HOLISTA COLLTECH LIMITED

ABN 24 094 515 992

Annual Financial Report
30 June 2012

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CORPORATE INFORMATION

ABN 24 094 515 992

Directors
Mr Mark Collins, Non-Executive Chairman, appointed 1 Aug 2012
Dato' Dr M Rajendran, Managing Director and Chief Executive Officer
Mr Daniel Joseph O'Connor, Executive Director, appointed 29 Nov 2011
Mr Warren John Staude, Non-Executive Director, appointed 31 Jan 2012

Chief financial officer

Mr Kong Hon Khien

Company secretary

Mr Jay Stephenson

Registered office

Holista CollTech Limited
ABN 24 094 515 992
Level 4, 66 Kings Park Road, West Perth, WA 6005
Telephone: (+618) 6141 3500
Facsimile: (+618) 6141 3599

Share register

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace, Perth WA 6000
Telephone: (+618) 9323 2000
Facsimile: (+618) 9323 2033

Bankers

National Australia Bank
100 St Georges Terrace, Perth WA 6000

Auditors

Grant Thornton Audit Pty Ltd
10 Kings Park Road West Perth WA 6005

Stock Exchange

Australian Securities Exchange (ASX)

ASX Code: HCT

DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial period ended 30 June 2012

Principal Activities
The principal activities of the entities within the consolidated Group during the year involve the production and sale of high-grade collagen and other biomaterials from animal sources in Australia

Review of operations

During the financial year, the operations of the Company continued to be streamlined and consolidated for future growth and profitability.

While continuing its search for new products to be added to its portfolio, the Company remained focused on three (3) key areas:-

- Sheep Collagen
- Healthy Food Ingredients
- Food Supplements

The key operational activities during the financial year were:

Cost rationalisation
The application of micro-management resulted in a reduction in costs with only relevant R&D being funded.

Development of collagen business
Three (3) key developments occurred within this area:

i) Rationalisation of medical and cosmetic business within the operating plant in Collie, Western Australia
Since the completion of the Company's collagen extraction facility in 2005, it has only been utilised to produce small samples of Ovicoll for marketing purposes. During the financial year, the Company reactivated its collagen extraction facility and secured and delivered its first 1,000 kilograms of Ovicoll 95 to Thailand. The Company also achieved orders for an additional 2,000 kilograms to be delivered by December 2012.

Whilst distribution partners were secured in South East Asia, China and Taiwan, the Company continued to work with its contacts in the United States to supply cosmetic grade collagen to be further developed into medical grade collagen.

ii) Development of nano collagen
The Company filed the world's first nano collagen patent and is now able to demonstrate producing "true nano" collagen particles that can cross the human skin. The Company initiated moves to create a commercial product of this type.

iii) Development of "food grade" collagen business
The Company successfully completed R&D to develop an all "halal" food grade collagen by using a plant based enzymatic protocol that "digests" the intact collagen from sheep skins to develop molecules that are the size of 3 kilo Daltons.

Development of Healthy Food Ingredient business
During the financial year, the Company obtained an exclusive supply agreement with Quick Service Restaurant Holding ("QSRH") (ASX announcement on 8th November 2011). This represents the successful commercialisation of a range of patented solutions.

DIRECTORS' REPORT (continued)

Development of the supplement business

The Company further improved its position in Malaysia and moved into nearby ASEAN nations including Singapore, Brunei and Philippines. The Company has also added a new line to its product range and its fish oil, PRISTIN, continued to be the Malaysian market leader in this category.

Operating results for the year

The consolidated loss of the Group for the financial year amounted to $541 829, representing reduction of the loss reported for the previous financial year. .

Financial Position

The Group's net assets decreased during the year by $523,721 to $3,307,678 with revenue and proceeds from the sale of assets being principal contributors to the funding of the Company's operations for the year.

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 30 June 2012.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Significant events after balance date

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

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental legislation

Holista CollTech Limited has operated under environmental licence 7998/1 issued by the Western Australian Department of Environment 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.

DIRECTORS' REPORT (continued)

Other than mentioned above, during and since the end of the financial year, the directors are not aware of any particular or significant environmental issues which have been raised in relation to the Group's operations.

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.

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.

Information on Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr Mark Peter Collins – Non executive Chairman – Appointed 1 August 2012
A Chartered Accountant of more than 30 years, Mr Collins has considerable experience and expertise in the areas of corporate, financial and business consulting across a range of industries and business enterprises.
He has held positions as Director and Company Secretary of public and private companies in Australia and overseas.

Mr Collins experience includes assisting in the development and growth of small medium enterprises, joint venture negotiations, commercial business structuring, corporate advisory/finance, public (listed) companies financial markets and Asian business consulting.

Mr Collins is Managing Director of William Buck in Western Australia and one of the firm's founding Directors. He is also Deputy Chairman of William Buck International Limited. He has a Bachelor of Business (Accounting/Finance & Economics), is a Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Taxation Institute of Australia, Fellow of the Australian Institute of Company Directors and a Registered Company Auditor. He is also an authorised representative under an Australian Financial Services Licence.

DIRECTORS' REPORT (continued)

Dato' Dr M Rajendran - Managing Director
Dato' Dr Rajen, B Ph.(Hons) 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.

Dato' 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.

Dato' Dr Rajen 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.

Dato Dr Rajen holds no other current directorships in listed companies and has no former directorships in listed companies in the last three years.

Mr Daniel Joseph O'Connor – Executive Director - Appointed on 29 November 2011
Mr O'Connor B.Bus, MBA, FAICD (Dip), AAMI, MAIM, CPM, has spent more than 20 of his past 35 years in professional practice, with a specialisation in Intellectual Property Commercialisation. He is the Consultant Principal and major shareholder of Xenex Consulting and the Keys2Growth program and has assisted companies expand their international trading boundaries by a disciplined process of planning, funding, and implementing key strategic business initiatives thereby adding value to all stakeholders.

Mr O'Connor has a Bachelor of Business degree in marketing and an MBA in International Business. He has commenced his doctoral degree in International Business, focused on the commercialisation of Intellectual property. He has completed the Company Directors Course and has served as a Director or Executive Officer in project companies, generally until immediately prior to an IPO or trade-sale.

Mr O'Connor holds no other current directorships in listed companies and has no former directorships in listed companies in the last three years.

Mr Warren John Staude – Non-Executive Director - Appointed on 31 January 2012
Mr Warren Staude is a graduate of the University of Sydney (B.Sc., geology), Macquarie University (M.Sc., mineral economics) and holds a Graduate Diploma from the Securities Institute of Australia. He is currently the representative of the Financial Services Institute of Australia (Finsia) on the Joint Ore Reserves Committee and brings to the Company a wealth of experience in the Australian financial markets.

Mr Staude has over 40 years professional experience in the mining, exploration and resource finance industries. He has worked in Government, as a private consultant and on the Academic staff at Macquarie University. He later joined the AMP Society's resource investment team, where he was involved in evaluating the operational and financial performance of numerous resource operations. He also spent some time in the stockbroking industry, before joining GIO Australia Asset Management, where he managed GIO's listed and direct resource equity investments in Australia and internationally. He is currently a non-executive director of several other listed resource companies and is a consultant with Taurus Funds Management.

Mr Staude also holds directorships in the following listed companies, Frontier Resources Limited, Stonehenge Metals Limited and Aphrodite Gold Limited. Mr Staude has held the following directorships in listed companies in the last three years, Central West Gold NL, Malachite Resources Limited, Excelsior Gold Limited and Birimian Gold Limited.

DIRECTORS' REPORT (continued)

Mr Paul Rengel - Deceased 29 September 2011
Mr Paul Rengel had a Bachelor of Commerce Degree from the University of Western Australia; was a Fellow of the Institute of Chartered Accountants in Australia Fellow of the Australia Institute of Company Directors and an Associate of the Australia Institute of Management.

Mr Rengel had forty years professional experience in International Firms in Corporate Services, Audit and Business Consulting, including service as Non Executive Director and as Chairman in a wide cross section of industries. Having retired from professional practice in 2008, Paul was a Principal and Executive Director of Equity Finance and Securities Pty Ltd, an Australian Financial Services licensed entity, engaged in Corporate Finance, Mergers, acquisitions and public company equities consulting.

Dato'Dr Fathil Bin Mohamed – Resigned on 29 November 2011
Dr Fathil has a PhD in Microbiology and Genetic Engineering, and has over 25 years as an entrepreneur. Dr Fathil is a former lecturer at the National University of Malaysia in the areas of microbiology, molecular biology and food science. He has first hand and in-depth experience in food manufacturing and global marketing and was one of the first to introduce domestic Malaysian savoury products onto the shelves of supermarkets across the globe.

Dr Fathil was instrumental in the development of the Halal Certification and Standards in Malaysia, and worked closely with Jabatan Kemajuan Islam Malaysia ("JAKIM") during this time. Dr. Fathil is one of the pioneers and the key promoter of the concept of Quality and Traceability of Halal products for the Muslim market. During the period he was constantly engaged on lecture tours propagating the concept to parts of Europe, Middle East countries, the United States, Thailand and the Philippines.

Dr Stuart Hazell - Resigned on 31 January 2012
Dr Stuart Hazell has more than 35 years experience in life science, including biomedical research, consulting and senior management roles in the public and private sectors.

Dr Hazell is the Managing Director and Principal Consultant of Fusidium Pty Ltd, which provides consulting services, including technology assessment, strategic planning and business development within the medical device and life sciences sector. In 2010 Fusidium won a tender to provide Case Manager services for the Australian Government's Commercialisation Australia Industry support program in Queensland. Prior to establishing Fusidium Pty Ltd, Dr Hazell was the Chief Executive Officer of the international medical diagnostics company Panbio Ltd, where he was actively engaged in change processes enabling the company to achieve growing profits in financial years 2006 and 2007, following a history of losses. Inverness Medical Innovations Inc. acquired Panbio in January 2008.

Chief Financial Officer

Mr Kong Hon Khien
Kong Hon Khien is a Member of the Malaysia Institute of Accountants (MIA) and an Associate Member of the Chartered Institute of Management Accountants (CIMA). He has more than 20 years of working experience from various industries ranging from manufacturing, investment holding, information technology, and transportation. He has served as Chief Financial Officer for 2 public companies listed on the Main Board of Bursa Malaysia prior to joining Holista CollTech Ltd.

Company Secretary

Mr Jay Stephenson - Appointed on 1 February 2012
Mt Stephenson holds a Master of Business Administration, is a Fellow of the Certified Practicing Accountants (Australia), Certified Management Accountant (Canada), Member of the Australian Institute of Company Directors and Fellow of the Chartered Institute of Secretaries.

DIRECTORS' REPORT (continued)

Mr Stephenson has over 21 years of business development including approximately 16 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, as well as managing all areas of finance for companies. He sits on the boards of Quintessential Resources Limited, Doray Minerals Limited, Drake Resources Limited, Strategic Minerals Corporation NL, Aura Energy Limited, Nickelore Limited, Spencer Resources Limited and Parker Resources NL as well as acts as Company Secretary for a number of ASX Listed resource and industrial companies.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

	No of Directors' Meeting held	No. Of Directors' Meeting Attended
Dato' Dr M Rajendran	11	11
Mr Paul Rengel (deceased 29/9/2011)	3	2
Dr Stuard Hazell (resigned 31/1/2012)	7	7
Dato' Fathil Bin Mohamed (resigned 29/11/2011)	6	5
Mr. Ben Donovan (appointed 4/10/2011, resigned 29/11/2011)	3	3
Mr Daniel Joseph O'Connor (appointed 29/11/2011)	5	5
Mr Warren John Staude (appointed 31/1/2012)	4	4

Interests in the shares and options of the company and related bodies corporate

The following relevant interests in shares and options of the company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Mr Mark Peter Collins	-	-
Dato' Dr M Rajendran	-	77,039,400
Mr Daniel Joseph O'Connor	-	-
Mr Warren John Staude	-	20,750

DIRECTORS' REPORT (continued)

No share options of Holista CollTech Limited were granted to directors or the executive officers of the Company during or since the end of the financial year as part of their remuneration.

Options
No ordinary shares have been issued by the Company during or since the end of the financial year as a result of the exercise of an option.

On 23 October 2011, 800,000 employee options exercisable at $0.40 have expired.

At the date of this report there are no unissued ordinary shares of the Company under option

Indemnification and insurance of Directors and Officers
Holista CollTech Limited has agreed to indemnify all the directors of the Company 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.

During the financial year Holista CollTech Limited has paid a premium of $17,702 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. (2011: $18,206)

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

Auditor Independence and Non-Audit Services
Section 307C of the Corporations Act 2001 requires our auditors, Grant Thornton Audit Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 25 and forms part of this Directors' Report for the year ended 30 June 2012.

Non-Audit Services
No amounts were paid or payable to the auditors for non-audit services as outlined in Note 21 to the financial statements.

DIRECTORS' REPORT (continued)

Remuneration report (Audited)

This report outlines the remuneration arrangements in place for the key management personnel of Holista CollTech Limited (the "Group") for the financial year ended 30 June 2012. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent Company, and includes the executives in the Parent and the Group.

Key Management Personnel

(i) Directors

Mr Paul Rengel	- Non-Executive Chairman	- Appointed 01 April 2011 - Deceased 29 September 2011
Dato' Dr M Rajendran	- Managing Director and Chief Executive Officer	
Dr Stuart Hazell	- Non-Executive Director	- Resigned 31 January 2012
Dato'Dr Fathil Bin Mohamed	- Non-Executive Director	- Resigned 29 November 2011
Mr Ben Donovan	- Non-Executive Director	- Appointed 4 October 2011 - Resigned 29 November 2011
Mr Daniel Joseph O' Connor	- Executive Director	- Appointed 29 November 2011
Mr Warren John Staude	- Non-Executive Director	- Appointed 31 January 2012

(ii) Executives

Mr Kong Hon Khien (Chief Financial Officer)
Mr Ben Donovan (Company Secretary) – Resigned 31 January 2012
Mr Jay Stephenson (Company Secretary) – Appointed 1 February 2012

Except as noted, the named persons held their current position during the whole of the financial year and up to the date of this report unless stated otherwise.

Remuneration philosophy

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

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

Remuneration committee

The 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 Board and executive team.

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

Remuneration structure

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

DIRECTORS' REPORT (continued)

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 year ended 30 June 2012 is detailed in Table 1 of this report.

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

Fixed Remuneration
Fixed remuneration is reviewed annually by the Remuneration Committee. 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 Table 2.

Variable Remuneration
The aggregate of annual payments available for executives across the Group is subject to the approval of the Remuneration Committee. No annual bonus payments were made during the year (2011: nil).

DIRECTORS' REPORT (continued)

Employment Contracts

On 7 September 2010, the Group entered into an Employment Agreement with Dato Dr. Rajen to act as Chief Executive Officer and Managing Director. A summary of the terms of his employment are as follows:

		Dato' Dr. M Rajendran
a)	Commencement date	10 July 2009
b)	Termination date of contract	Initial 3 year period
c)	Period of notice for resignation/termination	3 months
d)	Remuneration	RM540,000 (A$190,000)
e)	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.
f)	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.

On 27 June 2012, the Board of Directors has reviewed and renewed the Employment Agreement of Dato' Dr Rajen 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) Renewal period : 3 Years from 10 July 2012
b) Remuneration : RM577,800 per annum (A$180,560)

DIRECTORS' REPORT (continued)

Table 1
Directors' Remuneration

		Short-term Employee benefits			**Post-employment benefit**		**Equity**		
		Salary & Fees $	Bonuses $	Non-Monetary Benefits $	Super-annuation $	Other $	Share Options $	Total $	Performance Related %
Mr Daniel Joseph O'Connor	2012	27,000	-	-	-	-	-	27,000	-
(Appointed 29/11/2011)	2011	-	-	-	-	-	-	-	-
Mr Warren John Staude	2012	15,000	-	-	-	-	-	15,000	-
(Appointed 31/01/2012)	2011	-	-	-	-	-	-	-	-
Dato'Dr Fathil Bin Mohamed	2012	14,250	-	-	-	-	-	14,250	-
(Resigned 29/11/2011)	2011	34,000	-	-	-	-	-	34,000	-
Dr Stuart Hazell	2012	20,417	-	-	1,838	-	-	22,255	-
(resigned 31/01/2011)	2011	21,417	-	-	1,928	-	-	23,345	-
Mr Ben Donovan	2012	5,500	-	-	-	-	-	5,500	-
(Appointed 4/10/2011 Resigned 29/11/2011)	2011	-	-	-	-	-	-	-	-
Mr Paul Rengel	2012	9,000	-	-	-	-	-	9,000	-
(appointed 01/04/2011 Deceased 29/09/2011	2011	9,000	-	-	-	-	-	9,000	-
Dato' Dr M Rajendran	2012	180,760	-	-	34,346	-	-	215,106	-
	2011	169,420	-	-	30,593	-	-	200,013	-
Total	2012	271,927	-	-	36,184	-	-	308,111	-
	2011	233,837	-	-	32,521	-	-	266,358	-

Mr Paul Rengel remuneration was paid by way of fees to Orchidberg Pty Ltd.
Mr Daniel O'Connor remuneration was paid by way of fees to Xenex Consulting.
Mr Warren Staude remuneration was paid by way of fees to SerraSalmin Investments Pty Ltd.

DIRECTORS' REPORT (continued)

Table 2
Executives Remuneration

		Short-term Employee benefits			Post-employment benefit		Equity		
		Salary & Fees $	Bonuses $	Non-Monetary Benefits $	Super-annuation $	Other $	Share options $	Total $	Performance Related %
Mr. Ben Donovan	2012	40,000	-	-		-	-	40,000	-
(resigned 31/1/2012)	2011	60,000	-	-		-	-	60,000	-
Mr. Kong Hon Khien	2012	55,595	-	-	6,720	-	-	62,315	-
	2011	12,801	-	-	1,525	-	-	14,326	-
Mr. Jay Stephenson	2012	20,000	-	-	-	-	-	20,000	-
(appointed 1/2/2012)	2011	-	-	-	-	-	-	-	-
Total	2012	115,595	-	-	6,720	-	-	122,315	-
	2011	72,801	-	-	1,525	-	-	74326	-

DIRECTORS' REPORT (continued)

Details of employee share option plans

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.

Bonuses

No bonuses were granted to the directors during the year.

Share-based payments

There was no share-based compensation or options paid to directors or executives during the current financial year.

Relationship between the remuneration policy and company performance

The Company has been in an ongoing restructure of its operation since the reverse takeover in Year 2009. The Company is also in the midst of commercialising some its patented technologies, namely its Healthy Food Ingredients and Sheep Collagen. Accordingly, the Company's remuneration policy during the current and the previous four (4) financial years is not related to the Company's performance.

The Director' Report incorporating the Remuneration Report is signed in accordance with a resolution of the Directors.

Dato' Dr. M Rajendran
Director
Selangor, Malaysia
28 September 2012

CORPORATE GOVERNANCE STATEMENT

Holista CollTech Limited ("**Group**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Group has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Group's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Group's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	√		Recommendation 4.2	√	
Recommendation 1.2	√		Recommendation 4.3	√	
Recommendation 1.3[3]	n/a		Recommendation 4.4[3]	n/a	n/a
Recommendation 2.1	√		Recommendation 5.1	√	
Recommendation 2.2	√		Recommendation 5.2[3]	n/a	n/a
Recommendation 2.3	√		Recommendation 6.1	√	
Recommendation 2.4	√		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.5	√		Recommendation 7.1	√	
Recommendation 2.6[3]	√		Recommendation 7.2	√	
Recommendation 3.1	√		Recommendation 7.3	√	
Recommendation 3.2	√		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.3	√		Recommendation 8.1	√	
Recommendation 3.4	√		Recommendation 8.2	√	
Recommendation 3.5[3]	n/a	n/a	Recommendation 8.3	√	
Recommendation 4.1	√		Recommendation 8.4[3]	n/a	n/a

1.Indicates where the Group has followed the Principle & Recommendations.
2.Indicates where the Group has provided "if not, why not" disclosure.
3. Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure - information required is either provided or it is not.

Website Disclosures

Further information about the Group's charters, policies and procedures may be found at the Group's website at www.holistaco.com, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	**Recommendation (s)**
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Selection and Appointment of New Directors	2.6
Performance Evaluation of the Board, Board Committees and Individual Directors	1.2, 2.5
Diversity Policy (summary)	3.2, 3.3, 3.4
Code of Conduct	3.1, 3.3
Compliance Procedures for ASX Listing Rule Disclosure Requirements (summary)	5.1, 5.2
Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Strategy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

Disclosure - Principles & Recommendations
The Group reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2011/2012 financial year ("**Reporting Period**").

Principle 1 - Lay solid foundations for management and oversight
Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
Disclosure:
The Group has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Group through its key functions of overseeing the management of the Group, providing overall corporate governance of the Group, monitoring the financial performance of the Group, engaging appropriate management commensurate with the Group's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Group has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Chief Executive Officer and assisting the Chief Executive Officer in implementing the running of the general operations and financial business of the Group, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Group's materiality thresholds at first instance to the Chief Executive Officer or, if the matter concerns the Chief Executive Officer, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.
Disclosure:
The Chair is responsible for evaluating the senior executives. The Chair evaluates the senior executives by holding informal discussions with the senior executives on an ongoing basis, as required.

Recommendation 1.2 (continued):
It is envisaged that in the coming period, a more formal process for evaluation will be implemented.

Recommendation 1.3: Companies should provide the information indicated in the *Guide to reporting on Principle 1.*
Disclosure:
During the Reporting Period a review of senior executives occurred with the Managing Director reporting to the board via informal evaluations.

Principle 2 - Structure the board to add value
Recommendation 2.1: A majority of the Board should be independent directors. As at date of this report the following directors were appointed to the Board of Holista CollTech Limited:

Name	Position	Independent
Mr Mark Peter Collins	Non-Executive Chariman	Yes
Dato' Dr M Rajendran	Executive Director	No
Mr Daniel Joseph O'Connor	Executive Director	No
Mr Warren John Staude	Non-Executive Director	Yes

An independent director is a non-executive director and;

- Is not a substantial shareholder of the Company or an officer of or directly or indirectly associated with a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company, or been a director after ceasing to hold any such employment;
- Within the past three years has not been a principal of a material professional advisor or a material consultant to the Company or an employee associated with a such a material service provider or advisor; and,
- Does not have a material contractual relationship with the Company other than as a director of the Company.

Disclosure:
The Board currently consists of two independent directors and two non-independent directors. Due to the reactivation of the collagen plant in Collie, Western Australia and orders received from Behn Meyer. The Company has appointed Mr Daniel O'Connor as the Executive Director to oversee its operation in Australia. Dato Dr M Rajendran remains as the Chief Executive Officer who is responsible for the overall business which includes heading its health supplement business in South East Asia. The Board will consider increasing its independent director composition in the future once the restructuring is completed.

Recommendation 2.2: The Chair should be an independent director.
Disclosure:
The independent Chair of the Board is Mr Mark Collins.

Recommendation 2.3: The roles of the Chair and Chief Executive Officer (or equivalent) should not be exercised by the same individual.
Disclosure:
During the Reporting Period the Chief Executive Officer, was Dato' Dr M Rajendran, and Mr Paul Rengel was the Chairman until his death during the year. Mr Mark Collins was appointed Chairman on 1 August 2012.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.
Disclosure:
The Chair evaluates the Board, individual directors, any applicable committees and the Managing Director / Chief Executive Officer by holding informal discussions with these parties on an ongoing basis, as required. Each new director is required to complete an induction process.

Recommendation 2.6: Companies should provide the information indicated in the *Guide to reporting on Principle 2.*

Disclosure:
Skills, Experience, Expertise and term of office of each Director
A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors
The independent directors of the Company are Mr Mark Collins and Mr Warren Staude. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Group's materiality thresholds. The materiality thresholds are set out below.

Group's Materiality Thresholds
The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Group's Board Charter:
- Statements of Financial Position items are material if they have a value of more than 10% of net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Group, involve a breach of legislation, are outside the ordinary course of business, they could affect the Group's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative tests, are essential to the activities of the Group and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice
If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Group will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters
The Company does not have a Nomination Committee due to its small Board composition. The Board considers it appropriate that the selection and appointment of directors are of utmost importance and should be the responsibility of the entire board.

Principle 3 - Promote ethical and responsible decision-making
Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
Disclosure:
The Group has established a Code of Conduct as to the practices necessary to maintain confidence in the Group's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices

Trading Policy
The Group has established a policy concerning trading in the Group's securities by directors, senior executives and employees. The policy includes blackout periods where no trading in Group securities shall take place between:

- 1 July and the lodgement of the annual results;
- 1 January and the lodgement of the half year results;
- 1 April and the lodgement of the quarterly results for the period ending 31 March: and
- 1 October and the lodgement of the quarterly results for the period ending 30 September.

If directors including the Managing Director wish to trade securities outside the blackout period, they must obtain approval from the Chairman. Employees must obtain the approval of the Managing Director, and the Chairman must obtain the approval of the board.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
Disclosure:
The Company has established a diversity policy, which encourages and fosters an environment where individual differences of employees are Recognised. The Company's policy recognises the need for women to be employed in the business and actively sets targets for the number of women employed in different roles, the comparative remuneration and seeks to establish a workforce free of harassment arising out of gender, race or age.

The board is looking to implement KPI's as an incentive for achieving these targets.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
Disclosure: As above.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
Disclosure: The Company employs the following ratio of women and men throughout the organisation:
Women (57%)
Men (43%)

Recommendation 3.5: Companies should provide the information indicated in the *Guide to reporting on Principle 3.*
Disclosure:
Please refer to the section above marked Website Disclosures.

Principle 4 - Safeguard integrity in financial reporting
Recommendation 4.1 and Recommendation 4.2:
The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Disclosure:
The Board has established an Audit Committee that is structured in accordance with Recommendation 4.2 with the committee members consist of Mr Mark Collins, Mr Warren Staude and Mr Jay Stephenson.

Recommendation 4.3: The Audit Committee should have a formal charter.
Disclosure:
The Group has adopted an Audit Committee Charter which sets out the responsibilities and role of the Committee and how it reports to the Board.

Recommendation 4.4: Companies should provide the information indicated in the *Guide to reporting on Principle 4.*
Disclosure:
. The Audit Committee has adopted an Audit Committee Charter.

Details of each of the director's qualifications are set out in the Directors' Report. The Chairman of the Audit Committee has formal qualifications in the area of audit, while the other members have industry knowledge and experience and consider themselves to be financially literate. Further, the Group's Audit Committee Charter provides that the Board meet with the external auditor without management present, as required.

The Group has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Group through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Group's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Principle 5 - Make timely and balanced disclosure
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
Disclosure:
The Group has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. The policies also include examples of disclosure requirements and who can communicate with media outlets.

Recommendation 5.2: Companies should provide the information indicated in the *Guide to reporting on Principle 5.*
Disclosure:
Please refer to the section above marked Website Disclosures.

Principle 6 - Respect the rights of shareholders
Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
Disclosure:
The Group has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This includes all relevant information being disclosed on the Group's website.

Recommendation 6.2: Companies should provide the information indicated in the *Guide to reporting on Principle 6.*
Disclosure:
Please refer to the section above marked Website Disclosures.

Principle 7 - Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Group's risk profile. Under the policy, the Board is responsible for approving the Group's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates' day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer and the Chief Financial Officer are responsible for updating the Group's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chief Executive Officer may have unrestricted access to Group employees, contractors and records and may obtain independent expert advice on any matter considered appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Group's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Group's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Group to establish and maintain its governance practices

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

Management report to the Board as to the effectiveness of the Group's management of its material business risks via the Audit Committee meetings.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4: Companies should provide the information indicated in the *Guide to reporting on Principle 7.*

Disclosure:

The Board has received an informal report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 - Remunerate fairly and responsibly
Recommendation 8.1 and 8.2: The Board should establish a Remuneration Committee, and it should be structured such that the majority of members are independent.
Disclosure:
The Company does not have a Remuneration Committee due to its small Board composition. Currently the responsibilities and consideration in determining the remuneration of executives and non-executives are the responsibility of the entire Board.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
Disclosure:
Non-executive directors are remunerated at a fixed fee for time, meetings attended and their responsibilities to various committees. Remuneration for non-executive directors is not linked to the performance of the Group. Non-executive directors may be issued options, to minimize the cash outgoings of the Group and to better align the interests of the company and it's stakeholders. The grant of any options will be subject to prior shareholder approval.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.4: Companies should provide the information indicated in the *Guide to reporting on Principle 8.*
Disclosure:
Details of remuneration, including the Group's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

During the Reporting Period, the Board has meet three times to discuss and approve the appointment of Mr Daniel O'Connor, Mr Warren Staude and Mr Mark Collins.
To assist the Remuneration Committee, it has adopted a Remuneration Committee Charter.

There are no termination or retirement benefits for non-executive directors.

During the Reporting Period the Group did not publicly disclose its policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. However, the Group's position is that such transactions are prohibited.

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Holista CollTech Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Holista CollTech Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 28 September 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolidated 2012 $	2011 $
Revenue from continuing operations	2	5,439,652	6,021,082
Other income	2	51,826	56,582
Change in inventories of finished goods and work in progress	2	(393,378)	(57,529)
Raw materials and consumables used	2	(1,302,789)	(2,113,019)
Employee benefits expense		(1,824,994)	(1,595,669)
Depreciation and amortisation expense	10	(318,990)	(246,914)
Finance costs		(289,300)	(307,302)
Other expenses	2	(1,898,898)	(2,371,042)
Profit (loss) before income tax expense		**(536,871)**	**(613,811)**
Income tax expense	3	(4,958)	-
Profit/(loss) after tax from continuing operations		**(541,829)**	**(613,811)**
Loss for the year		**(541,829)**	**(613,811)**
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		5,423	(362,893)
Total comprehensive loss for the year		**(536,406)**	**(976,704)**
Basic earnings (loss) per share (cents per share)	5	(0.42)	(0.47)
Diluted loss per share	5	(0.42)	(0.47)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	Consolidated 2012 $	2011 $
Current Assets			
Cash and cash equivalents	6	1,873,492	1,081,705
Trade and other receivables	7	1,675,189	1,361,216
Inventories	9	631,026	982,214
Other financial assets	8	78,760	27,155
Current tax assets		-	16,872
Total Current Assets		4,258,467	3,469,162
Non-Current Assets			
Fixed deposits		-	638,964
Property, plant and equipment	10	3,808,327	4,018,400
Intangible assets	11	279,088	203,145
Other financial assets	8	3,084	-
Total Non-Current Assets		4,090,499	4,860,509
Total Assets		8,348,966	8,329,671
Current Liabilities			
Trade and other payables	12	771,198	759,940
Borrowings	13	2,569,091	2,501,095
Current tax liabilities	3	-	33,884
Other liabilities	12	388,551	288,722
Total Current Liabilities		3,728,840	3,583,641
Non-Current Liabilities			
Borrowings	13	1,312,448	914,631
Total Non-Current Liabilities		1,312,448	914,631
Total Liabilities		5,041,288	4,498,272
Net Assets		3,307,678	3,831,399
Equity			
Issued capital	14	7,554,145	7,554,145
Reserves	15	(57,739)	(75,847)
Retained earnings / (accumulated losses)	15	(4,188,728)	(3,646,899)
Total Equity		3,307,678	3,831,399

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated

Consolidated	Notes	Issued Capital $	Accumulated Losses $	Reserves $	Total $
Balance as at 1 July 2010		**7,554,145**	**(3,033,088)**	**287,046**	**4,808,103**
Profit (loss) for the year		-	(613,811)	-	(613,811)
Exchange differences arising on translation of foreign operations		-	-	(362,893)	(362,893)
Total comprehensive income for the year			**(613,811)**	**(362,893)**	**(976,704)**
Balance at 30 June 2011	**14 & 15**	**7,554,145**	**(3,646,899)**	**(75,847)**	**3,831,399**
Balance as at 1 July 2011		**7,554,145**	**(3,646,899)**	**(75,847)**	**3,831,399**
Profit (loss) for the year		-	(541,829)	-	(541,829)
Exchange differences arising on translation of foreign operations		-	-	18,108	18,108
Total comprehensive income for the year		**-**	**(541,829)**	**18,108**	**(523,721)**
Balance at 30 June 2012	**14 & 15**	**7,554,145**	**(4,188,728)**	**(57,739)**	**3,307,678**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolidated 2012 $	2011 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		4,672,958	5,883,678
Payments to suppliers and employees		(4,720,050)	(6,300,206)
Interest received		45,793	56,266
Finance costs		(259,694)	(307,303)
Income tax paid		(4,959)	(15,921)
Net cash used in operating activities	6 (ii)	**(265,952)**	**(683,486)**
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		771,540	-
Purchase of intellectual property		(79,522)	-
Purchase of property, plant and equipment		(16,027)	(274,400)
Loan payments made to related parties		(234,970)	-
Loan payments received from related parties		266,427	-
Net cash provided by/(used in) investing activities		**707,448**	**(274,400)**
Cash flows from financing activities			
Proceeds from issue of shares		-	464,443
Placement to fixed deposits		-	(17,971)
Payments for redeemable shares		-	(616,658)
Proceeds from borrowings		1,224,756	178,556
Repayment of borrowings		(1,462,831)	(258,615)
Net cash provided by/(used in) financing activities		**(238,075)**	**(250,245)**
Net increase/(decrease) in cash and cash equivalents		**203,421**	**(1,208,131)**
Cash and cash equivalents at beginning of period		**1,028,772**	**2,408,362**
Effect of exchange rate fluctuations on cash held		**(12,236)**	**(171,459)**
Cash and cash equivalents at end of period	6 (i)	**1,219,957**	**1,028,772**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and complies with other requirements of the law. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Holista CollTech Limited and its subsidiaries.

The financial report, except for the cash flow information, has been prepared on an accruals basis and is based on historical cost basis, except for available-for-sale investments and derivative financial instruments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The company is a listed public company, incorporated in Australia and operating in Australia and Malaysia. The principal activities of the entities within the consolidated entity during the year involve the development, branding, distribution and sale of ovine, collage and natural health products.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review the Directors have determined that there will be no material impact, of the new and revised Standards and Interpretations on its business and, therefore, no future significant changes to Group accounting policies.

(c) Statement of compliance

The financial report was authorized for issue on 26 September 2012.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Holista CollTech Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Holista CollTech Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to consolidate from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting (refer note 1(n)).

Unrealized gains or transactions between the Group and its associates are eliminated to the extent of the

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.
The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized within equity attributable to owners of Holista CollTech Limited. When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss

(e) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Impairment of goodwill and intangibles with indefinite useful lives:
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles are discussed in Note 11.

Share-based payment transactions:
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 external valuer using a Black and Scholes model.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Recovery of deferred tax assets
Deferred tax assets are recognized for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilize those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Going concern

The Group has reported a net loss for the year of $541,829 and negative cash from operating activities of $265, 952. Its current assets of $4,258,467 exceeds the current liabilities of $3,728,840,

This financial report is prepared on the going concern basis, which contemplates continuity of normal business activities and realization 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 has continued to improve on its performance which includes generating revenue from its Collagen plant in Collie, Western Australia. Its recent signing of exclusive distribution agreements of its patented Ovine Collagen in North Asia and South East Asia with German giant Behn Meyer and American corporation Connell Bros. Company has set the Group in the right direction to be in the black for the first time since its incorporation.

Its tie with Quick Service Restaurant Holding ("QSRH") for the development of its patented Healthy Food Ingredient Business has provided another potential for the Group to generate further revenue from its Australia operation. With this development, the Group is in a position to generate substantial income from its Australia operation to support its existing health supplement business in Malaysia.

Should sufficient positive cash flows not be generated from existing business and / or funding not be obtained then there is significant uncertainty 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.

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Holista CollTech Limited.

(h) Foreign currency translation

Both the functional and presentation currency of Holista CollTech Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.
All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in profit or loss.
Tax charges and credits attributable to exchange differences on those borrowings are also recognized in equity.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.
Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.
The functional currency of the foreign operations of the Malaysia Subsidiaries is Malaysia Ringgit.
As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Holista CollTech Limited at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.
The exchange differences arising on the translation are taken directly to a separate component of equity, being recognized in the foreign currency translation reserve.
On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Sale of goods

Revenue is recognized 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) Rendering of services

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

(iii) Interest income

Interest revenue is recognized on a time proportionate basis that takes into account the effective yield on the financial asset.

(iv) Dividends

Dividends are recognized as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(v) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognized as income in the periods in which it is earned. Lease incentives granted are recognized as an integral part of the total rental income.

(j) Government grants

Grants from the government are recognized 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 recognized 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.

(k) Borrowing costs

Borrowing costs are capitalized that are directly attributable to the acquisition, construction or production of qualifying assets where the borrowing cost is 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 recognized in the profit or loss in the period in which they are incurred.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the general policy on borrowing costs - refer Note 1(j).

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset. Operating lease payments are recognized as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 recognized for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

  Deferred income tax assets are recognized 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 utilized, 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 recognized 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 utilized.

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 utilized.

Unrecognized deferred income tax assets are reassessed at each balance date and are recognized 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 realized 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 recognized directly in equity are recognized 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 recognizes 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Other taxes
Revenues, expenses and assets are recognized net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Business combination
Business combinations occur when an acquirer obtains control over one or more businesses.

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.
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 recognized directly in profit or loss as a bargain purchase.
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.
Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

(p) Impairment of assets
The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.
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. Impairment losses relating to continuing operations are recognized in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).
An assessment is also made at each balance date as to whether there is any indication that previously

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.
After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(q) Cash and cash equivalents
Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in 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.

(r) Trade and other receivables
Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.
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.
The amount of the impairment loss is recognized in the statement of 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 comprehensive income.

(s) Inventories
Inventories are valued at the lower of cost and net realizable 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 labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) 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 recognized in profit or loss.

(ii) 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 amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized 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 amortized cost, gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization 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.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(iv) 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 recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognized in profit or loss. The fair value of investments that are actively traded in organized 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Derecognition of financial assets and financial liabilities

(i) Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized 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:

  a) has transferred substantially all the risks and rewards of the asset, or
  b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 recognized 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.

(ii) Financial liabilities
A financial liability is derecognized 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

(i) Financial assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized 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 recognized 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 recognized 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 recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) 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.

(iii) 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 amortization) and its current fair value, less any impairment loss previously recognized 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 recognized 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 recognized in profit or loss.

(w) Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.
Such cost includes the cost of replacing parts that are eligible for capitalization when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalization.
Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognized after the date of the revaluation.
Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:
Buildings - over 20 years
Plant and equipment - over 5 to 15 years
The assets' residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment
The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.
The recoverable amount of plant and equipment is the higher of 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, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.
Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.
For plant and equipment, impairment losses are recognized in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

(ii) Revaluations
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.
Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.
Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss.
Any revaluation decrease is recognized in profit or loss, except that a decrease offsetting a previous

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.
An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.
Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.
Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance date.

(iii) Derecognition and disposal
An item of property, plant and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal.
Any gain or loss arising on derecognition 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 derecognized.

(x) Intangible assets

Intangible assets acquired separately
Intangible assets acquired separately are recorded at cost less accumulated amortization and impairment. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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.

Internally generated intangible assets - research and development expenditure
Expenditure on research activities is recognized as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.
The following useful lives are used in the calculation of amortization:

Capitalized development	5 years
Licences	10 years

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(y) Trade and other payables
Trade payables and other payables are carried at amortized 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.

(z) Interest-bearing loans and borrowings
Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized 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 capitalized as a prepayment for liquidity services and amortized 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 amortized cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognized 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 recognized 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.

(aa) Provisions
Provisions are recognized 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 recognized 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 recognized as a separate assets 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 recognized as an interest expense.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) Employee leave benefits

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

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

(ii) Long service leave

The liability for long service leave is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(cc) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(dd) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period

(ee) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ff) Parent entity financial information

The financial information for the parent entity, Holista CollTech Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Holista CollTech Limited. Dividends received from associates are recognized in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

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 recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2012	2011
	$	$
(a) Revenue		
Sales revenue		
Sale of goods	5,439,652	6,021,082
	5,439,652	6,021,082
(b) Other income		
Bank interest receivable	45,793	56,266
Other	6,033	316
	51,826	56,582
(c) Expenses		
Net decrease in finished stock good stock	393,378	57,529
Raw materials and consumables used during production	1,302,789	2,113,019
Distribution costs	317,565	337,321
Advertising and promotion	554,131	872,855
Office expenses and maintenance	249,723	160,982
Collie factory maintenance costs	206,212	32,002
Research - current year expense	84,434	45,966
Consultancy & professional services	277,361	261,012
Audit fees (note 21)	100,997	74,200
Operating lease rental expense	64,575	165,233
Other expenses	43,900	421,471
	1,898,898	2,371,542

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 3: INCOME TAX

	Consolidated 2012 $	2011 $
Income tax recognized in profit or loss		
The major components of tax expense are:		
Current tax expense/(income)	(4,958)	-
Total tax expense/(income)	(4,958)	-
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting profit (loss) before tax from continuing operations	(536,871)	(613,811)
Income tax expense calculated at 30%	(161,061)	(184,143)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Unrecognized tax losses	166,019	181,920
Difference in overseas tax rates	-	2,224
Income tax expense reported in the consolidated statement of comprehensive income	4,958	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

The Group has accumulated tax losses of $2,706,233 (2011: $1,905,805) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2012, there is no recognized or unrecognized deferred income tax liability (none in 2011) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

Holista CollTech Limited and its controlled entities have entered into a tax funding agreement under which the 100% Australian owned resident subsidiaries compensate Holista CollTech Limited for all current tax payable assumed and compensated by Holista CollTech Limited for any current tax receivable and deferred tax assets which relate to unused tax credits or unused tax losses that, under the tax consolidation legislation, are transferred to Holista CollTech Limited. These amounts are determined by reference to the amounts which are recognized in the financial statements of each entity in the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4: SEGMENT REPORTING

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Types of products and services by segment

(i) Healthy Food ingredients and Food supplements

The segment organizes contract manufacturing and wholesale of food ingredients and supplements throughout Malaysia. All products produced are aggregated as one reportable segment as the products are similar in nature, manufactured and distributed to a similar type of customers, and subject to a similar regulatory environment.

(ii) Sheep collagen

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

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers 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.

(b) Intersegment transactions

The two segments operate independently and there are no intersegment sales.

(c) Segment assets

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

(d) 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. Segment liabilities include trade and other payables and certain direct borrowings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4: SEGMENT REPORTING (continued)

(e) Segment Information

(i) Segment performance

	Food Ingredients & Supplements	Sheep Collagen	Total
	$	$	$
30 June 2012			
REVENUE			
External sales	5,345,187	94,465	5,439,652
Interest revenue	45,793	-	45,793
Other revenue	6,033	-	6,033
Total segment revenue	5,397,013	94,465	5,491,478
Reconciliation of segment revenue to group revenue			
Total group revenue			5,491,478
Segment net profit (loss) from continuing operations before tax	264,023	(800,894)	(536,871)
Net profit (loss) before tax from continuing operations			(536,871)
30 June 2011			
REVENUE			
External sales	6,006,359	14,723	6,021,082
Interest revenue	55,166	1,100	56,266
Other revenue	316	-	316
Total segment revenue	6,061,841	15,823	6,077,664
Total group revenue			6,077,664
Segment net profit from continuing operations before tax	48,083	(661,894)	(613,811)
Net profit before tax from continuing operations			(613,811)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4: SEGMENT REPORTING (continued)

(ii) Segment assets

	Food Ingredients & Supplements	Sheep Collagen	Total
	$	$	$
30 June 2012			
Segment assets	6,292,672	3,772,250	10,064,922
Segment asset increases for the period:			
– acquisitions	797,190	6,364	803,554
Reconciliation of segment assets to group assets:			
Intersegment eliminations			(2,519,510)
Total group assets			**8,348,966**
30 June 2011			
Segment assets	6,491,188	3,876,557	10,367,745
Segment asset increases for the period:			
– acquisitions	71,210	9,920	81,130
Reconciliation of segment assets to group assets			
Intersegment eliminations			(2,119,204)
Total group assets			**8,329,671**

(iii) Segment liabilities

	Food Ingredients & Supplements	Sheep Collagen	Total
	$	$	$
30 June 2012			
Segment liabilities	**4,674,979**	**972,427**	**5,647,406**
Reconciliation of segment liabilities to group liabilities:			
Intersegment eliminations			(606,118)
Total group liabilities			**5,041,288**
30 June 2011			
Segment liabilities	**4,422,370**	**279,862**	**4,702,232**
Reconciliation of segment liabilities to group liabilities:			
Intersegment eliminations			(203,960)
Total group liabilities			**4,498,272**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4: SEGMENT REPORTING (continued)

(iv) 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:

	30 June 2012	30 June 2011
	$	$
Australia	94,465	15,823
Malaysia	5,397,013	6,061,841
Total revenue	5,491,478	6,077,664

(v) *Assets by geographical region*

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

Australia	1,826,098	1,933,961
Malaysia	6,522,868	6,395,710
Total assets	8,348,966	8,329,671

(vi) 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 79% of total revenue for this segment. The Group supplies a single external customer for the Sheep Collagen segment who accounts for 100% of revenue for this segment.

NOTE 5: EARNINGS PER SHARE

	Consolidated	
	2012	2011
	Cents per share	Cents per share
Basic earnings (loss) per share:		
Continuing operations	(0.42)	(0.47)
Total basic earnings (loss) per share	(0.42)	(0.47)
Net profit (Loss)	(541,829)	(613,811)
Diluted loss per share	(0.42)	(0.47)
Earnings (loss) from continuing operations	(541,829)	(613,811)
Weighted average number of ordinary shares for the purposes of diluted earnings per share	129,613,821	129,613,821

Effect of dilutive securities

Share options - it is not considered that the 850,000 post consolidation (2011: 1,523,000 pre consolidation) unlisted option on issue have a dilutive effect on earnings per share as the Group incurred a loss for the year

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2012	2011
	$	$
Current		
Cash at bank and on hand	64,003	35,088
Security deposits	1,809,489	1,046,617
	1,873,492	1,081,705

Cash at bank earns interest at floating rates based on daily bank deposit rates.
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.
At 30 June 2012, the Group had available $ 26,465 (2011: $124,825) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

(i) Reconciliation to the Statement of Cash Flows:
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.
Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	1,873,492	1,081,705
Bank overdraft	(653,535)	(691,897)
Fixed deposits	-	638,964
Cash and cash equivalents as per statement of cash flows	1,219,957	1,028,772

(ii) Reconciliation of profit / (loss) for the year to net cash flows from operating activities		
Profit (loss) for the year after tax	(541,829)	(613,811)
Depreciation and amortization	318,990	246,914
Impairment losses	-	-
Bad debts	-	29,540
- (incease)/decrease in receivables	(777,128)	(154,046)
- (incease)/decrease in inventories	351,188	247,802
- increase/(decrease) in payables	382,827	(409,524)
- increase/(decrease) in director's loan	-	(30,361)
Net cash used in operating activities	(265,952)	(683,486)

(iii) Restricted Funds

The Groups total cash assets mentioned above included restricted bank accounts as follows

(a) Deposits held with financial institutions in Malaysia as collateral for financing facilities provided**.**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated 2012 $	2011 $
NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES		
Trade receivables	1,363,280	940,102
Other receivables	311,909	421,114
	1,675,189	1,361,216

(i) the average credit period on sales of goods and rendering of services is 55 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.
Sales in Malaysian entities are either on a cash basis or via a distributor. The terms of payment from this distributor are 50% after net 45 days and 50% after net 65 days.

	2012 $	2011 $
Aging of past due but not impaired		
0 – 30 days	1,357,428	-
30 – 60 days	-	925,631
60 – 90 days	-	-
90 - 120 days	5,852	14,471
Total	1,363,280	940,102

NOTE 8: OTHER FINANCIAL ASSETS

	2012 $	2011 $
Current		
Prepayments	78,760	27,155
Non Current		
Loan – Malaysia Pharmaceutical Society	3,084	-

NOTE 9: INVENTORIES

	Consolidated 2012 $	2011 $
Raw materials - at cost	168,973	576,297
Finished goods - at net realisable value	462,053	405,917
	631,026	982,214

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	Freehold land and building	Plant and equipment	Total
	$	$	$
Year ended 30 June 2012			
At 1 July 2011, net of accumulated depreciation and impairment	2,447,425	1,570,975	4,018,400
Additions	-	803,554	803,554
Disposals	-	(699,653)	(699,653)
Depreciation charge for the year	(77,614)	(236,338)	(313,952)
Foreign currency exchange differences	-	(22)	(22)
At 30 June 2012, net of accumulated depreciation and impairment	2,369,811	1,438,516	3,808,327
At 30 June 2012			
Cost	2,886,648	3,001,070	5,888
Accumulated depreciation and impairment	(516,837)	(1,562,554)	(2,080)
Net carrying amount	2,369,811	1,438,516	3,808,327

The useful life of the assets was estimated as follows for both 2011 and 2012:

Buildings	20 years
Plant and equipment	5 to 15 years

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2012 is $730,083 (2011 $ 23,990). There were additions of $787 526 during the year (2011: $ nil) of plant and equipment held under finance leases and hire purchase contracts

The carrying value of property, plant and equipment temporarily idle is $ nil (2011 $1,838,392).

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 $842,355 (2011: $842,355) are subject to a first charge to secure a loan from RHB Bank, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated		
	Freehold land and building	Plant and equipment	Total
	$	$	$
Year ended 30 June 2011			
At 1 July 2010, net of accumulated depreciation and impairment	2,721,294	1,832,143	4,553,437
Additions	27,956	53,131	81,087
Disposals	-	-	-
Depreciation charge for the year	(78,509)	(168,405)	(246,914)
Foreign currency exchange differences	(223,316)	(145,894)	(369,210)
At 30 June 2011, net of accumulated depreciation and impairment	2,447,425	1,570,975	4,018,400
At 30 June 2011			
Cost	2,886,647	2,897,169	5,783,816
Accumulated depreciation and impairment	(439,222)	(1,326,194)	(1,765,416)
Net carrying amount	2,447,425	1,570,975	4,018,400

Impairment Disclosure

The Group has a 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, plant and equipment have a carrying value of $1.684million as at 30 June 2012. Whilst this extraction facility has been largely inactive since its completion in 2005, in this financial year the factory has been reactivated to process the 2,000kg of orders received from a customer in Thailand.

The recoverable amount of the facility has been determined based on a value-in-use calculation. The present value of a 5 years cash flow forecast has been used to determine whether any impairment is required should the carrying value exceed the recoverable amount. This forecast is based on expected sales orders from the Exclusive Distribution Agreements signed with German Giants, Behn Meyer and American Corporation, Connell Bros. Company. Existing cost and pricing structures have been applied to the forecast with growth factors. A discount rate of 12% was used based on the Group's estimated cost of capital.

Based on the above assessment, no impairment is required for this financial period.

NOTE 11: INTANGIBLE ASSETS

	Development	Patents and licences	Foreign exchange effect	Total
Gross carrying amount	$	$	$	$
Balance at 1 July 2010	**-**	**23,214**	**-**	**23,214**
Additions	123,808	66,122	(8,018)	181,912
Balance at 1 July 2011	**123,808**	**89,336**	**(8,018)**	**205,126**
Additions	11,117	67,950	-	79,067
Balance at 30 June 2012	**134,925**	**157,286**	**(8,018)**	**284,193**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: INTANGIBLE ASSETS (continued)

	Development	Patents and licences	Foreign exchange effect	Total
Accumulated amortization and impairment	$	$	$	$
Balance at 1 July 2011	-	1,981	-	1,981
Balance at 1 July 2011	**-**	**1,981**	**-**	**1,981**
Amortization expense	-	3,124	-	3,124
Balance at 30 June 2012	**-**	**5,105**	**-**	**5,105**
Net book value				
As at 30 June 2011	123,808	87,355	(8,018)	203,145
As at 30 June 2012	134,925	152,181	(8,018)	279,088

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated	
	2012	2011
	$	$
Trade payables (i)	502,147	221,297
Non-trade creditors	269,051	538,643
	771,198	759,940
Other payables		
Due to director for working capital – interest free	320,179	288,722
Unearned income	68,372	-
	388,551	288,722

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms

Secured		
Bank overdraft	653,535	691,897
Total secured borrowings	653,535	691,897

NOTE 13: INTEREST-BEARING LOANS AND BORROWINGS

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

bank overdraft	680,000	679,110
bank loan	787,667	1,059,935
trade facilities	1,453,713	1,449,725
redeemable preference shares loan	-	327,335
finance lease	986,624	25,446
	3,908,004	3,541,551

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 13: INTEREST-BEARING LOANS AND BORROWINGS (continued)

	Consolidated 2012 $	2011 $
Facilities used at balance date		
bank overdraft	653,535	691,897
bank loan	787,667	1,059,935
trade facilities	1,453,713	1,312,112
redeemable preference shares loan	-	327,335
finance lease	986,624	25,447
	3,881,539	3,416,726
Facilities unused at balance date		
bank overdraft	26,465	(12,787)
bank loan	-	-
trade facilities	-	137,612
	26,465	124,825
Total facilities	3,908,004	3,540,551
Facilities used at balance date	(3,881,539)	(3,415,726)
Facilities unused at balance date	26,465	124,825

Assets pledged as security
The carrying amounts of assets pledged as security for current and non- current interest bearing liabilities are:

	2012 $	2011 $
Current		
Floating charge		
Cash and cash equivalents	1,873,492	1,081,705
Total assets pledged as security	1,873,492	1,081,705
Non-Current		
First mortgage		
Freehold land and buildings	1,405,846	1,405,846
Floating charge		
Inventories	631,026	982,214
Fixed deposits	-	638,964
Total non-current assets pledged as security	2,036,872	3,027,024
Total assets pledged as security	3,910,364	4,108,729

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 13: INTEREST-BEARING LOANS AND BORROWINGS (continued)

Borrowings shown in the Statement of Financial Position relate to borrowings through the Malaysia Companies and National Australia Bank and are listed as follows:

		Consolidated	
		2012	2011
		$	$
Current			
Secured			
Bankers acceptance		835,112	695,228
Revolving credit		618,601	616,884
Bank overdraft		653,535	691,897
Credit card		2,763	-
Financial leases		414,080	13,880
Term loan:	(1)	29,000	28,465
	(2)	16,000	14,442
	(3)	-	222,078
Redeemable preference shares loan		-	218,221
		2,569,091	2,501,095
Non-Current			
Secured			
After 1 year but not later than 5 years			
Term loan:	(1)	113,640	113,640
	(2)	57,539	57,539
	(3)	-	12,139
Financial leases		572,544	13,880
		743,723	197,198
After 5 years			
Term loan:	(1)	522,047	547,801
	(2)	46,678	60,518
		568,725	608,319
Redeemable preference share loan		-	109,114
		1,312,448	914,631

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 13: INTEREST-BEARING LOANS AND BORROWINGS (continued)

The borrowing of the group and the Company are secured by the followings:-

Term loan (1):

As principal Instrument, an "all monies" Facilities Agreement stamped to the amount of facilities advanced;

First party Absolute Assignment of all rights, interest, title and benefits in and to property beneficially owned by a Subsidiary Company;

Corporate Guarantee by subsidiary company for $773,252; and

Personal Guarantee for $773,252 by a Director of the subsidiary Company.

Term Loan (2) and revolving credit:
1) As principal Instrument, a Facilities Agreement for the sum of $773,252;
2) A registered open all monies 3rd party 1st legal charge stamped nominally over a freehold double storey corner residential property.
3) Memorandum of Deposit of Fixed Deposit totalling $773,252:
4) Personal Guarantee by Director of the Subsidiary Company: and
5) Fixed and floating debenture of a subsidiary company.

Bankers' Acceptance and bank overdraft:
1) Facility Agreement;
2) Pledge of fixed deposits with licensed banks;
3) Memorandum of Deposit and letter of set off;
4) Corporate Guarantee by a subsidiary company; and
5) Joint and several guarantees from certain Directors.

The bankers acceptance and bank overdraft bear interest of 4.77% to 8.42% (2011: 4.76% to 8.40).
The revolving credit bears interest rates of 6.85% to 7.13% (2011 6.83% to 7.11%)
The term Loan (1) is repayable over 240 monthly instalments (principal plus interest) of $5,210 which commenced on 1st of July 2008. The term loan bears interest rates ranging from 4.86% to 6.87% (2011 4.85% to 6.85%) per annum.
The term Loan (2) is repayable over 96 monthly instalments (principal plus interest) of $2,055 which commenced on 12th February 2010. The term loan bears interest rates ranging from 7.07% to 7.37% (2011 7.05% to 7.35%) per annum.
The term Loan (3) is repayable over 36 monthly instalments from the date of first disbursement (principal plus interest) of $7,732 (months 5-12), $18,559 (months 13-24) and $27,837 (months 25-36) which commenced in February 2010. The term loan bears interest rates ranging from 7.02% (2011 7%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 14: ISSUED CAPITAL

	Consolidated	
	2012	2011
	$	$
129,603,281 Ordinary shares issued and fully paid	7,554,145	7,554,145

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 authorized capital.

	2012		2011	
	No.	$	No.	$
	$	$	$	$
Movement in ordinary shares on issue				
Balance at beginning of financial year	129,603,281	7,554,145	129,603,281	7,554,145
Balance at end of financial year	129,603,281	7,554,145	129,603,281	7,554,145

No additional shares were issued by the subsidiary company Holista Biotech Sdn. Bhd. to the parent company.

Share options
The company has previously had an employee share option scheme under which options to subscribe for the Group's shares have been granted to certain executives and other employees. No options have been issued during the year (2011: nil).

NOTE 15: RETAINED EARNINGS AND RESERVES

Retained earnings (Accumulated Losses)
Movements in retained earnings were as follows:

	Consolidated	
	2012	2011
	$	$
Balance at beginning of financial year	(3,646,899)	(3,033,088)
Net profit (loss) for the year	(541,829)	(613,811)
Balance at end of financial year	(4,188,728)	(3,646,899)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 15: RETAINED EARNINGS AND RESERVES (continued)

Reserves
Movements in reserves were as follows:

	Foreign Currency translation reserve $	Total $
At 30 June 2011	(75,847)	287,046
Currency translation differences	18,108	(362,893)
At 30 June 2012	(57,739)	(75,847)

Nature and purpose of reserves
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.

NOTE 16: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization 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 retained earnings.
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.

	Consolidated	
	2012 $	2011 $
(b) Categories of financial instruments		
Financial assets		
Cash and cash equivalents (i)	1,873,492	1,081,705
Trade and other receivables	1,675,189	1,361,216
Financial liabilities		
Trade and other payables	771,198	759,940
Borrowings	3,881,539	3,415,726
Other financial liabilities	320,179	288,722

(i) Cash and cash equivalents comprise restricted amounts which all have varied maturity dates within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 16: FINANCIAL INSTRUMENTS (continued)

(c) Financial risk management objective

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and commodity price risk including foreign exchange forward contracts to hedge the exchange rate and commodity price risk arising on its production.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

The group does not have sufficient investments that would expose it to unmanageable market risks.

(i) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	2012	2011	2012	2011
	$	$	$	$
Malaysian ringgit	4,596,767	4,393,355	3,880,165	4,060,218

Foreign currency sensitivity analysis

The Group is exposed to Malaysian ringgit (RM) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	RM impact			
	Consolidated		Company	
	2012	2011	2012	2011
	$	$	$	$
Profit or loss (i)	821,306	724,975	-	-
Other equity (ii)	281,068	391,287	-	-

(i) This is mainly attributable to the exposure outstanding on receivables and payables at year end in the Group

(ii) This is mainly as a result of the changes in fair value of the Australian net assets due to currency fluctuations.

(ii) Interest rate risk management

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 16: FINANCIAL INSTRUMENTS (continued)

(ii) Interest rate risk management (continued)

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

(iii) Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At balance date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's: net profit would increase by $ 15,000 and decrease by $ 15,000 (2011: $15,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps.

(e) Credit risk management

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 does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

(f) Liquidity risk management

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.

The following table details the company's and the Group's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Consolidated

	Less than 1 Month $	1-3 Months $	3 months- 1 year $	1-5 years $	5+ years $
2012					
Non-interest bearing	-	12,372	61,860	245,947	-
Finance lease liabilities	1,290	2,581	9,032	-	-
Variable interest rate instruments	82,789	247,853	909,344	3,063,314	680,461
Fixed interest rate instruments	23,135	46,269	208,210	403,149	352,058
	107,214	309,075	1,188,447	3,712,410	1,032,519

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 16: FINANCIAL INSTRUMENTS (continued)

(f) Liquidity risk management (continued)

	Less than 1 Month $	1-3 Months $	3 months-1 year $	1-5 years $	5+ years $
2011					
Non-interest bearing	6,169	12,338	55,520	214,696	-
Finance lease liabilities	1,287	2,574	11,581	10,005	-
Variable interest rate instruments	182,443	348,540	1,325,530	2,326,887	678,573
Fixed interest rate instruments	46,847	93,694	433,959	474,344	389,800
	236,746	457,144	1,826,590	3,025,932	1,068,373

NOTE 17: COMMITMENTS AND CONTINGENCIES

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 3 year lease entered into in February 2011 for a Warehouse in Malaysia. The rent for this site is $8,666 per annum.

The Group has a 3 year lease entered into in August 2011 for a Retail Outlet in Malaysia. The rent for this site is $3,155 per annum for the first year and $3,773 per annum for the remaining term

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 $2,666 increased by CPI per hectare per annum.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Parent	
	2012 $'	2011 $	2012 $	2011 $
Within one year	61,913	55,251	9,793	9,793
After one year but not more than five years	105,609	90,013	39,172	39,172
After five years	113,833	78,954	68,551	78,344
	281,355	224,218	117,516	127,309

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 17: COMMITMENTS AND CONTINGENCIES (continued)

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:

	2012		2011	
	Minimum Lease Payments	*Present value Of lease Payments*	*Minimum Lease Payments*	*Present value Of lease Payments*
Consolidated	*$’*	*$*	*$*	*$’*
Within one year	522,944	414,080	15,458	13,580
After one year but not more than five years	638,665	572,544	12,903	11,599
Total minimum lease payments	1,161,609	986,624	28,361	25,179
Less amounts representing finance charges	(174,985)	-	(3,182)	-
Present value of minimum lease payments	986,624	986,624	25,179	25,179

Capital commitments
At 30 June 2012 the Group has no commitments that have not otherwise been booked as a liability. (2011 $ Nil)

NOTE 18: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Holista CollTech Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	Equity Interest (%) 2012	Equity Interest (%) 2011	Investment ($) 2012	Investment ($) 2011
Holista Biotech Sdn Bhd	Malaysia	100	100	1,952,516	1,952,516
Total Health Concept Sdn Bhd	Malaysia	100	100	-	-
Alterni (M) Sdn Bhd	Malaysia	100	100	-	-
Tropical Botanics Sdn Bhd	Malaysia	100	100	-	-

(b) Transactions with related parties

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

The following transactions occurred with related parties

	Consolidated		Parent	
	2012	2011	2012	2011
	$	$	$	$
Purchase of goods and services				
Legal services fee paid to Sumitha K & Associates for provision of legal advice. Mrs Sumitha’s husband is a director of Holista CollTech Limited	7,511	11,816	-	-
	7,511	11,816	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: 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.

Financial position

	30 June 2012 $	30 June 2011 $
Assets		
Current assets	81,903	47,561
Non-current assets	3,696,711	3,838,916
Total assets	3,778,614	3,886,477
Liabilities		
Current liabilities	894,833	279,861
Non-current liabilities	77,593	-
Total liabilities	972,426	279,861
Net Assets	**2,806,188**	**3,606,616**
Equity		
Issued capital	6,063,070	6,063,070
Accumulated losses	(3,256,882)	(2,456,454)
Reserves		-
Total Equity	**2,806,188**	**3,606,616**

Financial performance

	Year ended 30 June 2012 $'	Year ended 30 June 2011 $
Profit (loss) for the year	(800,428)	(661,895)
Other comprehensive income	-	-
Total comprehensive income (loss)	(800,428)	(661,895)

NOTE 20: EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21: AUDITOR'S REMUNERATION

The auditor of Holista CollTech Limited for the 2012 year is Grant Thornton Audit Pty Ltd. The 2011 auditor of Holista CollTech Limited was Grant Thornton Audit Pty Ltd.

	Consolidated 2012 $	2011 $
Amounts received or due and receivable by auditors for:		
An audit or review of the financial report of the entity and any other entity in the Group	57,950	50,410
Amounts received or due and receivable by Grant Thornton Malaysia for		
- an audit or review of the financial report of subsidiaries	43,027	38,984
Amounts received or due and receivable by auditors of group entities	100,977	89,394

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

Dato' Dr M Rajendran	Chief Executive
Mr. Daniel O'Connor	Executive Director
Mr. Warren Staude	Director (non-executive)
Mr. Paul Rengel	Chairman (non-executive) Deceased 29 September 2011
Mr. Stuart Hazell	Director (non-executive) Resigned 31 January 2012
Mr. Dr Fathil Bin Mohamed	Director (non-executive) Resigned 29 November 2011
Mr. Ben Donovan	Director (non-executive) Resigned 29 November 2011

(ii) Executives

Mr Kong Hon Kien	Chief Financial Officer
Mr Jay Stephenson	Company Secretary
Mr Ben Donovan	Company Secretary Resigned 31 January 2012

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

The totals of remuneration paid to the key management personnel of the Company are as follows.

	Consolidated 2012 $	2011 $
Short-term employee benefits	387,522	306,638
Post-employment benefits	42,904	34,046
Total key management personnel compensation	430,426	340,684

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(b) Shareholdings of Key Management Personnel

Ordinary shares held in Holista CollTech Limited (number)

30 June 2012	Balance at beginning of period	Granted as remuneration	On Exercise of Option	Net Change Other	Balance at end of period
Directors					
Dato' Dr M Rajendran	77,039,400	-	-	-	77,039,400
Mr Daniel O'Connor	-	-	-	-	-
Mr Warren Staude	-	-	-	20,750	20,750
Executives					
Mr Kong Hon Khien	-	-	-	-	-
Mr Jay Stepheson	-	-	-	-	-
	77,039,400	-	-	20,750	77,060,150

30 June 2011	Balance at beginning of period	Granted as remuneration	On Exercise of Option	Net Change Other	Balance at end of period
Directors					
Mr Paul Rengel	-	-	-	-	-
Dato' Dr M Rajendran	77,000,000	-	-	39,400	77,039,400
Dato' Dr Fathil Bin Mohamed	4,426,274	-	-	-	4,426,274
Dr Stuart Hazell	-	-	-	-	-
Executives					
Mr Bob Lee	-	-	-	-	-
Mr Ben Donovan	-	-	-	-	-
Mr Kong Hon Khien	-	-	-	-	-
	81,426,274	-	-	39,400	81,456,674

(c) Loans to Key Management Personnel

There are no loans to directors or executives.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(d) Other transactions and balances with Key Management Personnel

	Balance at beginning of period $	Addition during the year $'	Repayment $'	Interest charged $	Exchange difference $	Balance at end of period $
For working capital	288,722	266,427	(234,970)	-	-	320,179
Total	288,722	266,427	(234,970)	-	-	320,179

The working capital balance represents a loan from a director which is interest free
a loan from a director which is interest free.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Holista CollTech Limited (the 'Company'):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
   b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

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

Dato' Dr M Rajendran
Director

Dated this 28th Day of September 2012

Grant Thornton

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Independent Auditor's Report
To the Members of Holista CollTech Limited

Report on the financial report

We have audited the accompanying financial report of Holista CollTech Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 determines 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Holista CollTech Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Significant uncertainty regarding continuation as a going concern

Without qualification to the audit opinion expressed above, we draw attention to Note 1 (e) to the financial report, which indicates that the consolidated entity incurred a net loss of $541,829 and net cash outflows from operating activities of $265,952 during the year ended 30 June 2012. These conditions, along with other matters as set forth in Note 1 (e), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 11 to 16 of the directors' report for the year ended 30 June 2012. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Holista CollTech Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 28 September 2012

Additional Information for Listed Public Companies

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Limited. The information is current as at 17 September 2012.

1. Shareholdings

a) Substantial shareholders of Holista CollTech Limited:

Name of shareholder	Shares held
Dato' Dr M Rajendran	77,039,400
Franjack Pty Ltd + Aurjoe Pty Ltd	6,726,665

b) Distribution of equity – Listed securities:

Size of holding	Number of Shareholders
1 – 1,000	238
1,001 – 5,000	257
5,001 – 10,000	118
10,001 – 100,000	200
100,001 – and over	54
	867

At the date of this report there were 579 shareholders who held less than a marketable parcel of shares holding 1,394,224 shares.

Additional Information for Listed Public Companies

c) 20 Largest Shareholders – Ordinary Shares:

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Dr R Marnickavasagar	77,039,400	59.44
Franjack Pty Ltd + Aurjoe Pty Ltd	6,726,665	5.19
Dr F Mohamed	4,311,274	3.33
Mr C H Aw	4,000,000	3.09
HSBC Custody Nominees (Australia) Limited	3,538,373	2.73
Chandra Sekaran P Perumal	3,333,333	2.57
Fairview Holdings Pty Ltd	2,066,294	1.59
Mr R Govindan	2,061,119	1.59
DBS Vickers Securities (Singapore) PTE Ltd	1,915,000	1.48
Mr K W Ong	1,817,746	1.40
Mr C Cuffe + Mrs N Cuffe	1,245,019	0.96
Bond Street Custodians Limited	893,334	0.69
Mr H Singh	850,000	0.66
Bakersfield Holdings Pty Ltd	786,666	0.61
Citicorp Nominees Pty Limited	704,666	0.54
Tristesse Pty Ltd	685,553	0.53
Zailan Bin Ramli	666,666	0.51
IRSS Nominees (21) Limited	660,000	0.51
Lifescience Securities Limited	600,000	0.46
Ms K B Kuok	534,468	0.41
	114,435,576	88.29

d) Stock Exchange Listing

Listed securities in Holista CollTech Limited (HCT) are quoted on all member exchanges of the Australian Securities Exchange.