (extract)</b>				
<b>As at 31 December 2016</b>				
<i>Non-current assets (extract)</i>				
	<b>Note</b>			
Other non-current assets	11b	360,174	111,019	471,193
Investment accounted using the equity method	15	111,019	(111,019)	-
<b>Non-current asset</b>		<b>2,461,620</b>	<b>-</b>	<b>2,461,620</b>
<b>Net assets</b>		<b>3,109,378</b>	<b>-</b>	<b>3,109,378</b>
<b>Total equity</b>		<b>3,109,378</b>	<b>-</b>	<b>3,109,378</b>
<b>b. Statement of profit or loss and other comprehensive income (extract)</b>				
<b>For the 6 months ended 31 December 2016</b>				
<i>Income statement (extract)</i>				
Impairment	5b	4,210	6,224	10,434
Share of net loss of joint ventures	15	6,224	(6,224)	-
<b>Profit/(Loss) for the year</b>		<b>163,858</b>	<b>-</b>	<b>163,858</b>

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 3 Business combinations****a. HF Pre IPO Fund I LLC**

On 1 January 2017, Holista Colltech Limited (**Holista**), acquired 67% of the ordinary share capital and voting rights of HF Pre IPO Fund I LCC (**HF Pre IPO**). This transaction constitutes a business combination under AASB 3.

**i. Acquisition consideration**

The fair value of the consideration for the issued capital of HF Pre IPO was \$354,936.

**ii. Goodwill**

The identifiable net assets of the acquiree are remeasured to their fair value on the date of acquisition (i.e. the date that control passes). Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the acquired. Details of the transaction are as follows:

	Note	Fair value \$
<b>Fair value of:</b>		
Consideration given for controlling interest	8c.iv	354,936
Non-controlling interest		179,173
		534,109
<b>Fair value of identifiable assets and liabilities held at acquisition date:</b>		
Cash		156
Trade and other receivables		54,417
Other current assets		503,336
Trade and other payables		(23,800)
Fair value of identifiable assets and liabilities assumed		534,109
Goodwill		-

**b. Holista Foods Inc.**

On 16 October 2017, LiteFoods Inc. (**LiteFoods**)(a subsidiary of the Company), acquired an additional 25% in the ordinary share capital and voting rights of Holista Foods Inc.. This transaction constitutes a business combination under AASB 3.

**i. Acquisition consideration**

As consideration for the issued capital of Holista Foods Inc., LiteFoods paid \$503 for an additional 396 shares. LiteFoods also had loans to Holista Foods Inc. amounting to \$528,044, for total deemed consideration of \$528,547.

**ii. Fair value of previously held interest**

An equity interest previously held in the acquiree (Holista Foods Inc.) which qualified as an equity accounted investment is treated as if it were disposed of and reacquired at fair value on the acquisition date. Accordingly, it is remeasured to its acquisition date fair value, and any resulting gain or loss compared to its carrying amount is recognised in profit or loss. Any amount that has previously been recognised in other comprehensive income, and that would be reclassified to profit or loss following a disposal, is similarly reclassified to profit or loss. In addition, non-controlling interests are measured on the date of acquisition.

	\$
Investment in joint venture entity	249
Share of associate's loss to the date of acquisition	(249)
Carrying value at date of acquisition	-
Implied value of previously held interest	249
Fair valuation on deemed disposal and acquisition of joint venture entity	Nil
Fair valuation of non-controlling interests	264

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 3 Business combinations**

iii. **Goodwill**

The identifiable net assets of the acquiree are remeasured to their fair value on the date of acquisition (i.e. the date that control passes. Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the acquired. Details of the transaction are as follows:

	Note	Fair value \$
Fair value of:		
■ Deemed consideration given additional equity	8c.v	528,547
■ Previously held interest		249
■ Non-controlling interest		264
		529,060
<i>Fair value of identifiable assets and liabilities held at acquisition date:</i>		
■ Cash	8c.v	27,879
■ Other current assets		256
■ Property, plant, and equipment		2,132
■ Trade and other payables		(9,983)
■ Interest-bearing loans and borrowings		(635)
Fair value of identifiable assets and liabilities assumed		19,649
Goodwill	13a	509,411

**Note 4 Revenue and other income**

a. **Revenue**

Sale of goods

	12 months to 31 December 2017 \$	6 months to 31 December 2016 \$
	7,569,007	3,716,876
	7,569,007	3,716,876
<b>b. Other Income</b>		
Loss on disposal of property, plant and equipment	(33)	(65)
Interest income	6,302	10,874
Rental income	54,593	37,825
Research and development grant income	134,137	283,851
Other income	143,737	3,467
Dividend receivable	-	15,452
	338,736	351,404

## Notes to the consolidated financial statements

for the year ended 31 December 2017

## Note 5 (Loss) / profit before income tax

The following significant revenue and expense items are relevant in explaining the financial performance:

## a. Other Expenses:

- Compliance
- Insurance
- Other expenses
- Collie factory maintenance costs
- Audit fees
- Operating lease rental expense
- Provision for stock written off

## b. Impairment:

- Doubtful debts
- Impairment of intangibles
- Impairment of funds loaned

11b,2b

	12 months to 31 December 2017 \$	6 months to 31 December 2016 \$
	81,105	56,362
	45,025	36,207
	349,686	282,610
	66,727	45,323
	72,782	46,093
	96,749	35,709
	5,467	8,290
	717,541	510,594
	19,217	4,210
	1,310	-
	131,678	6,224
	152,205	10,434

## Note 6 Earnings per share (EPS)

## a. Reconciliation of earnings to profit or loss

(Loss) / profit for the period

Less: loss attributable to non-controlling equity interest

(Loss) / profit used in the calculation of basic and diluted EPS

Note

	12 months to 31 December 2017 \$	6 months to 31 December 2016 \$
	(3,174,268)	163,858
	(143,978)	(2,410)
	(3,030,290)	166,268

## b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

Weighted average number of dilutive equity instruments outstanding

## c. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

6e

	12 months to 31 December 2017 No.	6 months to 31 December 2016 No.
	179,185,314	171,151,573
	N/A	30,250,131
	179,185,314	201,401,704

## d. Earnings per share

Basic EPS (cents per share)

Diluted EPS (cents per share)

6e

6e

	12 months to 31 December 2017 ¢	6 months to 31 December 2016 ¢
	(1.69)	0.10
	N/A	0.08

e. As at 31 December 2017 the Group has 46,362,616 unissued shares under options (31 December 2016: 30,692,782) and 9,000,000 performance shares on issue (31 December 2016: nil). The Group does not report diluted earnings per share on losses generated by the Group. During the year ended 31 December 2017 the Group's unissued shares under option and partly-paid shares were anti-dilutive.

Notes to the consolidated financial statements

for the year ended 31 December 2017

Note 7 Income tax

Note	12 months to 31 December 2017 \$	6 months to 31 December 2016 \$
<b>a. Income tax (benefit) / expense</b>		
Current tax	(160,218)	63,388
Deferred tax	-	-
	(160,218)	63,388
Deferred income tax expense included in income tax expense comprises:		
<ul style="list-style-type: none"> <li>■ Increase / (decrease) in deferred tax assets</li> <li>■ (Increase) / decrease in deferred tax liabilities</li> </ul>	-	-
	-	-
	-	-
<b>b. Reconciliation of income tax expense to prima facie tax payable</b>		
The prima facie tax (benefit) / payable on (loss) / profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Accounting (loss) / profit before tax	(3,334,486)	227,246
Prima facie tax on operating loss at 27.5% (2016: 27.5%)	(916,984)	62,493
Add / (Less) tax effect of:		
<ul style="list-style-type: none"> <li><input type="checkbox"/> Profit attributable to foreign subsidiaries</li> <li><input type="checkbox"/> Research and development tax offset exempted from tax</li> <li><input type="checkbox"/> Foreign tax losses not recognised</li> <li><input type="checkbox"/> Foreign income tax payable</li> <li><input type="checkbox"/> Non-deductible expenses</li> <li><input type="checkbox"/> Timing differences</li> <li><input type="checkbox"/> Deferred tax asset not brought to account</li> </ul>	(9,382)	(129,309)
	(36,888)	(85,155)
	45,037	2,781
	(160,218)	63,388
	109,005	95,106
	7,265	(9,077)
	801,947	63,161
Income tax (benefit) / expense attributable to operating loss	(160,218)	63,388
	%	%
<b>c. The applicable weighted average effective tax rates attributable to operating profit are as follows</b>	4.80	27.89
<b>i.</b> The tax rates used in the above reconciliations is the corporate tax rate of 27.5% payable by the Australian corporate entity on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting year.		
<b>ii.</b> The foreign tax payable relates to the Malaysian corporate entities, where the current corporate tax rate is 25%. The Malaysian corporate entities tax losses have unrecognised deferred tax assets in relation to unutilised tax losses carried forward for which no deferred tax asset has been recorded as it is not probable that taxable profit will be available in the foreseeable future.		

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 7 Income tax (cont.)**

Note	2017 \$	2016 \$
d. Balance of franking account at year end of the parent	nil	nil
e. <b>Current tax liabilities</b>		
Income tax payable in Malaysia	7,588	6,569
	7,588	6,569
f. <b>Deferred tax assets</b>		
Tax losses	292,526	99,085
	292,526	99,085
Net deferred tax assets	292,526	99,085
g. <b>Deferred tax liabilities</b>		
Other	-	770
Net deferred tax liabilities	-	770
h. <b>Tax losses and deductible temporary differences</b>		
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	1,792,376	1,080,469
■ Tax losses attributable to foreign subsidiaries	968,124	923,087
	2,760,500	2,003,556

Potential deferred tax assets attributable to tax losses have not been brought to account at 31 December 2017 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:

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

The parent company has accumulated tax losses of \$6,517,731 (2016: \$3,928,978) which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office. The parent company has additional accumulated tax losses of \$7,938,150 which are not expected to be available to offset any future taxable profits as their origin cannot be determined. No deferred tax asset has been recorded in relation to these tax losses as it is not probable that taxable profit will be available in the foreseeable future and they may not be used to offset taxable.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 8 Cash and cash equivalents**

**a. Current**

Cash at bank

	2017 \$	2016 \$
Cash at bank	120,982	58,105
	120,982	58,105

b. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23 Financial risk management.

**c. Cash Flow Information**

**i. Reconciliation of cash flow from operations to (loss)/profit after income tax**

(Loss) / profit after income tax

Cash flows excluded from loss attributable to operating activities

*Non-cash flows in (loss)/profit from ordinary activities:*

■ Depreciation and amortisation

■ Foreign exchange loss

■ Net share-based payments expensed

■ Impairment

■ (Gain) and interest on non-current assets

■ Dividends receivable

■ Accrued interest payable or capitalised

■ Accrued interest receivable

■ Loss on disposal of property, plants, and equipment

*Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:*

■ Decrease/(increase) in receivables

■ (Increase)/decrease in inventories

■ (Increase)/decrease in prepayments

■ Increase in trade and other payables

■ Increase in provisions

■ (Increase)/decrease tax balances

Cash flow from operations

	12 months to 31 December 2017 \$	6 months to 31 December 2016 \$
(Loss) / profit after income tax	(3,174,268)	163,858
Cash flows excluded from loss attributable to operating activities	-	-
<i>Non-cash flows in (loss)/profit from ordinary activities:</i>		
■ Depreciation and amortisation	224,514	70,532
■ Foreign exchange loss	78,053	46,429
■ Net share-based payments expensed	2,536,595	6,943
■ Impairment	152,205	10,434
■ (Gain) and interest on non-current assets	-	(3,467)
■ Dividends receivable	-	(15,452)
■ Accrued interest payable or capitalised	8,345	9,952
■ Accrued interest receivable	-	(4,973)
■ Loss on disposal of property, plants, and equipment	33	65
<i>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</i>		
■ Decrease/(increase) in receivables	69,413	(423,452)
■ (Increase)/decrease in inventories	(87,198)	129,985
■ (Increase)/decrease in prepayments	(154,607)	321,519
■ Increase in trade and other payables	781,610	327,253
■ Increase in provisions	1,729	6,516
■ (Increase)/decrease tax balances	(195,502)	43,066
Cash flow from operations	240,922	689,208

**ii. Credit and loan standby arrangement with banks**

Refer Note 17g Financing facilities available.

**iii. Non-cash investing and financing activities**

A loan amounting to US\$250,000 was advanced by an associated company of a Director. On 24 March 2017, 6,012,698 options were exercised to affect the settlement of a loan of \$360,762 from Global eHealth Limited, a related party.

Refer also to acquisitions of entities at Notes 8c.iv Acquisition of entities: HF Pre IPO Fund I LLC and 8c.v Acquisition of entities: Holista Foods Inc..

## Notes to the consolidated financial statements

for the year ended 31 December 2017

## Note 8 Cash and cash equivalents (cont.)

	Note	2017 \$
<b>iv. Acquisition of entities: HF Pre IPO Fund I LLC</b>		
<b>HF Pre IPO Fund I LLC</b>		
On 1 January 2017 Holista Colltech Limited acquired 67% of the ordinary share capital and voting rights in HF Pre IPO as described in Note 3a		
(1) <i>Purchase consideration:</i>		
Consideration exchanged	3a	354,936
(2) <i>Cash acquired:</i>		
Cash held by HF Pre IPO Fund I LLC at date of acquisition	3a	156
(3) <i>Assets and liabilities held at acquisition date (excluding cash) excluded from the consolidated statement of cash flow:</i>		
▪ Trade and other receivables		54,417
▪ Other current assets		503,336
▪ Trade and other payables		(23,800)
<b>v. Acquisition of entities: Holista Foods Inc.</b>		
On 16 October 2017, LiteFoods Inc. ( <b>LiteFoods</b> )(a subsidiary of the Company), acquired an additional 25% of the ordinary share capital and voting rights of Holista Foods Inc as described in Note 3b		
(1) <i>Purchase consideration:</i>		
▪ Loans deemed to form part of the consideration	3b.i	528,044
▪ Consideration exchanged	3b.i	503
Total consideration		528,547
(2) <i>Cash acquired:</i>		
Cash in-flow on acquisition	3b.iii	27,879
(3) <i>Assets and liabilities held at acquisition date (excluding cash) excluded from the consolidated statement of cash flow:</i>		
▪ Other current assets	3b.iii	256
▪ Property, plant, and equipment	3b.iii	2,132
▪ Trade and other payables	3b.iii	(9,983)
▪ Interest-bearing loans and borrowings (net of loans deemed to form part of consideration)	3b.iii	(635)

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

Note 9 Trade and other receivables	Note	2017 \$	2016 \$
<b>a. Current</b>			
Trade receivable	9c	1,404,003	1,367,066
Amounts advanced to third parties		258,082	417,941
Other receivables		145,029	255,247
		<b>1,807,114</b>	<b>2,040,254</b>

- b. The Group's exposure to credit rate risk is disclosed in Note 23 Financial risk management.
- c. The average credit period on sales of goods and rendering of services is range from 30 to 90 days. Interest is not charged. No allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the group and the customer or counter party to the transaction.

- d. Amounts advanced to third parties of \$258,082 (Dec 2016: \$417,941) to third party attracts 5% interest on accrual basis

Note 10 Inventories	2017 \$	2016 \$
<b>Current</b>		
Raw materials - at cost	627,987	291,497
Finished goods - at cost	328,249	599,843
	<b>956,236</b>	<b>891,340</b>

Note 11 Other assets	Note	2017 \$	Restated 2016 \$	<i>Previously Stated</i> 2016 \$
<b>a. Current</b>				
Security deposits	11d	417,177	400,794	400,794
Other deposits		109,655	-	-
Prepayments		349,914	195,307	195,307
		<b>876,746</b>	<b>596,101</b>	<b>596,101</b>
<b>b. Non-current</b>				
Legal settlement proceeds due		-	5,238	5,238
Unlisted investments (Level 3)	11e	-	354,936	354,936
Loans to related parties	2a,11c	475,590	117,243	-
Less: Impairment	2a,5b	(131,678)	(6,224)	-
		<b>343,912</b>	<b>471,193</b>	<b>360,174</b>

- c. The balance as at 31 December 2017 related to funds loans to Galen BioMedical Inc. The comparative balances have been adjusted by \$111,019, net of impairment, previously recorded as an investment in a joint venture as detailed in Note 2a.
- d. 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.
- e. In the comparative period, an unlisted investment of units in a Limited Liability Company was treated as Level 3 investment based on unobservable inputs for the units. On 1 January 2017, Holista Colltech Limited (**Holista**), acquired 67% of the ordinary share capital and voting rights of HF Pre IPO Fund I LCC (**HF Pre IPO**), accordingly this investment has been accounted for as an investment in a subsidiary. Refer Note 3a Business combinations: HF Pre IPO Fund I LLC.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

Note 12 Property, plant, and equipment	Note	31 December 2017 \$	31 December 2016 \$
Freehold land and buildings		2,408,331	2,385,557
Accumulated depreciation and impairment	12d	(1,666,308)	(1,643,660)
		742,023	741,897
Plant and equipment		2,052,091	1,711,209
Plant and equipment under construction		-	532,427
Accumulated depreciation		(1,248,318)	(1,450,284)
		803,773	793,352
Motor vehicles		151,891	148,160
Accumulated depreciation		(140,251)	(114,053)
		11,640	34,107
<b>Total plant and equipment</b>		<b>1,557,436</b>	<b>1,569,356</b>

**a. Movements in Carrying Amounts**

	Freehold land and buildings \$	Plant and Equipment \$	Motor Vehicles \$	Total \$
Carrying amount at the beginning of the period	741,897	793,352	34,107	1,569,356
Additions	-	161,940	-	161,940
Disposals / write-offs	-	(33)	-	( 33)
Depreciation expense	(17,813)	(152,658)	(22,400)	(192,871)
Foreign currency exchange differences	17,939	1,172	(67)	19,044
<b>Carrying amount at the end of year</b>	<b>742,023</b>	<b>803,773</b>	<b>11,640</b>	<b>1,557,436</b>

b. The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2017 is \$11,640 (2016: \$34,107) There were no additions during the year to motor vehicles held under finance leases and hire purchase contracts.

c. The carrying value of property, plant and equipment temporarily idle is \$nil (2016 \$nil). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities. Land and buildings with a carrying amount of \$742,023 (2016: \$741,897) are subject to a first charge to secure a loan from RHB Bank, Malaysia.

**d. Impairment Disclosure***Collagen Extraction Facility in Collie, Western Australia*

This facility was built on land subject to a 20 years lease entered into in June 2004. The facility buildings have a carrying value of \$nil as at 31 December 2017 (2016: \$nil).

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

Note 13 Intangible assets	Note	2017 \$	2016 \$
Goodwill		514,113	-
Patents and licences	13b	393,999	337,098
Accumulated amortisation and impairment		(49,309)	(15,112)
		<b>858,803</b>	<b>321,986</b>

**a. Movements in Carrying Amounts**

	Note	Goodwill \$	Patents and licences \$	Total \$
Carrying amount at the beginning of the period		-	321,986	321,986
Additions	3b.iii	509,411	68,663	578,074
Amortisation expense		-	(31,643)	(31,643)
Foreign currency exchange differences		4,702	(14,316)	(9,614)
Carrying amount at the end of year		<b>514,113</b>	<b>344,690</b>	<b>858,803</b>

b. Included in the intangible is payment to ATM Metabolics of \$248,756 (USD180,000) for use of the brand Emulin Plus per term sheet entered into on the 6 December 2015. Exclusive Product Management and Distribution Agreement was signed on 9 January 2017.

**c. Allocation of goodwill to cash-generating units (CGU)**

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

	2017 \$	2016 \$
■ Food Ingredients	514,113	-

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

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

- Revenue (cash in-flows) have been extrapolated at a growth rate of 5.00%
- Expenses (cash out-flows) have been extrapolated at a growth rate of 10.00%
- Discount rate is based upon a weighted average cost of capital of 10.52%.

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

## Notes to the consolidated financial statements

for the year ended 31 December 2017

## Note 14 Interest in subsidiaries

## a. Information about principal subsidiaries

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

	Country of Incorporation	Class of Shares	Percentage Owned	
			2017	2016
■ Holista Biotech Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Total Health Concept Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Alterni (M) Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Medi Botanics Sdn Bhd	Malaysia	Ordinary	100.0	100.0
■ Revonutrix Sdn Bhd	Malaysia	Ordinary	100.0	N/A
■ LiteFoods Inc. <sup>(1)</sup>	USA	Ordinary	53.0	74.0
■ <i>Holista Foods Inc. (74% owned by LiteFoods Inc.)</i>	USA	Ordinary	39.2	N/A
■ HF Pre IPO Fund I LLC	USA	Ordinary	67.0	N/A

<sup>(1)</sup> LiteFoods Inc is 53% owned by the Group with the remaining 47% being held by private shareholders including the Company's Director Mr. Chan Heng Fai

- b. During the 2017 financial year the Company and non-controlling interests (**NCI**) contributed additional capital to LiteFoods Inc. (**LiteFoods**). The Company contributed \$129,994; however, due to the contributions on NCI (and related increase in NCI ownership), the Company's share in LiteFoods was reduced by 21% to 53%. Consequently, the Company's interests and NCI are adjusted to reflect the new relative interests. Components of equity relating to NCI have been reallocated between the amounts attributable to the parent's owners and NCI. Differences between the consideration paid and the amount by which NCI are adjusted and recognised in equity, and attributed to owners of the parent.

## c. Summarised financial information of subsidiaries with material NCI

## i. Summarised financial position

	LiteFoods Group (LiteFoods Inc. and Holista Foods Inc.)		HF Pre IPO Fund I LLC	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current assets	22,892	873	50,601	-
Non-current assets	515,506	111,019	343,912	-
Current liabilities	(18,663)	(69,154)	(22,078)	-
Non-current liabilities	(1,255,450)	(840,992)	-	-
<b>Net assets</b>	<b>(735,715)</b>	<b>(798,254)</b>	<b>372,435</b>	<b>-</b>
Carrying amount of NCI	(345,786)	(207,546)	122,904	-

## ii. Summarised financial performance

	12 months to 31 December 2017		6 months to 31 December 2016	
	\$	\$	\$	\$
Revenue	-	-	-	-
Loss for the period	(165,429)	(6,951)	(131,704)	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Loss attributable to NCI</i>	-	-	-	-
<i>Distributions paid to NCI</i>	-	-	-	-

## iii. Summarised cash flow information

	12 months to 31 December 2017		6 months to 31 December 2016	
	\$	\$	\$	\$
Net cash used in operating activities	(165,457)	(9,270)	-	-
Net cash used in investing activities	(377,564)	-	-	-
Net cash from financing activities	507,550	23,625	-	-
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(543,021)</b>	<b>14,355</b>	<b>-</b>	<b>-</b>

Notes to the consolidated financial statements

for the year ended 31 December 2017

Note 15 Associates and Joint Arrangements

a. Information about principal joint arrangements

The entity listed below has share capital consisting solely of ordinary shares. The proportion of ordinary shares held by the Group equals the voting rights held by the Group. The entity's place of incorporation is its principal place of business.

	Note	Place of Incorporation / Business	Measurement Bases	Proportion of Ordinary Share Interests / Participating Share		Carrying Amount		
				2017	2016	2017	Restated 2016	Previously Stated 2016
				%	%	\$	\$	\$
• Holista Foods Inc <sup>(1)</sup>	2a	USA	Equity method	-	36.26	-	-	111,019

(1) On 12 July 2016, the Group and Nadja Foods LLC announced a 51-49 joint venture company, Holista Foods Inc, to be run by Nadja Piatka as Chief Executive Officer. Holista Foods Inc. will be the distributor for the Group's low-GI products in North America. Holista CollTech Ltd holds 74% of LiteFoods Inc. and LiteFoods Inc. hold 49% of Holista Foods Inc.

b. Change in the Group's ownership interest in a joint venture company

On 16 October 2017, LiteFoods Inc. acquired an additional 25% of the ordinary share capital and voting rights in its joint venture company Holista Foods Inc. As such, as at 31 December 2017, the Group no longer holds an interest in the joint venture company. Details in respect to the acquisition and fair value measurements made upon acquisition have been disclosed in Note 2a.

c. Summarised financial information for joint arrangement

Set out below is the summarised financial information for the Group's investments in joint arrangement. Unless otherwise stated, the disclosed information reflects the amounts presented in the Australian Accounting Standards financial statements of the joint arrangement. The following summarised financial information, however, reflects the adjustments made by the Group when applying the equity method, including adjustments for any differences in accounting policies between the Group and the joint arrangement.

Balances reported below pertaining to the 2017 financial year are quoted as at the date of acquisition, 16 October 2017.

	Note	Holista Foods Inc.	
		Restated 2016	Previously Stated 2016
		\$	\$
<b>i. Summarised financial position</b>			
Total current assets		-	15,616
Total non-current assets		-	92,765
Total current liabilities		-	(3,800)
Total non-current liabilities		-	(117,284)
Net liabilities		-	-
Group's share (%)		49.0%	49.0%
Group's share of joint arrangement's net liabilities		-	-
<b>ii. Summarised financial performance</b>			
Revenue		-	-
Loss after tax from continuing operations		(12,703)	(12,703)
Other comprehensive income		-	-
Total comprehensive income		(12,703)	(12,703)
Group's share of joint arrangement's profit after tax from continuing operations	2b	-	(6,224)
Group's share of joint arrangement's other comprehensive income		-	-

## Notes to the consolidated financial statements

for the year ended 31 December 2017

## Note 15 Associates and Joint Arrangements

## iii. Reconciliation to Carrying Amounts

Note	Restated	Previously Stated
	6 months to 31 December 2016 \$	6 months to 31 December 2016 \$
	-	-
2a	-	117,243
2b	-	(6,224)
	-	111,019

## Note 16 Trade and other payables

## Current

## Unsecured

## Trade payables

## Accruals

## Advance deposits and deferred revenue

## Amounts due to Directors

## Dividends payable

## Other payables

	2017 \$	2016 \$
	746,687	731,688
16a	609,208	495,920
	624,590	227,875
16b	297,601	69,098
	22,079	-
	257,505	148,040
	2,557,670	1,672,621

a. Included in the accruals is deferred revenue amounting of \$59,732 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.

b. Amounts due to Directors are comprised of \$236,891 due to Dr Manicka (2016: \$nil) and \$60,710 (2016: \$69,098) due to Mr Chan in respect the accrued director fees.

## Note 17 Interest-bearing loans and borrowings

## a. Current

## Banker's acceptance

## Leases

## Term loan

## Loan from related parties

## b. Non-current

## Term loan

## Leases

Note	2017 \$	2016 \$
17c	156,349	313,338
	13,966	12,998
17d	52,019	35,285
17e	641	357,079
	222,975	718,700
17d	498,857	485,032
	35,072	47,834
	533,929	532,866

c. The bankers' acceptance bears interest of 5.15% (2016: 5.15%) and is secured by the following:

- i. Facility Agreement;
- ii. Pledge of fixed deposits with licensed banks (refer to Note 11a)
- iii. Execution of a fresh letter of authorisation, memorandum of Deposit and letter of set off;
- iv. First-party assignment over the office lots of the Company; and
- v. Joint and several guarantees from certain Directors of the Company and a third-party.

Notes to the consolidated financial statements

for the year ended 31 December 2017

Note 17 Interest-bearing loans and borrowings (cont.)

- d. The term loan is repayable over 240 monthly instalments (principal plus interest) of \$5,119 which commenced on 1 July 2008. The term loan bears interest rates ranging from 5.20% (2016: 5.35%) per annum is secured by the following:
  - i. As principal Instrument, an "all monies" Facilities Agreement stamped to the amount of facilities advanced;
  - ii. First-party absolute assignment of all rights, interest, title and benefits in and to property beneficially owned by a Subsidiary Company;
  - iii. Corporate Guarantee by subsidiary company for \$823,949; and
  - iv. Personal Guarantee for \$823,949 by a Director of the subsidiary company.

e. Related party loans

In the current period, the amounts related to funds loaned to Holista Foods Inc. amounting to US\$500. In the comparative period, a loan amounting to US\$250,000 was advanced by an associated company of a Director. This loan attracted interest of 10% per annum. On 24 March 2017, 6,012,698 options were exercised to affect the settlement of a loan of \$360,762 from Global eHealth Limited.

f. Assets pledged as security

*Floating charge*

Inventories

Security deposits

Total current assets pledged as security

*First mortgage*

Freehold land and buildings

Total non-current assets pledged as security

Note	2017 \$	2016 \$
10	956,236	891,340
11a	109,655	-
	1,065,891	891,340
12	742,023	742,023
	742,023	742,023
	1,807,914	1,633,363

g. Financing facilities available

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

Term loan

Banker's acceptance

Finance lease

Total facilities at balance date

	Total facilities		Facilities used		Facilities unused	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Term loan	550,876	520,317	(550,876)	(520,317)	-	-
Banker's acceptance	379,027	369,720	(156,349)	(313,338)	222,678	56,382
Finance lease	49,038	60,832	(49,038)	(60,832)	-	-
Total facilities at balance date	978,941	950,869	(756,263)	(894,487)	222,678	56,382

Note 18 Provisions

Current

Provision for employee entitlements

Note	2017 \$	2016 \$
18a	8,081	6,516
	8,081	6,516

a. 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.

## Notes to the consolidated financial statements

for the year ended 31 December 2017

Note	19	Issued capital	Note	31 December	31 December	31 December	31 December
				2017	2016	2017	2016
				No.	No.	\$	\$
Fully paid ordinary shares at no par value				184,039,087	171,708,921	11,538,515	10,798,705
				12 months to	6 months to	12 months to	6 months to
				31 December	31 December	31 December	31 December
				2017	2016	2017	2016
				No.	No.	\$	\$
a.		<b>Ordinary shares</b>					
At the beginning of the period				171,708,921	169,572,421	10,798,705	10,670,515
Shares issued during the period:							
		■ 19.08.16 Options exercised at \$0.06		-	2,136,500	-	128,190
		■ 24.03.17 Options exercised at \$0.06	19c	6,012,698	-	360,762	-
		■ 18.04.17 Options exercised at \$0.06		1,666,667	-	100,000	-
		■ 14.06.17 Options exercised at \$0.06		1,666,667	-	100,000	-
		■ 26.09.17 Options exercised at \$0.06		1,500,000	-	90,000	-
		■ 05.10.17 Options exercised at \$0.06		1,484,134	-	89,048	-
Transaction costs relating to share issues				-	-	-	-
At reporting date				184,039,087	171,708,921	11,538,515	10,798,705

- b. 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.
- c. On 24 March 2017, 6,012,698 options were exercised to affect the settlement of a loan of \$360,762 from Global eHealth Limited, a related party.

## d. Performance shares

Performance shares

31 December	31 December
2017	2016
No.	No.

9,000,000

-

## e. Options

At beginning of the period

31 December	31 December
2017	2016
No.	No.

30,692,782

31,829,282

- Options issued during the year
- Options exercisable at 25 cents expiring 31 December 2019
- Options exercisable at 20 cents expiring 20 March 2020
- Options exercisable at 10cents expiring 31 December 2019
- Options exercisable at 20 cents expiring 23 June 2020
- Options exercisable at 25 cents expiring 23 June 2020
- Options exercisable at 30 cents expiring 23 June 2020
- Issued to Patent Consultant exercisable at 10 cents expiring 1 August 2020
- Issued to Holista Foods Inc. shareholder/director and I Galen consultant exercisable at 20 cents expiring 20 October 2020
- Expired Options

-

1,000,000

10,000,000

-

1,000,000

-

6,000,000

-

3,000,000

-

2,000,000

2,000,000

7,000,000

(3,000,000)

Options exercised

(12,330,166)

(2,136,500)

At reporting date

46,362,616

30,692,782

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 19 Issued capital (cont.)**

**f. 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 2011.

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

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

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

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

The working capital position of the Group were as follows:

	Note	2017 \$	2016 \$
Cash and cash equivalents	8	120,982	58,105
Trade and other receivables	9	1,807,114	2,040,254
Inventories	10	956,236	891,340
Other current assets	11	876,746	596,101
Trade and other payables	16	(2,557,670)	(1,672,621)
Borrowings	17	(222,975)	(718,700)
Current tax liabilities	7e	(7,588)	(6,569)
Current provisions	18	(8,081)	(6,516)
Working capital position		964,764	1,181,394

**Note 20 Reserves**

		31 December 2017 \$	31 December 2016 \$
Foreign currency translation reserve	20a	(413,435)	(376,030)
Share-based payment reserve	20b	4,809,268	2,272,673
		4,395,833	1,896,643

**a. Foreign currency translation reserve**

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

**b. Share-based payment reserve (formerly Option reserve)**

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

## Notes to the consolidated financial statements

for the year ended 31 December 2017

## Note 21 Share-based payments

## a. Share-based payments:

- Recognised as Share-based payment expense
- Recognised in Consultancy and professional services
- Recognised in Research and Development expenses

Gross share-based payments

Note	31 December 2017 \$	31 December 2016 \$
21b.i(1),(4), (5),(6),(7)	1,589,954	6,943
21b.i(2),(3), (5)	624,410	-
21b.i(3)	322,231	-
	2,536,595	6,943

## b. Share-based payment arrangements in effect during the period

## i. Share-based payments recognised in profit or loss

<sup>(1)</sup> Director options - Daniel O'Connor

As approved by shareholders 18 May 2017 the Company issued 3,500,000 Options to provide a performance linked incentive component in the Directors' remuneration packages to assist the Company in rewarding his performance, and to align their interests with those of Shareholders on the terms as detailed below and in Note 21d:

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

<sup>(2)</sup> Plant Consultant and Patent Holders Options

On 23 March 2017 the Company granted 6,500,000 Options to Patent Holders and Plant Consultant in the proportions as follows, and as detailed below and in Note 21d:

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

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

<sup>(3)</sup> Patent Holder and Consultant Options

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

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

<sup>(4)</sup> Co-Inventor and Patent Provider Options

On 26 July 2017 the Company granted 2,000,000 Options to Professor Jaya Henry, co-inventor of the Low GI and Low Sodium Patents, as detailed below and in Note 21d:

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

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 21 Share-based payments (cont.)**

<sup>(5)</sup> Incentive Options

On 16 October 2017 the Company granted 7,000,000 Options to incentivise joint venture partners and consultants to the Company in the proportions as follows, and as detailed below and in Note 21d:

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

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

<sup>(6)</sup> Subsidiary Director Options

In consideration for serving on the Board of LiteFoods Inc. the Company issued Mr Roscoe Michael Moore Jr 1,000,000 Options as detailed below and in Note 21d:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
1,000,000	31.12.19	\$0.1000	Immediately upon issue

<sup>(7)</sup> Director Performance Rights

As approved by shareholders 9 January 2017 the Company issued 9,000,000 performance rights to Dr Rajen Manicka to provide a performance linked incentive component in the Directors' remuneration packages to assist the Company in rewarding his performance, and to align their interests with those of Shareholders on the terms as detailed below and as detailed below and in Note 21e:

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

**c. Movement in share-based payment arrangements during the period**

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

	2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	30,692,782	\$0.1100	31,829,282	\$0.0600
Granted	31,000,000	\$0.2016	1,000,000	\$0.2500
Exercised	(12,330,166)	\$0.0600	(2,136,500)	\$0.0600
Expired	(3,000,000)	\$0.1000	-	-
Outstanding at year-end	46,362,616	\$0.2033	30,692,782	\$0.1100
Exercisable at year-end	46,362,616	\$0.2033	30,692,782	\$0.1100

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 21 Share-based payments (cont.)**

- i. 12,330,166 options were exercised during the year at \$0.06 cents per option.
- ii. The weighted average remaining contractual life of options outstanding at year end was 1.89 years (2016: 2 years). The weighted average exercise price of outstanding shares at the end of the reporting period was \$0.2055 (2016: \$0.1100).
- iii. The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

**d. Fair value of options granted during the period**

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

The weighted average fair value of options granted during the year was \$0.0204 (2016: \$0.0150). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options issued this year:

Note Reference	21b.i(1)	21b.i(2)	21b.i(3)	21b.i(3)	21b.i(3)	21b.i(4)	21b.i(5)	21b.i(6)
Grant date:	18.5.2017	23.3.2017	23.6.2017	23.6.2017	23.6.2017	26.7.2017	16.10.17	18.5.2017
Grant date share price:	\$0.130	\$0.140	\$0.110	\$0.110	\$0.110	\$0.100	\$0.094	\$0.130
Option exercise price:	\$0.200	\$0.200	\$0.200	\$0.250	\$0.300	\$0.100	\$0.200	\$0.200
Number of options issued:	3,500,000	6,500,000	6,000,000	3,000,000	2,000,000	2,000,000	7,000,000	1,000,000
Remaining life (years):	2.80	3.00	3.00	3.00	3.00	3.00	3.00	2.00
Expected share price volatility:	83.49%	83.49%	84.52%	84.52%	84.52%	85.56%	85.56%	83.49%
Risk-free interest rate:	1.74%	1.92%	1.77%	1.77%	1.77%	1.94%	2.04%	1.74%
Value per option	\$0.0549	\$0.0643	\$0.0449	\$0.0393	\$0.0348	\$0.0555	\$0.0358	\$0.0749

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

**e. Fair value of performance rights granted during the period**

Class	Performance rights No.	Probability performance condition is met %	Share Price at Date of Issue \$	Discounted value per performance right \$	Fair value of performance rights issued \$	Performance Condition Satisfied
A	3,600,000	100%	0.15	0.15	\$540,000	Yes, expensed immediately
B	2,700,000	100%	0.15	0.15	\$405,000	Yes, expensed immediately
C	1,800,000	100%	0.15	0.15	\$270,000	No, expensed over vesting period
D	900,000	100%	0.15	0.15	\$135,000	No, expensed over vesting period

The probability ability of conditions being met represents an estimate by management.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 22 Operating segments****a. Identification of reportable segments**

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

**b. Basis of accounting for purposes of reporting by operating segments****i. 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.

**ii. Inter-segment transactions**

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

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

**iii. 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.

**iv. 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.

**v. 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

**c. Types of products and services by segment****i. Supplements**

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

**ii. Sheep collagen**

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

**iii. Food ingredients**

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

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 22 Operating segments (cont.)****d. Segment Financial Performance**

	Supplements \$	Sheep Collagen \$	Food Ingredients \$	Corporate \$	Total \$
<b>Year ended 31 December 2017</b>					
Revenue					
■ External sales	7,176,607	392,400	-	-	7,569,007
■ Other income	-	-	-	338,736	338,736
<b>Total segment revenue</b>	<b>7,176,607</b>	<b>392,400</b>	<b>-</b>	<b>338,736</b>	<b>7,907,743</b>
<i>Reconciliation of segment revenue to group revenue:</i>					
Total group revenue and other income					7,907,743
Segment loss from continuing operations before tax	330,632	(516,509)	(158,984)	(2,989,625)	(3,334,486)
Loss before income tax					(3,334,486)
<b>6 months to 31 December 2016</b>					
Revenue					
■ External sales	3,641,576	75,300	-	-	3,716,876
■ Other income	-	-	-	351,404	351,404
<b>Total segment revenue</b>	<b>3,641,576</b>	<b>75,300</b>	<b>-</b>	<b>351,404</b>	<b>4,068,280</b>
<i>Reconciliation of segment revenue to group revenue:</i>					
■ Intra-segment eliminations					-
Total group revenue and other income					4,068,280
Segment profit from continuing operations before tax	431,032	(194,514)	-	(9,272)	227,246
<b>Profit before income tax</b>					<b>227,246</b>

Notes to the consolidated financial statements

for the year ended 31 December 2017

Note 22 Operating segments (cont.)

e. Segment Financial Position

At as 31 December 2017	Supplements \$	Sheep Collagen \$	Food Ingredients \$	Corporate \$	Total \$
Segment Assets	4,512,336	5,073,769	932,911	-	10,519,016
<i>Reconciliation of segment assets to group assets:</i>					
■ Intra-segment eliminations					(3,705,261)
Total assets					6,813,755
Segment Liabilities	1,007,196	2,191,435	1,296,191	-	4,494,822
<i>Reconciliation of segment liabilities to group liabilities</i>					
■ Intra-segment eliminations					(1,164,579)
Total liabilities					3,330,243
<b>As at 31 December 2016</b>					
Segment Assets	5,548,246	4,372,886	(839,058)	-	9,082,074
<i>Reconciliation of segment assets to group assets:</i>					
■ Intra-segment eliminations					(3,034,654)
Total assets					6,047,420
Segment Liabilities	2,257,600	1,763,696	(41,864)	-	3,979,432
<i>Reconciliation of segment liabilities to group liabilities</i>					
■ Intra-segment eliminations					(1,041,390)
Total liabilities					2,938,042

f. Revenue by geographical region

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	31 December 2017 \$	31 December 2016 \$
Australia	392,400	75,300
Malaysia	7,176,607	3,641,576
United States	-	-
Total revenue	7,569,007	3,716,876

g. Assets by geographical region

The location of segment assets / (deficiency) by geographical location of the assets is disclosed below:

	31 December 2017 \$	31 December 2016 \$
Australia	5,073,769	4,372,886
Malaysia	4,512,336	5,548,246
United States	932,911	(839,058)
Total assets	10,519,016	9,082,074

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 22 Operating segments (cont.)****h. Major customers**

The Group has a number of customers to whom it provides both products and services. Within the Food Ingredients and Supplement segment, the Group supplies to a number of retailers through one single external distributor who account for 56.4% (2016: 67.7%) of total revenue for this segment. The Group supplies to a few external customers for the Sheep Collagen segment, where the major customer accounts for 99.4% (2016: 98.4%) of revenue for this segment.

**Note 23 Financial risk management****a. Financial Risk Management Policies**

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

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

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

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

	Floating Interest Rate	Fixed Interest Rate	Non- interest Bearing	2017 Total	Floating Interest Rate	Fixed Interest Rate	Non- interest Bearing	2016 Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>								
<input type="checkbox"/> Cash and cash equivalents	120,982	-	-	120,982	58,105	-	-	58,105
<input type="checkbox"/> Trade and other receivables	-	-	1,807,114	1,807,114	-	-	2,040,254	2,040,254
<input type="checkbox"/> Other assets	-	-	526,832	526,832	-	-	406,032	406,032
<input type="checkbox"/> Investments	-	-	-	-	-	-	354,936	354,936
<input type="checkbox"/> Loans, net of impairment	-	343,912	-	343,912	-	111,019	-	111,019
<b>Total Financial Assets</b>	<b>120,982</b>	<b>343,912</b>	<b>2,333,946</b>	<b>2,798,840</b>	<b>58,105</b>	<b>111,019</b>	<b>2,801,222</b>	<b>2,970,346</b>
<b>Financial Liabilities</b>								
<b>Financial liabilities at amortised cost</b>								
<input type="checkbox"/> Trade and other payables	-	-	2,557,670	2,557,670	-	-	1,672,621	1,672,621
<input type="checkbox"/> Borrowings	707,225	49,038	641	756,904	833,655	417,911	-	1,251,566
<b>Total Financial Liabilities</b>	<b>707,225</b>	<b>49,038</b>	<b>2,558,311</b>	<b>3,314,574</b>	<b>833,655</b>	<b>417,911</b>	<b>1,672,621</b>	<b>2,924,187</b>
<b>Net Financial (Liabilities) / Assets</b>	<b>(586,243)</b>	<b>294,874</b>	<b>(224,365)</b>	<b>(515,734)</b>	<b>(775,550)</b>	<b>(306,892)</b>	<b>1,128,601</b>	<b>46,159</b>

**b. Specific Financial Risk Exposures and Management**

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2017

Note 23 Financial risk management (cont.)

iv. Credit risk

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

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

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

■ Credit risk exposures

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

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

■ Impairment losses

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

	Gross 2017 \$	Impaired 2017 \$	Net 2017 \$	Past due but not impaired 2017 \$
<b>Trade receivables</b>				
Not past due	820,774	-	820,774	-
Past due up to 15 days	47,243	-	47,243	47,243
Past due 15 days to 3 months	152,681	-	152,681	152,681
Past due over 3 months	403,318	(20,013)	383,305	383,305
	1,424,016	(20,013)	1,404,003	583,229
<b>Other receivables</b>				
Not past due	403,111	-	403,111	-
<b>Total</b>	<b>1,827,127</b>	<b>(20,013)</b>	<b>1,807,114</b>	<b>583,229</b>

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

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 23 Financial risk management (cont.)**

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

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

■ **Contractual Maturities**

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

	Within 1 Year		Greater Than 1 Year		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables	2,557,670	1,672,621	-	-	2,557,670	1,672,621
Borrowings	222,975	718,700	533,929	532,866	756,904	1,251,566
<b>Total contractual outflows</b>	<b>2,780,645</b>	<b>2,391,321</b>	<b>533,929</b>	<b>532,866</b>	<b>3,314,574</b>	<b>2,924,187</b>
Financial assets						
Cash and cash equivalents	120,982	58,105	-	-	120,982	58,105
Trade and other receivables	1,807,114	2,040,254	-	-	1,807,114	2,040,254
Loans, net of impairment	-	-	343,912	111,019	343,912	111,019
<b>Total anticipated inflows</b>	<b>1,928,096</b>	<b>2,098,359</b>	<b>343,912</b>	<b>111,019</b>	<b>2,272,008</b>	<b>2,209,378</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>(852,549)</b>	<b>(292,962)</b>	<b>(190,017)</b>	<b>(421,847)</b>	<b>(1,042,566)</b>	<b>(714,809)</b>

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

## vi. Market risk

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

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

In the comparative period, an unlisted investment in HF Pre IPO Fund I LCC was treated as Level 3 investment based on unobservable inputs for the units. On 1 January 2017, the Company acquired 67% of the ordinary share capital and voting rights of HF Pre IPO Fund I LCC, accordingly this investment has been accounted for as an investment in a subsidiary. Refer Note 3a Business combinations: HF Pre IPO Fund I LLC.

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

(1) **Interest rate risk**

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

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 23 Financial risk management (cont.)**

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

**(2) Foreign exchange risk**

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

**(3) 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.

vii. Sensitivity Analyses

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

<b>(1) Interest rates</b>	Profit \$	Equity \$
<b>Year ended 31 December 2017</b>		
±100 basis points change in interest rates	± (5,862)	± (5,862)
<b>6 months ended 31 December 2016</b>		
±50 basis points change in interest rates	± (3,878)	± (3,878)
<b>(2) Foreign exchange</b>		
	Profit \$	Equity \$
<b>Year ended 31 December 2017</b>		
±5% of Australian dollar strengthening/weakening against the Malaysian ringgit	± nil	± 175,257
<b>6 months 31 December 2016</b>		
±10% of Australian dollar strengthening/weakening against the Malaysian ringgit	± nil	± 329,065
<b>(3) Foreign exchange</b>		
	Profit \$	Equity \$
<b>Year ended 31 December 2017</b>		
±7.5% of Australian dollar strengthening/weakening against the United States dollar	± nil	± 27,246
<b>6 months 31 December 2016</b>		
±10% of Australian dollar strengthening/weakening against the United States dollar	± nil	± 79,719

viii. Net Fair Values

**(1) Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the table in Note 23a and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 23 Financial risk management (cont.)**

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

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

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

**Note 24 Commitments****a. Operating lease commitments - Group as lessee**

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between 3 and 7 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

The Group has a 1-3 year lease for commercial office, retail shop and warehouse in Malaysia. The future minimum rental payments under non-cancellable tenancy agreements are \$6,781.

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

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

	Consolidated		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Within one year	15,401	25,668	8,620	9,793
After one year but not more than five years	34,480	45,785	34,480	39,171
After five years	25,860	29,379	25,860	29,379
<b>Total</b>	<b>75,741</b>	<b>100,832</b>	<b>68,960</b>	<b>78,343</b>

**b. Finance lease and hire purchase commitments - Group as lessee**

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Consolidated	
	2017	2016
	\$	\$
Within one year	17,623	15,425
After one year but not more than five years	35,072	51,401
Later than five years	-	-
<b>Total minimum lease payments</b>	<b>52,695</b>	<b>66,826</b>
Less amounts representing finance charges	(3,657)	(5,994)
<b>Present value of minimum lease payments</b>	<b>49,038</b>	<b>60,832</b>

**c. Capital commitments**

None.

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 25 Events subsequent to reporting date**

- a. On 6 February 2018, the Company entered into a Controlled Placement Agreement (**CPA**) with Acuity Capital. The CPA provides Holista with up to \$3,000,000 of standby equity capital over the coming 24-month period. As collateral for the CPA, Holista has agreed to issue 9,500,000 shares to Acuity Capital (**Collateral Shares**) in two tranches (6,500,000 shares from its LR7.1 capacity and tranche two of the issue will be 3,000,000 shares subject to shareholder approval). At any time, the Company may cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).
- b. On 9 February 2018, the Company issued 6,500,000 ordinary shares in accordance with the CPA referred to above.
- c. On 14 February 2018, Holista (ASX: HCT) a group company Holista Food's Inc. signed a three year memorandum of understanding (**MOU**) to supply its patented low glycemic index mix to Wing's Group. A maiden order for US\$250,000 was secured on 22 February 2018.

**Note 26 Contingent liabilities**

There are no contingent liabilities as at 31 December 2017 (31 December 2016: Nil).

**Note 27 Key Management Personnel compensation (KMP)**

The names and positions of KMP are as follows:

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

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 16.

	31 December 2017 \$	31 December 2016 \$
Short-term employee benefits	308,881	154,761
Post-employment benefits	42,728	21,350
Share-based payments	1,225,327	-
Other long-term benefits	-	-
Termination benefits	-	-
<b>Total</b>	<b>1,576,936</b>	<b>176,111</b>

**Note 28 Related party transactions**

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

	Consolidated		Parent	
	31 December 2017 \$	31 December 2016 \$	31 December 2017 \$	31 December 2016 \$
Director fee paid to Mdm Nora Hassan	10,979	5,674	-	-
Legal fees paid to Sumita K & Associates for provision of legal advice. Mrs Sumita's husband is a director of the Company	10,919	5,674	-	-
Director fee paid to Mrs Sumita	10,919	5,674	-	-
Consultation fee paid to Samabudi Consulting Sdn Bhd which director have interest	49,134	24,019	-	-
Loan and interest from Global eHealth Ltd which a director have interest in	-	357,079	-	-
Loan from subsidiary	-	-	1,889,450	1,189,413
Loan to subsidiary	-	-	1,367,018	(325,107)

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 29 Parent entity disclosures**

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

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

**a. Financial Position of Holista CollTech Limited**

	2017 \$	2016 \$
Current assets	68,093	823,064
Non-current assets	5,005,677	3,563,708
<b>Total assets</b>	<b>5,073,770</b>	<b>4,386,772</b>
Current liabilities	2,191,435	1,777,582
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>2,191,435</b>	<b>1,777,582</b>
<b>Net assets</b>	<b>2,882,335</b>	<b>2,609,190</b>
<i>Equity</i>		
Issued capital	10,047,441	9,307,630
Share-based payment reserve	4,809,268	2,272,673
Accumulated losses	(11,974,374)	(8,971,113)
<b>Total equity</b>	<b>2,882,335</b>	<b>2,609,190</b>
	12 months to 31 December 2017 \$	6 months to 31 December 2016 \$
<b>b. Financial performance of Holista CollTech Limited</b>		
Profit / (loss) for the year	(3,003,260)	(194,513)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(3,003,260)</b>	<b>(194,513)</b>

**c. Guarantees**

There are no guarantees entered into by Holista CollTech Limited for the debts of its subsidiaries as at 31 December 2017 (31 December 2016: none).

**d. Contractual commitments**

The parent company has capital commitments at 31 December 2017 of \$nil (2016: \$nil). The parent company other commitments are disclosed in Note 24 Commitments.

**e. Contingent liabilities**

There are no guarantees entered into by Holista CollTech Limited for the debts of its subsidiaries as at 31 December 2017 (31 December 2016: none).

**Notes to the consolidated financial statements**

for the year ended 31 December 2017

**Note 30 Auditor's remuneration**

Remuneration of the auditor for:

- Auditing or reviewing the financial reports:
  - Stanton's International (*Australia*)
  - Russell Bedford LC & Company (*Malaysia*)

	12 months to 31 December 2017 \$	6 months to 31 December 2016 \$
	45,000	28,000
	27,782	18,093
	72,782	46,093

**Note 31 Company details**

The registered office of the Company is:

Address:

*Street:* 283 Rokeby Road  
 SUBIACO WA 6008

*Postal:* PO Box 52  
 WEST PERTH WA 6872

*Telephone:* +61 (0)8 6141 3500

*Facsimile:* +61 (0)8 6141 3599

**Directors' declaration**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 20 to 71, are in accordance with the *Corporations Act 2001* (Cth) and:
  - (a) comply with Accounting Standards;
  - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
  - (c) give a true and fair view of the financial position as at 31 December and of the performance for the year ended on that date of the Group.
  - (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**DR RAJEN MANICKA**

Managing Director

Dated this Thursday, 29 March 2018

Stantons International Audit and Consulting Pty Ltd  
trading as**Stantons International**  
Chartered Accountants and ConsultantsPO Box 1908  
West Perth WA 6872  
AustraliaLevel 2, 1 Walker Avenue  
West Perth WA 6005  
AustraliaTel: +61 8 9481 3188  
Fax: +61 8 9321 1204ABN: 84 144 581 519  
www.stantons.com.au**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
HOLISTA COLLTECH LIMITED****Report on the Audit of the Financial Report****Our Opinion**

We have audited the financial report of Holista Colltech Limited (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

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

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

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

**Emphasis of Matter**

We draw attention to Note 1a(iii) of the financial report, which describes the financial report being prepared on a going concern basis.

The Group incurred a loss for the financial year of \$3,174,268. As at 31 December 2017, the Group had cash and cash equivalents totalling \$120,982, working capital of \$964,764 and intangible assets of \$858,803 (including goodwill of \$514,113). The ability of the Company and the Group to continue as going concerns is subject to the future profitability of the Group. In the event that the Group is not successful in maintaining profitability, the Company and its subsidiaries may not be able to meet their liabilities as and when they fall due and the realisable value of the Company's and its subsidiaries assets may be significantly less than book values.

Stantons International

Our opinion is not modified in respect of this matter.

**Key Audit Matters**

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

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

Key Audit Matters	How the matter was addressed in the audit
<p><b>Carrying value of receivables</b></p> <p>At 31 December 2017, the Group has a receivable of \$258,082 (inclusive of accrued interest). This loan has been advanced with maturity being two years from date of the agreement and attracts 5% interest receivable.</p> <p>The Group has advanced funds to one of its customer in relation to the selling of the "Emulin Plus" brand in North America. The recoverability of the receivable is a key audit matter, due to the size of the balance (being 3.79% of the total assets of the Group) and the level of judgement required by us in evaluating managements' assessment of its recoverability.</p>	<ul style="list-style-type: none"> <li>i. Obtained external confirmation of the receivable as at 31 December 2017;</li> <li>ii. Discussions were held with key management personnel of the Group on the terms of the loan and the term of the loan and its recoverability;</li> <li>iii. Performed company search in order to ascertain the financial position of the borrower; and</li> <li>iv. Obtained from management the sales forecast from the launch of the products in North America by the borrower and assessed reasonableness of the budgeting and forecasting of the Group.</li> </ul>
<p><b>Carrying value of intangible assets</b></p> <p>At 31 December 2017, the Group has intangibles \$858,803.</p> <p>Included in the total intangible assets of the Group is the goodwill acquired from the acquisition of one subsidiary amounting to \$514,113.</p> <p>The remaining intangible asset (intellectual property) refers to the right to use the brand "EMULIN PLUS" amounting to \$344,690.</p> <p>Under AIFRSs, the Group is required to annually test the amount of intangible for impairment. This annual impairment test was significant to our audit because the balance of \$858,803 (being 12.6% of the total assets of the Group) as at 31 December 2017 is material to the financial statements.</p>	<ul style="list-style-type: none"> <li>i. Understand the process that management applied to recognise the goodwill on acquisition;</li> <li>ii. Understand the appropriateness of management's evaluation of the carrying value of intangible assets to determine any asset impairment;</li> <li>iii. Challenged the Group's assumptions and estimates used to determine the recoverable amount of the intangible assets; and</li> <li>iv. Discussion were held with key management personnel to ascertain as to whether there are any indicators that would give rise to an impairment and the feedback from management is that the</li> </ul>

Stantons International

In addition, management's assessment process is complex and highly judgmental and is based on assumptions, specifically in respect of the sales forecast from the sale of "low-GI" noodles under the acquired subsidiary for the next 3 years and the term sheet signed in relation to the use of brand "EMULIN PLUS".

subsidiary received its first order a subsequent to financial year ended 31 December 2017 and the "EMULIN PLUS" has been put into commercialisation during the year as planned.

**Responsibilities of the Directors for the Financial Report**

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

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

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

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

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

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

### Stantons International

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

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

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

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

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 31 December 2017. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### **Opinion on the Remuneration Report**

In our opinion the Remuneration Report of Holista CollTech Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

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

*Stantons International Audit and Consulting Pty Ltd*  
*Samir Tirodkar*

**Samir Tirodkar**  
Director

West Perth, Western Australia  
29 March 2018

### Corporate governance statement

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

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

The Company’s governance-related documents can be found on its website at [www.holistaco.com](http://www.holistaco.com).

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

PRINCIPLES AND RECOMMENDATIONS	COMPLY EXPLANATION (YES/NO)
<p><b>Recommendation 1.5</b> A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <p>(i) to set measurable objectives for achieving gender diversity; and</p> <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p>(ii) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>	<p>NO (not followed in full)</p> <p>(a) The Company has adopted a Diversity Policy.</p> <p>(i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality.</p> <p>(ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives.</p> <p>(b) The Diversity Policy is stated in Schedule 9 of the Corporate Governance Plan which is available on the company website.</p> <p>(c)</p> <p>(i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition the Board will review progress against the objectives in its annual performance assessment.</p> <p>(ii) The Board will include in the annual report each year, the measurable objectives, progress against the objectives, and the proportion of male and female employees in the whole organisation, at senior management level and at Board Level.</p>
<p><b>Recommendation 1.6</b> 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 in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p> <p>(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan. .</p> <p>(b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Reports.</p>
<p><b>Recommendation 1.7</b> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p> <p>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 'Performance Evaluation' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Report.</p>
<p><b>Principle 2: Structure the board to add value</b></p>	
<p><b>Recommendation 2.1</b> The board of a listed entity should:</p> <p>(a) have a nomination 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 nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	<p>NO</p> <p>(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Nomination Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee.</p> <p>The duties of the Nomination Committee are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devotes time at each board meeting to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY EXPLANATION (YES/NO)																																			
<p><b>Recommendation 2.2</b> A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>YES</p>	<table border="1"> <thead> <tr> <th data-bbox="825 288 1230 383">Board Skills Matrix</th> <th data-bbox="1230 288 1414 383">Number of Directors that Meet the Skill</th> </tr> </thead> <tbody> <tr> <td data-bbox="825 383 1230 427">Executive &amp; Non- Executive experience</td> <td data-bbox="1230 383 1414 427">3</td> </tr> <tr> <td data-bbox="825 427 1230 472">Industry experience &amp; knowledge</td> <td data-bbox="1230 427 1414 472">3</td> </tr> <tr> <td data-bbox="825 472 1230 517">Leadership</td> <td data-bbox="1230 472 1414 517">3</td> </tr> <tr> <td data-bbox="825 517 1230 562">Corporate governance &amp; risk management</td> <td data-bbox="1230 517 1414 562">3</td> </tr> <tr> <td data-bbox="825 562 1230 607">Strategic thinking</td> <td data-bbox="1230 562 1414 607">3</td> </tr> <tr> <td data-bbox="825 607 1230 651">Desired behavioural competencies</td> <td data-bbox="1230 607 1414 651">3</td> </tr> <tr> <td data-bbox="825 651 1230 696">Geographic experience</td> <td data-bbox="1230 651 1414 696">3</td> </tr> <tr> <td data-bbox="825 696 1230 741">Capital Markets experience</td> <td data-bbox="1230 696 1414 741">3</td> </tr> <tr> <td data-bbox="825 741 1230 786"><i>Subject matter expertise:</i></td> <td data-bbox="1230 741 1414 786"></td> </tr> <tr> <td data-bbox="825 786 1230 831">- accounting</td> <td data-bbox="1230 786 1414 831">3</td> </tr> <tr> <td data-bbox="825 831 1230 875">- capital management</td> <td data-bbox="1230 831 1414 875">3</td> </tr> <tr> <td data-bbox="825 875 1230 920">- corporate financing</td> <td data-bbox="1230 875 1414 920">3</td> </tr> <tr> <td data-bbox="825 920 1230 965">- industry taxation <sup>1</sup></td> <td data-bbox="1230 920 1414 965">0</td> </tr> <tr> <td data-bbox="825 965 1230 1010">- risk management</td> <td data-bbox="1230 965 1414 1010">3</td> </tr> <tr> <td data-bbox="825 1010 1230 1055">- legal</td> <td data-bbox="1230 1010 1414 1055">3</td> </tr> <tr> <td data-bbox="825 1055 1230 1099">- IT expertise <sup>2</sup></td> <td data-bbox="1230 1055 1414 1099">0</td> </tr> </tbody> </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 IT firm is employed on an adhoc basis to maintain IT requirements.</p>	Board Skills Matrix	Number of Directors that Meet the Skill	Executive & Non- Executive experience	3	Industry experience & knowledge	3	Leadership	3	Corporate governance & risk management	3	Strategic thinking	3	Desired behavioural competencies	3	Geographic experience	3	Capital Markets experience	3	<i>Subject matter expertise:</i>		- accounting	3	- capital management	3	- corporate financing	3	- industry taxation <sup>1</sup>	0	- risk management	3	- legal	3	- IT expertise <sup>2</sup>	0
Board Skills Matrix	Number of Directors that Meet the Skill																																			
Executive & Non- Executive experience	3																																			
Industry experience & knowledge	3																																			
Leadership	3																																			
Corporate governance & risk management	3																																			
Strategic thinking	3																																			
Desired behavioural competencies	3																																			
Geographic experience	3																																			
Capital Markets experience	3																																			
<i>Subject matter expertise:</i>																																				
- accounting	3																																			
- capital management	3																																			
- corporate financing	3																																			
- industry taxation <sup>1</sup>	0																																			
- risk management	3																																			
- legal	3																																			
- IT expertise <sup>2</sup>	0																																			
<p><b>Recommendation 2.3</b> <b>A listed entity should disclose:</b> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director</p>	<p>YES</p>	<p>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and Company website.</p> <p>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website.</p> <p>(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website.</p>																																		
<p><b>Recommendation 2.4</b> A majority of the board of a listed entity should be independent directors.</p>	<p>YES</p>	<p>The Board Charter requires that where practical the majority of the Board will be independent.</p> <p>Details of each Director's independence are provided in the Annual Reports and Company website.</p>																																		
<p><b>Recommendation 2.5</b> 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.</p>	<p>YES</p>	<p>The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.</p>																																		
<p><b>Recommendation 2.6</b> A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	<p>YES</p>	<p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p>																																		

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION (YES/NO)
<b>Principle 3: Act ethically and responsibly</b>		
<b>Recommendation 3.1</b> A listed entity should:	YES	(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website.
(a) have a code of conduct for its directors, senior executives and employees; and		
(b) disclose that code or a summary of it.		
<b>Principle 4: Safeguard integrity in financial reporting</b>		
<b>Recommendation 4.1</b> The board of a listed entity should:	NO	(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
(a) have an audit committee which:		
(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:		
(iii) the charter of the committee;		
(iv) the relevant qualifications and experience of the members of the committee; and		
(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		
(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		
<b>Recommendation 4.2</b> The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
<b>Recommendation 4.3</b> A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
<b>Principle 5: Make timely and balanced disclosure</b>		
<b>Recommendation 5.1</b> A listed entity should:	YES	(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure – Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.
(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and		
(b) disclose that policy or a summary of it.		
<b>Principle 6: Respect the rights of security holders</b>		
<b>Recommendation 6.1</b> A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.  Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company website.
<b>Recommendation 6.2</b> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.

PRINCIPLES AND RECOMMENDATIONS	COMPLY EXPLANATION (YES/NO)
<p><b>Recommendation 6.3</b> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>YES</p> <p>The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.</p>
<p><b>Recommendation 6.4</b> A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>YES</p> <p>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>
<p><b>Principle 7: Recognise and manage risk</b></p>	
<p><b>Recommendation 7.1</b> The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, and disclose:</li> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(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</li> </ul> <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>NO</p> <p>Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.</p>
<p><b>Recommendation 7.2</b> The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	<p>YES</p> <p>(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.</p> <p>(b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.</p>
<p><b>Recommendation 7.3</b> 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 risk management and internal control processes.</p>	<p>YES</p> <p>Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. The Board Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY EXPLANATION (YES/NO)	
<p><b>Recommendation 7.4</b> A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	YES	Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.
<b>Principle 8: Remunerate fairly and responsibly</b>		
<p><b>Recommendation 8.1</b> 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>	NO	<p>Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>
<p><b>Recommendation 8.2</b> A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.</p>	YES	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors
<p><b>Recommendation 8.3</b> A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity based plans.</p> <p>(b) A copy of the Company's Corporate Governance Plan is available on the Company's website.</p>

## Additional Information for Listed Public Companies

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

### 1 Capital as at 16 March 2018.

- a. Ordinary share capital  
190,539,087 ordinary fully paid shares held by 1,035 shareholders.

b. Unlisted Options over Unissued Shares

Number of Options	Exercise Price \$	Expiry Date
3,500,000	0.06	17 December 2018
3,954,205	0.25	8 September 2018
3,954,205	0.30	8 March 2018
10,000,000	0.20	23 March 2018
1,000,000	0.10	31 December 2019
6,000,000	0.20	23 June 2020
3,000,000	0.25	23 June 2020
2,000,000	0.30	23 June 2020
2,000,000	0.10	1 August 2020
7,000,000	0.20	16 October 2020
<b>42,408,410</b>		

c. Performance Rights over Unissued Shares

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

d. Voting Rights

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

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

## Additional Information for Listed Public Companies

## e. Substantial Shareholders as at 16 March 2018.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Dr. Rajen Manicka	73,914,400	38.79
Global eHealth Limited	45,145,101	23.69

## f. Distribution of Shareholders as at 16 March 2018.

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	223	78,148	0.04
1,001 – 5,000	280	842,585	0.44
5,001 – 10,000	170	1,329,542	0.70
10,001 – 100,000	290	10,080,976	5.29
100,001 – and over	72	178,207,836	93.53
	<b>1,035</b>	<b>190,539,087</b>	<b>100.00</b>

## g. Unmarketable Parcels as at 16 March 2018

At the date of this report there were 442 shareholders who held less than a marketable parcel of shares holding 622,991 shares.

## h. On-Market Buy-Back

There is no current on-market buy-back.

## i. Restricted Securities

The Company has no restricted securities

## j. 20 Largest Shareholders — Ordinary Shares as at as at 16 March 2018

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Dr. Rajen Manicka	73,914,400	38.79
2.	Global eHealth Limited	45,145,101	23.69
3.	Ms Sarinderjit Kaur	8,461,500	4.44
4.	Acuity Capital Investment Management Pty Ltd <Acuity Capital Holdings A/C>	6,500,000	3.41
5.	Fairview Holdings Pty Ltd	6,220,000	3.26
6.	HSBC Custody Nominees (Australia) Limited	4,516,497	2.37
7.	Dr Fathil Mohamed	4,503,158	2.36
8.	Chandra Sekaran P Perumal	3,333,333	1.75
9.	Franjack Pty Ltd & Aurjoe Pty Ltd	3,300,000	1.73
10.	Mr Ravindran Govindan	2,595,587	1.36
11.	Mr Kok Wah Ong	1,696,220	0.89
12.	BNP Paribas Noms Pty Ltd	1,620,728	0.85
13.	Thank Keating Pty Ltd <C&N Cuffe Family Super A/C>	1,300,000	0.68
14.	Harold Cripps Holdings Pty Ltd	1,030,645	0.54
15.	Catl Pty Ltd <The Minto A/C>	779,000	0.41
16.	Mrs Shivani Kamalanathan	738,089	0.39
17.	IRSS Nominees (21) Limited	660,000	0.35
18.	Gattenside Pty Ltd	802,697	0.42
19.	Lifescience Securities Ltd	600,000	0.31
20.	Ms Emma Schneider	574,520	0.30
	<b>TOTAL</b>	<b>168,291,475</b>	<b>88.30</b>

**Additional Information for Listed Public Companies**

**2** The Joint Company Secretaries are Brett Francis Fraser and Jay Richard Stephenson

**3 Principal registered office**

As disclosed in Note 31 Company details on page 71 of this Annual Report.

**4 Registers of securities**

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

**5 Stock exchange listing**

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

**6 Use of funds**

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

**HOLISTA  
COLLTECH**