HOLISTA COLLTECH

ABN 24 094 515 992

ANNUAL REPORT

31 December 2018

About Us

"We all strive to be healthy. Yet sometimes, making the right choice is beyond our control. Holista CollTech carries out research to find natural solutions so people can enjoy healthy and organic alternatives to tasty but unhealthy processed and baked foods. No compromise on taste, odour and mouth-feel. Everyone can enjoy their favourite foods and still be healthy."

CORPORATE PROFILE

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

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

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

Holista is the only company in the world that produces ovine collagen from Australian sheep using patented extraction methods. It is on track to nano-nise and encapsulate liposomes for the ovine collagen.

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

Corporate directory

Current Directors

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

Joint Company Secretary

Mr Brett Fraser
Mr Jay Stephenson

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Share Registry

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Auditors

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Securities Exchange

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Managing Director's Report

Dear Shareholders,

On behalf of the Board of Directors (**the Board**) of Holista CollTech Limited (**Holista** or **the Group**), I am pleased to present our Annual Report and audited financial statements for the financial year ended 31 December 2018 (**FY2018**).

Apart from serving as a scorecard of our performance and significant events during the year in review, this Annual Report will also offer a glimpse of what you can expect in FY2019 and beyond.

Overall, FY2018 was an exciting year for Holista. We scored a major breakthrough as we penetrated global markets with our clean label (chemical-free) low-Glycaemic Index (**G**") solutions for flour-based products, chiefly noodles. This bodes extremely well for our ongoing efforts to improve global nutrition and better meet the needs of food manufacturers. In all that we do, we aspire to not only maintain the taste and texture of the final product but also ensure it is affordable and well-liked by consumers.

Success of Low-GI Flour-Based Products: Going Global

As you may recall, we received scientific validation from the University of Sydney for Panatura GI in January 2016. This formula, developed with Veripan AG of Europe, significantly lowers the GI for white bread. It marked a major milestone in our quest to address the global pandemic of obesity and diabetes caused by unhealthy diets.

We have worked on a significant reduction of the GI of white flour based baked goods – such as bread, biscuits, muffins and noodles – in a natural, simple and cost-effective way. Over the past year, we worked with the team at Veripan and its partners to launch the world's first "clean label" low GI bread. With the support of an Australian consortium, we intend to launch a low GI white bread in Australia in May-June 2019.

To this end, a special purpose global brand is being developed to convey the low GI message. This will be fully backed by the Glycaemic Index Foundation, a not-for-profit health promotion charity supported by the University of Sydney and Diabetes NSW & ACT. A global rollout will follow once the brand is launched in Australia as we are convinced that our innovation will finally be ready for markets worldwide in 2019 and beyond.

For now, what has caught the eye of the market is our low-GI flour-based noodles, which are developed using okra, dhal, barley and fenugreek. On 19 October 2017, a noodle formula developed by our U.S. subsidiary, Holista Foods, was tested with a GI rating of 38 (versus 60 for most noodles). This formula has been endorsed by the Glycemic Index Foundation and is in line with guidelines and recommendations from Diabetes Canada. This achievement has opened doors for us to establish collaborations and partnerships to widen our market reach, including in China.

80Less – Low-Calorie sugar

The rising pandemic of diabetes and obesity has prompted a number of countries to levy or propose a sugar tax to change consumption habits. In seeking to address these health issues, we announced on 14 February 2019 our breakthrough solution 80Less, which is five times sweeter than ordinary sugar but contains 80% fewer calories. It comprises sucrose (table sugar) and very low levels of sucralose (an intense sweetener derived from sugarcane).

We look forward to collaborating with different players in the food and beverage industry, including manufacturers of beverages (sweetened drinks) and biscuits, to roll out 80Less. We have begun discussions in Malaysia with potential customers keen on a solution ahead of the imposition of the nationwide sugar tax on 1 July 2019.

Besides 80Less, we are also developing a more advanced formula called 80Less Premium. This will be 40 times sweeter than ordinary sugar. Both 80Less and 80Less Premium leave no after-taste and offer the same sensory effects as those of sugar. They can also replace sugar in every application and even reduce logistics costs for the transportation and storage of sugar.

Dietary Supplements

The Dietary Supplements division has remained our primary revenue contributor since FY2014. In FY2018, this division again accounted for the lion's share of our revenue, although it had its share of challenges. While Holista has a strong distribution network in Malaysia, the domestic market underperformed in FY2018 as inflation (and local currency weakness) impacted consumers' purchasing power. Nonetheless, revenue from this segment increased 7% to $7,699,489 in FY2018 from $7,176,607 in FY2017.

Managing Director's Report

Collagen

Revenue for this segment decreased from $413,000 in FY2017 to $215,000 in FY2018 due to a planned temporary shutdown of our plant in Collie, Perth, for an upgrade. Expected to be fully operational in FY2019, this division has already secured orders worth $567,000.

The global collagen market size is expected to reach US$663 billion by 2025, growing at an annual compounded rate of 6.5%, according to the Collagen Market Analysis Report. This is due to rising demand for collagen from industries including healthcare, food and beverage, cosmetics and anti-ageing.

There has also been steady growth in the cosmetics industry with respect to the global collagen market. Against this backdrop, cosmetics-grade collagen is expected to contribute the most to our revenue for the collagen segment in the coming years.

Financial Performance

Overall, our revenue increased by approximately 5% (4.91%) to $7,940,555 in FY2018 from $7,569,007 in FY2017. We narrowed our net loss attributable to owners of the parent by approximately 46.80% to $1,612,147 from $3,030,290 in FY2017.

Corporate Developments

On 6 August 2018, we successfully completed our Share Purchase Plan (**SPP**). Under the SPP, each eligible shareholder is entitled to subscribe for up to $15,000 shares from the fully-paid ordinary shares at an issue price of 7 cents per share.

We received a total number of applications of 8,756,525 new shares from eligible shareholders, and we accepted all the shareholder subscriptions.

Outlook

I remain positive about our medium- to long-term prospects in view of the significant achievements during FY2018 and immediately after.

We remain optimistic of a major effort to launch a global low GI clean label white bread starting in Australia. This will be followed by a global roll out.

While there were delays in the shipment of Low-GI noodles to China (as per our agreement with Express Trading Canada), we are working hard to ensure that the offtake can commence in FY2019. When that happens, the revenue contributions will be significant.

On our partnership with Kawan Food, we will commence production of Low-GI flatbreads – starting with paratha and chapatti – in the form of frozen dough. They are scheduled to hit Malaysian stores by May/ June 2019 and the U.S. market two to three months later.

For our new low-calorie sugar 80Less, the imminent launch of the Malaysian sugar tax (delayed by three months to 1 July 2019) is expected to hasten discussions we have with beverage manufacturers. We see our product as a potent weapon in the battle against sugar overconsumption worldwide.

The funds raised from the SPP will allow us to strengthen our marketing and R&D efforts especially in FY2019.

Appreciation

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

Thank you.

DR RAJEN MANICKA
Managing Director

Key Milestones

Date	Milestone
14 February 2018	Holista signed an MoU with North-America's leading noodle maker, Wing's Group of Canada to supply our patented low-GI noodle mix. For the first year (FY2018), we achieved a sales order of US$20,000. We expect this sales order to increase in FY2019 and beyond.
22 March 2018	Holista Foods and Wing's Group announce a formula for low-GI spaghetti which will be offered for North American markets initially.
25 June 2018	Low-GI spaghetti listed on e-commerce platform Amazon. (The product has already been featured under Amazon's Choice)
5 July 2018	Holista Foods signed an agreement with Express Trading Canada to export Low-GI noodles to China. Finalisation of this order will contribute significantly to our performance and underscore our credentials as a significant player in the world noodle market. Based on the agreement, the indicative orders are $12 million.
20 July 2018	Holista Foods secured rights to manufacture and distribute our "clean label" gluten-free flour blend in North America, the world's largest market for gluten-free products. Holista Foods will produce and market the flour blend with lower carbohydrates, less sugar and no additives, improvers, enzymes or gums.
26 November 2018	Holista Foods appointed Hilary's Salesmaster as the exclusive distributor of Low-GI noodles in Canada. Hilary's has a strong presence in Canada and distributes to major health, retail and convenience stores. Its range of healthy bars and beverages includes the 5-Hour Energy Drink, the leading energy drink in North America.
11 December 2018	Holista Foods announces the global launch of its low-GI pasta
16 January 2019	Holista partners Kawan Food Berhad, a leading frozen food manufacturer and exporter listed in Malaysia, to produce Low-GI versions of chapatti and the Malaysian favourite – roti canai. This marks the entry of Holista's Low-GI flatbreads.
14 February 2019	Holista completed and successfully tested 80Less™, a proprietary sugar formulation with a low-glycaemic Index (Low GI) that is five times sweeter than ordinary sugar, and without any after taste. 80Less™ seeks to address challenges faced by food and drink manufacturers amidst increasing proposals by countries to impose a sugar tax to curb excessive sugar intake which is seen as a major cause of obesity and diabetes.

Messages from our Key Partners

MS. NADJA PIATKA

CEO of Nadja Foods and CEO of Holista Foods

All over the world, fast food, desserts and soft drinks are a part of the modern lifestyle. However, there is a potential dark side to these tasty processed foods and sweet-tooth cravings – it is a major cause of obesity and diabetes.

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

The food and beverage industry is well aware of this. Hence, industry manufacturers and fast food chains in most of the countries are in a race to roll out healthier options to win over customers. But how do we do it the natural way, without pricing products out of reach? Hence, our partnership with Holista. Dr Rajen and his team have laboured to develop and validate the science of lowering the Glycaemic Index, or GI, of common foods. Holista has set the gold standard for clean-label GI reduction for white flour products. Recently, his team has also curated a formula for low-calorie sugar.

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

In the last two years, we have launched three products – low-GI versions of noodles and different types of pasta. Sales of our low-GI products have begun in North America and on the American e-commerce platform, Amazon. We also signed an agreement with Express Trading Canada to export our low-GI noodles to China. Once this deal is finalised, it will contribute significantly to our performance and position us as one of the significant players in the world noodle market.

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

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

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

Thank you!

Nadja Piatka

Messages from our Key Partners

MR. MEIERT J. GROOTES
Chairman of VERIPAN AG, a partner of Holista CollTech

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

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

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

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

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

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

Thank you!

Meiert J. Grootes

Messages from our Key Partners

MR. TIMOTHY TAN
Managing Director of Kawan Foods Berhad

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

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

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

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

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

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

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

Thank you!

Timothy Tan

Investor Engagement

During the year in review, Holista CollTech stepped up its outreach to regional media and investors, led by Dr Rajen Manicka, Chairman and CEO of Holista CollTech, and celebrity chef Ms Nadja Piatka, CEO of Holista Foods in the U.S. Apart from a number of features in trade and business media, Holista also hosted events in Kuala Lumpur, Malaysia, where Dr Rajen and Ms Piatka shared the Holista story and promoted the company's products and partnerships.

Holista's engagements during the year include:

- Dr Rajen's interview on Singapore business radio station, Money FM 89.3, where he discussed the war on diabetes and food economics of the future;
- Two features in Food Navigator Asia, a leading news portal for the food industry, about Holista's sales to Wing's Food in Canada as well as its export of low-GI noodles to China;
- An investor briefing co-hosted by Ms Piatka and Dr Rajen, where they shared their insights on the future of the low-GI market, opportunities for low-GI noodles in China and Malaysia's ongoing battle with diabetes; and
- A joint media briefing held after the financial year-end, where Holista and Bursa-listed Kawan Food Berhad announced that they would join forces to develop low-GI roti canai, paratha and chapatti in Malaysia.

Directors' report

Your directors present their report on the consolidated entity, consisting of Holista CollTech Limited (**Holista** or **the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 31 December 2018.

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

1. Directors

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

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

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

2. Company secretary

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

- Mr Brett Francis Fraser

Qualifications	FCPA, F.Fin, B.Bus. FGIA
Experience	Mr Fraser has worked in the finance and securities industry for over 25 years' and has owned and operated businesses across wine, health, finance, media and mining. In addition, Mr Fraser is a Fellow of Certified Practicing Accountants; Fellow of the Financial Services Institute of Australasia; Fellow of the Governance Institute of Australia and Grad Dip Finance, Securities Institute of Australia; Bachelor of Business (Accounting). Mr Fraser also holds an International Marketing Institute - AGSM Sydney.

- Mr Jay Richard Stephenson

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

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 31 December 2018.

4. Significant Changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year ended 31 December 2018 other than disclosed elsewhere in this Annual Report.

5. Operating and financial review

5.1. Nature of Operations Principal Activities

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

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

Directors' report

5.2. Operations Review

a. **Dietary Supplements**

The Dietary Supplements division has remained the main revenue contributor for Holista since the past five years (FY2014-FY2018). Even though Holista has a strong distribution network in Malaysia, the Malaysian market remains a challenge for the Group due to inflation (and weakness of the ringgit relative to major currencies) which has impacted purchasing power. In spite of this, there has been a steady increase in revenue on a year-on-year basis.

During the year in review, revenue for this segment increased 7% to $7,699,489 in FY2018 from $7,176,607 in FY2017.

b. **Healthy Foods Ingredients**

During the financial year, the Group focused on:

- Low-Glycaemic Index (GI) Reducer
- Low-GI Sugar - 80Less

Low-Glycaemic Index (GI) Reducer

Building on its patented low-GI reducer formula for flour products, during the year under review the Group focused on collaborations and partnerships that will help the Group enter different food markets. Our strategy remains unchanged – providing healthier yet tasty alternatives to unhealthy processed and baked food products amidst rising global concerns about obesity and diabetes caused by diet.

On 14th February 2018, we signed a three-year MOU with North-America's leading noodle maker, Wing's Group of Canada, to supply our patented low-GI noodle mix. We have spent the last few months settling all the regulatory hurdles in entering the China market. A 20-foot container will leave for China after February. We expect this sales order to increase over FY2019 and beyond.

During the year, together with Wing's Group we also developed a low-GI spaghetti which has been successfully sold in North America on the online e-commerce platform Amazon. Even though our sales on Amazon began in June 2018, the product has already been featured under Amazon's Choice. We also started working with Wing's group to develop a range of pasta products.

On 26th November 2018, our U.S. subsidiary Holista Foods appointed Hilary's Salesmaster as its exclusive distributor of low-GI noodles in Canada where the latter has a strong presence. Hilary's distributes to major health, retail and convenience stores. Its range of healthy bars and beverages includes the 5-Hour Energy Drink, the leading energy drink in North America. Holista will leverage on Hilary's extensive distribution network in North America to distribute other low-GI pasta products.

On 11th December 2018, Holista Foods launched two new varieties of low-GI pastas – fettuccini and pappardelle. They were produced along with Wing's Group and have a GI reading of 38 instead of the global average of 65.

Subsequent to the end of FY2018, on 16th January 2019, we partnered with Kawan Food Berhad, Malaysia's leading frozen food manufacturer and worldwide exporter of Asian delicacies, to produce low-GI versions of chapati and the Malaysian favourite – roti canai. Our target markets for these flat-bread products would be Malaysia and the U.S. We expect to our products to hit the stores by April or May 2019 in Malaysia and by June or July 2019 in the U.S.

Low-GI sugar - 80Less

The rising global pandemic of diabetes and obesity has put the focus on sugar. Several countries are introducing or are proposing a sugar tax to influence eating behaviour and diets. On 14th February 2019, we launched our proprietary low-GI sugar 80Less™ that is five times sweeter than the ordinary sugar and leaves no after taste. It is made up of sucrose (table sugar) and very low levels of sucralose (an intense sweetener derived from sugarcane). It contains 80% less calories. It can replace sugar in every application.

We will be completing low GI studies on 80Less™ at the University of Sydney by the end of April. This will give 80Less™ a low GI status as well.

We have begun discussions with potential customers in Malaysia who are keen to offer a new solution ahead of the imposition of sugar tax on April 1, 2019.

c. **Collagen (Food grade, ovine grade and med grade)**

During the year in review (FY2018), revenue for this segment decreased from $392,400 to $215,068 as the plant was shut down for upgrade and process improvement. The business segment is fully operational for FY2019, and has already collected orders worth $567,000 in the early FY2019.

Directors' report

The global collagen market size is expected to reach US$663 billion by 2025, progressing at a compounded annual growth rate of 6.5% during the forecast period as per the Collagen Market Analysis Report. This is due to the accelerating demand for collagen from end-user industries involved in healthcare, food and beverage, cosmetics and anti-aging. There has also been a strong growth in the cosmetic industry with respect to the global collagen market and hence the cosmetic grade collagen is expected to contribute the most to revenue within the collagen sector in the coming years.

During the year in review, we completed the renovation of our ovine collagen plant in Collie, Perth. We also received ISO 9002 certification which states that our cosmetic collagen meets the quality requirements of International Standards Organisation. We are preparing to work with a European cosmetic company for a high-end cosmetic collagen and we are also receiving orders from Thailand for cosmetic collagen. We are preparing to file a nano-patent for cosmetic collagen and we have also renewed our halal status for all collagen types produced at our Collie plant.

Now with the ISO 9002 certification, we can produce feedstock for medical grade collagen. We are now in a midst of completing a trial order for a healthcare company based in the United States.

Adding on to these, we have also completed the pilot scale of our food collagen plant. This will allow us to produce food grade hydrolysed collagen for use and sale in the supplement industry.

5.3. Financial Review

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a loss for the year of $2,203,360 (2017: $3,174,268 loss).

The Group’s revenue for the year ending 31 December 2018 was recorded at $7,940,555 as compared with the previous year ending 31 December 2017 which recorded $7,569,007.

After a drop in 2018 due the plant shut down and upgrade to improve processes, the Group's cosmetic collagen business has bounced back and is expected to generate revenue of $567,000 with a growth of 163% over 2018. There is also expected business with a multi-level company in Malaysia. This will be a much higher margin business.

The Group has invested in some essential equipment at its Collie Plant to produce the Food Grade Collagen on a higher scale. The Group is confident that this new source of revenue from Collie will contribute positively to the Group’s revenue in the coming financial year as oral grade collagen.

In addition to the cosmetic and food grade collagen, the Group has also entered into the medical grade collagen and received its ISO certification and has started supplying samples to overseas customers.

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

The Group also launched 80Less – a low calorie sugar replacement that would a useful tool for companies trying the meet lower sugar requirement to avoid the sugar tax. “80% less sugar” is also a very powerful label claim in an increasingly “sugar hating world”.

Our own dietary supplements grow from 7% to $7,699,489 in FY2018 and will continue to grow.

Our sales of dietary supplement ingredients to companies in the Multi-Level Marketing space will in the carbohydrate management, immunity boosting and stem cell boosting segments saw a -1% decline last year but will see growth this year as we ramp up activities there.

The net assets of the Group have increased from 31 December 2017 by $1,080,160 to $4,563,672 at 31 December 2018 (2017: $3,483,512).

As at 31 December 2018, the Group's cash and cash equivalents increased from 31 December 2017 by $236,723 to $357,705 at 31 December 2018 (2017: $120,982) and had working capital of $2,464,785 (2017: $964,764 working capital), as noted in Note 23.1.3 Going Concern on page 69.

5.4. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 14 Events subsequent to reporting date on page 60.

Directors' report

5.5. Future Developments, Prospects and Business Strategies

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

5.6. Environmental Regulations

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

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

6. Risk Management

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

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

7. Information relating to the directors

■ **Dr Rajen Manicka**	☐ Managing Director and Chief Executive Officer *(Appointed July 2009)*
Qualifications	☐ B Ph. (Hons)
Experience	☐ Dr Rajen Manicka, began his career as an intern pharmacist at the Kuala Lumpur General Hospital from 1986 - 1987. In 1987 he 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.

Directors' report

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

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

Interest in Shares and Options	☐ 79,435,272 Ordinary Shares 3,600,000 Class A Performance Rights 2,700,000 Class B Performance Rights 1,800,000 Class C Performance Rights 900,000 Class D Performance Rights
Directorships held in other listed entities	☐ None
■ **Mr Daniel Joseph O'Connor**	☐ Non-Executive Director *(Appointed November 2011)*
Qualifications	☐ B.Bus, MBA, FAICD (Dip) CPM, AIMM, MAIM, MAIeX.
Experience	☐ Mr O'Conner has spent more than 30 years in the commercialisation of intellectual property and has worked with R&D teams across Asia, North America, and Australia. He is a published author, mentor, coach, commercialisation consultant, and Company Director. He is the Consultant Principal of the on-line coaching and mentoring group Incubate IP. Mr O'Connor is a member of the UN Task Force on Innovation and Competitiveness and works with Corporate Leaders, inventors, and R&D team managers who need greater traction and focus with patent portfolio management and driving their commercialisation projects (www.incub8IP.com). He has been a Director of Holista for more than five years.
Interest in Shares and Options	☐ 3,500,000 Options
Directorships held in other listed entities	☐ None
■ **Mr Chan Heng Fai**	☐ Non-Executive Director *(Appointed 13 June 2013)*
Qualifications	☐ Mr Chan has restructured over 35 companies in different industries and countries in the past 40 years.
Experience	☐ In 1987, Mr Chan acquired American Pacific Bank, a full-service U.S. commercial bank, out of bankruptcy. He recapitalised, refocused and grew the bank's operations. Under his guidance, American Pacific Bank became a US NASDAQ high asset quality bank, with zero loan losses for over five consecutive years before it was ultimately bought and merged into Riverview Bancorp Inc. Prior to its merger with Riverview Bancorp Inc., in June 2004, American Pacific Bank was ranked 13 by the Seattle Times "Annual Northwest's Top 100 Public Companies" for the year 2003, and ranked 6 in the Oregon state [for the year 2003], which ranked ahead of names such as Nike, Microsoft, Costco, AT&T Wireless and Amazon.com. In 1997, Mr Chan acquired and ran a regional investment banking and securities broking-dealing business headquartered in Denver, with 12 offices throughout USA.
Interest in Shares and Options	☐ 46,226,673 Ordinary Shares
Directorships held in other listed entities	☐ Mr Chan also sits on the board of Singapore eDevelopment Limited.

Directors' report

8. Meetings of directors and committees

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

	DIRECTORS' MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		FINANCE AND OPERATIONS COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Rajen Manicka	3	3	*At the date of this report, the Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.*					
Daniel Joseph O'Connor	3	3						
Chan Heng Fai	3	3						

9. Indemnifying officers or auditor

9.1. Indemnification

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

9.2. Insurance premiums

During the financial year the Group has paid a premium of $17,230 (2017: $17,230) in respect of a contract to insure the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the *Corporations Act 2001* (Cth).

10. Options

10.1. Unissued shares under option

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

Grant Date	Date of Expiry	Exercise Price $	Number under Option[(i)]
23 Mar 2017	23 Mar 2020	0.20	6,500,000
18 May 2017	23 Mar 2020	0.20	3,500,000
18 May 2017	31 Dec 2019	0.10	1,000,000
23 Jun 2017	23 Jun 2020	0.20	6,000,000
23 Jun 2017	23 Jun 2020	0.25	3,000,000
23 Jun 2017	23 Jun 2020	0.30	2,000,000
26 Jul 2017	1 Aug 2020	0.10	2,000,000
16 Oct 2017	16 Oct 2020	0.20	7,000,000
			31,000,000

(i) *Subsequent to 31 December 2018, 3,954,205 $0.30 options granted on 11 April 2016, expired on 8 Mar 2019*

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

10.2. Shares issued on exercise of options

3,500,000 (2017: 12,330,166) ordinary shares have been issued by the Company during the financial year as a result of the exercise of options.

11. Non-audit services

During the year, Stantons International Audit and Consulting Pty Ltd, the Company's auditor, provided taxation compliance and independent expert services, in addition to their statutory audits. Non-audit fees amounted to $15,015 (2017: $nil). Details of remuneration paid to the auditor can be found within the financial statements at Note 18 Auditor's Remuneration on page 61.

Directors' report

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

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

12. Proceedings on behalf of company

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

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

13. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 31 December 2018 has been received and can be found on page 21 of the annual report.

DIRECTORS' REPORT

14. Remuneration report (audited)

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

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

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

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

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

a. Remuneration philosophy

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

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

b. Remuneration committee

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

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

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

c. Remuneration structure

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

d. Non-executive director remuneration

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

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

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

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

The remuneration of non-executive directors for the period ended 31 December 2018 is detailed in section 14.3 of this remuneration report.

e. Senior manager and executive director remuneration

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

DIRECTORS' REPORT

14. Remuneration report (audited)

f. Fixed Remuneration

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

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

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

g. Variable Remuneration

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

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

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

- Short-term incentives

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

- Long-term incentives

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

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

i. Service Contracts

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

j. Engagement of Remuneration Consultants

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

k. Relationship between Remuneration of KMP and Earnings

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

14.3. Directors and KMP remuneration

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

Directors' report

14. Remuneration report (audited)

2018 – Group	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
Group KMP	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity / Perf. Rights	Options	
	$	$	$	$	$	$	$	$	$	$
Rajen Manicka(1)	258,170	10,245	-	-	51,000	-	-	-	-	319,415
Daniel Joseph O'Connor(2)	46,000	-	-	-	-	-	-	-	-	46,000
Chan Heng Fai	36,000	-	-	-	-	-	-	-	-	36,000
	340,170	10,245	-	-	51,000	-	-	-	-	401,415

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

(1) In respect to Dr Manicka's equity-settled share-based payments, Dr Manicka was issued 9,000,000 performance rights in accordance with terms and conditions as detailed in Note 20.2.1g

(2) In respect to Mr O'Connor's equity-settled share-based payments, Mr O'Connor was issued 3,500,000 options in accordance with terms and conditions as detailed in Note 20.2.1a

14.4. Service Agreements

a. Employment Agreement with Dr Rajen Manicka

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

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

☐ **Commencement date**	10 July 2018
☐ **Termination date of contract**	Initial 3-year period
☐ **Period of notice for resignation/termination**	3 months
☐ **Remuneration**	RM778,524 per annum with annual increments of 3% - 5%.
☐ **Termination (with cause)**	The Company may terminate at any time without notice if serious misconduct has occurred. Where termination with cause occurs, employees are only entitled to entitlements up to the date of termination and any unvested options will immediately be forfeited.
☐ **Termination (without cause)**	The Agreement provides for the termination of the Agreement by paying a severance payment of up to three months in addition to notice period.

Directors' report

14. Remuneration report (audited)

14.5. Share-based compensation

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

No shares or options were issued as share based compensation during the year (2017: nil)

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

a. Securities received that are not performance-related

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

b. Options and Rights Granted as Remuneration

No equity instruments were granted in the financial year ended 31 December 2018. During the financial year ended 31 December 2017 9,000,000 performance rights were granted to Dr Manicka and 3,500,000 options were granted to Mr O'Connor as remuneration as detailed note 20 Share-based payments.

14.6. KMP equity holdings

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

2018 – Group *Group KMP*	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Rajen Manicka[(1)]	73,914,400	-	-	6,663,331	80,577,731
Daniel Joseph O'Connor	-	-	-	-	-
Chan Heng Fai[(1)]	45,145,101	-	-	1,081,572	46,226,673
	119,059,501	-	-	7,744,903	126,804,404

(1) Other changes during the year, related to shares subscribed to under an entitlement issue, and settlement of $438,371 (Dr Manicka: $362,661; and Mr Chan: $75,710) in respect to director fees and loans accrued up to August 2018. The Company issued 6,262,444 shares (Dr Manicka: 5,180,872; and Mr Chan 1,081,572) in respect to this settlement.

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

b. Options in Holista CollTech Limited held by each KMP

2018 – Group *Group KMP*	Balance at start of year No.	Granted as Remuneration during the year No.	Exercised during the year No.	Other changes during the year No.	Balance at end of year No.	Vested and Exercisable No.	Not Vested No.
Rajen Manicka	-	-	-	-	-	-	-
Daniel Joseph O'Connor	3,500,000	-	-	-	3,500,000	3,500,000	-
Chan Heng Fai	-	-	-	-	-	-	-
	3,500,000	-	-	-	3,500,000	3,500,000	-

Directors' report

14. Remuneration report (audited)

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

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

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

2018 – Group *Group KMP*	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Rajen Manicka	9,000,000	-	-	-	9,000,000
Daniel Joseph O'Connor	-	-	-	-	-
Chan Heng Fai	-	-	-	-	-
	9,000,000	-	-	-	9,000,000

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

14.7. Other Equity-related KMP Transactions

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

14.8. KMP Loans

There are no loans to or from KMP as at 31 December 2018 (2017: nil)

14.9. Other transactions with KMP and or their Related Parties

As disclosed Note 5.4.3, the Group has amounts due to Directors of $21,000 (2017: 297,601). During the year, the Company settled $438,371 (Dr Manicka: $362,661; and Mr Chan: $75,710) in respect to director fees and loans accrued up to August 2018. The Company issued 6,262,444 shares (Dr Manicka: 5,180,872; and Mr Chan 1,081,572) in respect to this settlement. There have been no other transactions in addition to those described in the tables or as detailed in Note 17 Related party transactions.

END OF REMUNERATION REPORT

Directors' report

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

DR RAJEN MANICKA
Managing Director
Dated this Friday, 29 March 2019

Stantons International Audit and Consulting Pty Ltd
trading as
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29 March 2019

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

Dear Directors

RE: HOLISTA COLLTECH LIMITED

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

As Audit Director for the audit of the financial statements of Holista CollTech Limited for the period ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

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

Martin Michalik
Director

West Perth, Western Australia

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Note	2018 $	2017 $
Continuing operations			
Revenue	1.1	7,940,555	7,569,007
Other income	1.2	136,387	338,736
		8,076,942	7,907,743
Change in inventories of finished goods and work in progress		(581,132)	51,564
Raw materials and consumables used		(3,546,608)	(3,868,768)
Distribution costs and other costs of sales		(483,955)	(370,260)
Consultancy and professional fees	20	(552,998)	(861,427)
Depreciation and amortisation		(257,378)	(224,514)
Employment costs	2.3	(3,015,353)	(2,379,167)
Finance costs		(83,486)	(83,580)
Foreign exchange gain / (loss)		57,974	(78,053)
Share-based payments expense	20	(90,523)	(1,589,954)
Research and development	20	(157,657)	(468,223)
Advertising and promotion		(313,187)	(556,481)
Impairment	2.2	(370,771)	(152,205)
Other expenses	2.1	(760,146)	(661,161)
Loss before tax		(2,078,278)	(3,334,486)
Income tax (expense) / benefit	4.1	(125,082)	160,218
Net loss for the year		(2,203,360)	(3,174,268)
Other comprehensive income, net of income tax			
■ Items that will not be reclassified subsequently to profit or loss		-	-
■ Items that may be reclassified subsequently to profit or loss:			
□ Foreign currency movement		182,997	(37,405)
Other comprehensive income for the period, net of tax		182,997	(37,405)
Total comprehensive income attributable to members of the parent entity		(2,020,363)	(3,211,673)
(Loss) / profit for the period attributable to:			
■ Non-controlling interest		(591,213)	(143,978)
■ Owners of the parent		(1,612,147)	(3,030,290)
Total comprehensive income attributable to:			
■ Non-controlling interest		(593,223)	(143,978)
■ Owners of the parent		(1,427,140)	(3,067,695)
Earnings per share:		¢	¢
Basic loss per share (cents per share)	19	(0.78)	(1.69)
Diluted loss per share (cents per share)	19	N/A	N/A

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

Consolidated statement of financial position

as at 31 December 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	5.1	357,705	120,982
Trade and other receivables	5.2	3,019,017	1,807,114
Inventories	6.1	442,621	956,236
Other current assets	5.3.1	978,795	876,746
Total current assets		4,798,138	3,761,078
Non-current assets			
Property, plant, and equipment	6.2	1,429,087	1,557,436
Intangible assets	6.3	954,717	858,803
Deferred tax asset	4.6	231,646	292,526
Other non-current assets	5.3.2	13,844	343,912
Total non-current assets		2,629,294	3,052,677
Total assets		7,427,432	6,813,755
Current liabilities			
Trade and other payables	5.4	1,973,888	2,557,670
Borrowings	5.5.1	349,232	222,975
Current tax liabilities	4.5	523	7,588
Short-term provisions	6.4	9,710	8,081
Total current liabilities		2,333,353	2,796,314
Non-current liabilities			
Borrowings	5.5.2	530,407	533,929
Total non-current liabilities		530,407	533,929
Total liabilities		2,863,760	3,330,243
Net assets		4,563,672	3,483,512
Equity			
Issued capital	7.1.1	14,548,515	11,538,515
Reserves	7.4	4,671,363	4,395,833
Accumulated losses		(13,869,412)	(12,257,265)
Non-controlling interest		(786,794)	(193,571)
Total equity		4,563,672	3,483,512

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

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Note	Issued Capital $	Share-based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest (**NCI**) $	Total $
Balance at 1 January 2017		10,798,705	2,272,673	(376,030)	(9,378,424)	(207,546)	3,109,378
Loss for the year attributable owners of the parent		-	-	-	(3,030,290)	(143,978)	(3,174,268)
Other comprehensive income for the year attributable owners of the parent		-	-	(37,405)	-	-	(37,405)
Total comprehensive income for the year attributable owners of the parent		-	-	(37,405)	(3,030,290)	(143,978)	(3,211,673)
Transaction with owners, directly in equity							
Shares issued during the year	7.1.1	739,810	-	-	-	-	739,810
Options granted during the year	7.3	-	2,536,595	-	-	-	2,536,595
NCI upon acquisition of subsidiary	10.1.2	-	-	-	-	179,408	179,408
NCI acquisition of additional interests	11.2	-	-	-	-	129,994	129,994
Reduction of interest in subsidiary	11.2	-	-	-	151,449	(151,449)	-
Balance at 31 December 2017		11,538,515	4,809,268	(413,435)	(12,257,265)	(193,571)	3,483,512
Balance at 1 January 2018		11,538,515	4,809,268	(413,435)	(12,257,265)	(193,571)	3,483,512
Loss for the year attributable owners of the parent		-	-	-	(1,612,147)	(591,213)	(2,203,360)
Other comprehensive income for the year attributable owners of the parent		-	-	185,007	-	(2,010)	182,997
Total comprehensive income for the year attributable owners of the parent		-	-	185,007	(1,612,147)	(593,223)	(2,020,363)
Transaction with owners, directly in equity							
Shares issued during the year	7.1.1	3,010,000	-	-	-	-	3,010,000
Options granted during the year	7.3	-	90,523	-	-	-	90,523
Balance at 31 December 2018		14,548,515	4,899,791	(228,428)	(13,869,412)	(786,794)	4,563,672

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

Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		7,277,030	8,362,462
Payments to suppliers and employees		(9,362,904)	(8,017,323)
Interest received		16,494	6,302
Finance costs		(83,486)	(75,235)
Other revenue		-	-
Income tax paid		(47,400)	(35,284)
Net cash (used in) / generated from operating activities	5.1.2a	(2,200,266)	240,922
Cash flows from investing activities			
Purchase of intellectual property		(88,668)	(68,663)
Purchase of property, plant, and equipment		(46,272)	(161,940)
Loans provided, net		(287,677)	(257,166)
Net cash acquired on acquisition	5.1.2e.ii,iii	-	28,035
Refund of / (Increase in) deposits / investments		218,483	(104,579)
Net cash used in investing activities		(204,134)	(564,313)
Cash flows from financing activities			
Proceeds from issue of shares		2,361,631	-
Proceeds from exercise of options		210,000	379,049
Shares issued to non-controlling interest		-	128,968
Proceeds from / (Repayment of) borrowings, net	5.1.2b	59,320	(120,362)
Net cash provided by financing activities		2,630,951	387,655
Net increase in cash and cash equivalents held		226,551	64,264
Cash and cash equivalents at the beginning of the year		120,982	58,105
Change in foreign currency held		10,172	(1,387)
Cash and cash equivalents at the end of the year	5.1	357,705	120,982

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

In preparing the 2018 financial statements, Holista Colltech Limited has grouped notes into sections under five key categories:

- Section A: How the numbers are calculated 27
- Section B: Risk 50
- Section C: Group structure 55
- Section D: Unrecognised items 60
- Section E: Other Information 61

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

SECTION A. HOW THE NUMBERS ARE CALCULATED

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

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.

(b) analysis and sub-totals.

(c) *information about estimates and judgements made in relation to particular items.*

Note 1	Revenue and other income	2018 $	2017 $
1.1	**Revenue**		
	Sale of goods	7,940,555	7,569,007
		7,940,555	7,569,007
1.2	**Other Income**		
	Gain / (loss) on disposal of property, plant and equipment	17,651	(33)
	Interest income	16,494	6,302
	Rental income	-	54,593
	Research and development grant income	94,082	134,137
	Other income	8,160	143,737
		136,387	338,736

1.3 Accounting policy

1.3.1 ***Revenue from contracts with customers***

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

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

Step 1: Identify the contract with a customer;

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

Step 3: Determine the transaction price;

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 1 **Revenue and other income** (cont.)

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

i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

ii. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

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

1.3.2 ***Sale of health care products***

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

a. **Rights of return**

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

b. **Volume rebates**

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

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

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

1.3.4 ***Sale of raw ingredients***

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

1.3.5 ***Royalty income***

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

1.3.6 ***Interest income***

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

1.3.7 ***Customer loyalty points***

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

1.3.8 ***Assets and liabilities arising from rights of return***

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 1 Revenue and other income (cont.)

1.3.9 ***Government grants***

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

1.3.10 ***Change in Accounting Policy***

The effect of adopting AASB 15 is explained in Note 24.

Note 2 Loss before income tax

		2018 $	2017 $
The following significant revenue and expense items are relevant in explaining the financial performance:			
2.1 Other Expenses:			
■ Compliance and regulatory costs		141,440	99,958
■ Insurance		57,278	45,025
■ Other expenses		118,677	33,831
■ Collie factory maintenance costs		106,089	130,471
■ Audit fees		101,420	72,782
■ Office rental expense and occupancy costs		235,242	273,627
■ Provision for stock written off		-	5,467
		760,146	661,161
2.2 Impairment:			
■ Doubtful debts		(9,295)	19,217
■ Impairment of intangibles		-	1,310
■ Impairment of funds loaned	5.3.2	380,066	131,678
		370,771	152,205

2.2.1 ***Accounting policy***

a. ***Impairment of financial assets***

Refer to note 5.6.1d

b. ***Impairment of non-financial assets***

Refer to note 6.5.1

2.3 Employment costs	2018 $	2017 $
■ Salary and wages	1,854,581	1,188,683
■ Director Fees	153,717	368,790
■ Superannuation	254,677	173,169
■ Medical and Insurance	71,717	57,263
■ Bonus and Incentive	368,468	284,892
■ Travel	238,104	246,647
■ Others	74,089	59,723
	3,015,353	2,379,167

Note 2 Loss before income tax (cont.)

2.3.1 ***Accounting policy***

a. ***Short-term benefits***

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

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

b. ***Other long-term benefits***

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

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

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

d. ***Termination benefits***

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

e. ***Equity-settled compensation***

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

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

3.1 Finance income and expenses

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 4	Income tax		2018 $	2017 $
4.1	**Income tax (benefit) / expense**			
	Current tax		125,082	(160,218)
	Deferred tax		-	-
			125,082	(160,218)
	Deferred income tax expense included in income tax expense comprises:			
	■ Increase / (decrease) in deferred tax assets	4.6	-	-
	■ (Increase) / decrease in deferred tax liabilities		-	-
			-	-
4.2	**Reconciliation of income tax expense to prima facie tax payable**			
	The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
	Accounting loss before tax		(2,078,278)	(3,334,486)
	Prima facie tax on operating loss at 27.5% (2017: 27.5%)		(571,526)	(916,984)
	Add / (Less) tax effect of:			
	□ Profit attributable to foreign subsidiaries		(5,730)	(9,382)
	□ Research and development tax offset exempted from tax		(25,872)	(36,888)
	□ Foreign tax losses not recognised		205,375	45,037
	□ Foreign income tax payable / (refundable)		125,082	(160,218)
	□ Non-deductible expenses		213,453	109,005
	□ Timing differences		(95,261)	7,265
	□ Deferred tax asset not brought to account		279,561	801,947
	Income tax expense/(benefit) attributable to operating loss		125,082	(160,218)
			%	%
4.3	The applicable weighted average effective tax rates attributable to operating profit are as follows:		(6.02)	4.80

a. The tax rates used in the above reconciliations is the corporate tax rate of 27.5% payable by the Australian corporate entity on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting year.

b. The foreign tax payable relates to the Malaysian corporate entities, where the current corporate tax rate is 24%. The Malaysian corporate entities tax losses have unrecognised deferred tax assets in relation to unutilised tax losses carried forward for which no deferred tax asset has been recorded as it is not probable that taxable profit will be available in the foreseeable future.

Notes to the consolidated financial statements

for the year ended 31 December 2018

Note 4	Income tax (cont.)	2018 $	2017 $
4.4	Balance of franking account at year end of the parent	nil	nil
4.5	**Current tax liabilities**		
	Foreign Income tax payable	523	7,588
		523	7,588
4.6	**Deferred tax assets**		
	Tax losses	231,646	292,526
		231,646	292,526
	Net deferred tax assets	231,646	292,526
4.7	**Tax losses and deductible temporary differences**		
	Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
	■ Tax losses Australia	2,071,937	1,792,376
	■ Tax losses attributable to foreign subsidiaries	1,173,499	968,124
		3,245,436	2,760,500

Potential deferred tax assets attributable to tax losses have not been brought to account at 31 December 2018 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

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

The parent company has accumulated tax losses of $7,534,316 (2017: $6,517,731) which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office. The parent company has additional accumulated tax losses of $7,938,150 which are not expected to be available to offset any future taxable profits as their origin cannot be determined. No deferred tax asset has been recorded in relation to these tax losses as it is not probable that taxable profit will be available in the foreseeable future and they may not be used to offset taxable.

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 4 Income tax (cont.)

4.8 Accounting policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 5 Financial assets and financial liabilities

5.1 Cash and cash equivalents

	2018 $	2017 $
Cash at bank	357,705	120,982
	357,705	120,982

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

5.1.2 *Cash Flow Information*

a. **Reconciliation of cash flow from operations to lossafter income tax**

	2018 $	2017 $
Loss after income tax	(2,203,360)	(3,174,268)
Cash flows excluded from loss attributable to operating activities	-	-
Non-cash flows in (loss)/profit from ordinary activities:		
■ Depreciation and amortisation	257,378	224,514
■ Foreign exchange (gain) / loss	(57,974)	78,053
■ Net share-based payments expensed	90,523	2,536,595
■ Impairment	370,771	152,205
■ Accrued interest payable or capitalised	-	8,345
■ Loss on disposal of property, plants, and equipment	(17,651)	33
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
■ (Increase)/ decrease in receivables	(857,255)	69,413
■ Decrease/(increase) in inventories	593,713	(87,198)
■ Increase in prepayments	(198,539)	(154,607)
■ (Decrease)/increase in trade and other payables	(257,183)	781,610
■ Increase in provisions	1,629	1,729
■ Increase/(decrease) tax balances	77,682	(195,502)
Cash flow (used in)/generated from operations	(2,200,266)	240,922

b. **Reconciliation of liabilities arising from financing activities**

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 5 Financial assets and financial liabilities (cont.)

5.1 Cash and cash equivalents (cont.)

c. Credit and loan standby arrangement with banks

Refer Note 5.5.6 Financing facilities available.

d. Non-cash investing and financing activities

2018

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

2017

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

Refer also to acquisitions of entities at Notes 5.1.2e Acquisition of entities: HF Pre IPO Fund I LLC and 5.1.2f Acquisition of entities: Holista Foods Inc..

e. Acquisition of entities: HF Pre IPO Fund I LLC

HF Pre IPO Fund I LLC

On 1 January 2017 Holista Colltech Limited acquired 67% of the ordinary share capital and voting rights in HF Pre IPO as described in Note 10.1

	Note	2017 $
i. *Purchase consideration:*		
Consideration exchanged	10.1	354,936
ii. *Cash acquired:*		
Cash held by HF Pre IPO Fund I LLC at date of acquisition	10.1	156
iii. *Assets and liabilities held at acquisition date (excluding cash) excluded from the consolidated statement of cash flow:*		
▪ Trade and other receivables		54,417
▪ Other current assets		503,336
▪ Trade and other payables		(23,800)

f. Acquisition of entities: Holista Foods Inc.

On 16 October 2017, LiteFoods Inc. (**LiteFoods**) (a subsidiary of the Company), acquired an additional 25% of the ordinary share capital and voting rights of Holista Foods Inc as described in Note 10.2

	Note	2017 $
i. *Purchase consideration:*		
▪ Loans deemed to form part of the consideration	10.2.1	528,044
▪ Consideration exchanged	10.2.1	503
Total consideration		528,547
ii. *Cash acquired:*		
Cash in-flow on acquisition	10.2.3	27,879

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 5 Financial assets and financial liabilities (cont.)

5.1 Cash and cash equivalents (cont.)

	Note	2017 $
iii. *Assets and liabilities held at acquisition date (excluding cash) excluded from the consolidated statement of cash flow:*		
▪ Other current assets	10.2.3	256
▪ Property, plant, and equipment	10.2.3	2,132
▪ Trade and other payables	10.2.3	(9,983)
▪ Interest-bearing loans and borrowings (net of loans deemed to form part of consideration)	10.2.3	(635)

5.1.3 ***Accounting policy***

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

5.2 Trade and other receivables

	Note	2018 $	2017 $
5.2.1 ***Current***			
Trade receivable	5.2.3	2,379,411	1,404,003
Amounts advanced to a related party	5.2.4	258,082	258,082
Amounts advanced to a third party	5.2.4	290,301	-
Other receivables		91,223	145,029
		3,019,017	1,807,114

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

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

5.2.4 Amounts advanced to related party $258,082 (2017: $258,082) and third party of $290,301 (2017: $nil) attracts interest at 3% in its first year and 5% in its second year, on accrual basis. Amounts advanced to a related party are repayable on 1 September 2019. Amounts advanced to a third party are presently repayable on demand due to a technical default on the funds advanced.

5.2.5 ***Accounting policy***

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

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

Note 5 Financial assets and financial liabilities (cont.)

5.2 Trade and other receivables (cont.)

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

	5.3 Other assets	**Note**	2018 $	2017 $
5.3.1	***Current***			
	Security deposits	5.3.4	289,283	417,177
	Other deposits		80,165	109,655
	Prepayments		548,453	349,914
	Right of return assets		60,894	-
			978,795	876,746
5.3.2	***Non-current***			
	Loans to related parties	5.3.3	525,588	475,590
	Less: Impairment	2.2	(511,744)	(131,678)
			13,844	343,912

5.3.3 The balances as at 31 December 2018 and 31 December 2017 are related to funds loans to Galen BioMedical Inc.

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

5.3.5 ***Accounting policy***

a. **Loans**

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

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

b. **Right of return assets**

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 5 Financial assets and financial liabilities (cont.)

5.4 Trade and other payables		2018 $	2017 $
5.4.1 *Current*			
Unsecured			
Trade payables		715,796	746,687
Accruals	5.4.2	499,778	609,208
Advance deposits and deferred revenue	5.4.5	386,017	624,590
Amounts due to Directors	5.4.3	21,000	297,601
Dividends payable		24,400	22,079
Refund liability		312,407	-
Other payables		14,490	257,505
		1,973,888	2,557,670

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

5.4.3 Amounts due to Directors are comprised of $21,000 (2017: $60,710) due to Mr Chan and nil due to Dr Manicka (2017: $236,891) and in respect to accrued director fees.

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

5.4.4 ***Accounting policy***

a. **Loans**

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

b. **Refund liabilities**

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

c. **Contract liabilities**

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

5.4.5 ***Key estimates – Deferred revenue for customer loyalty points***

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 5 Financial assets and financial liabilities (cont.)

5.5	Interest-bearing loans and borrowings	Note	2018 $	2017 $
5.5.1	*Current*			
	Banker's acceptance	5.5.3	269,743	156,349
	Leases		21,055	13,966
	Term loan	5.5.4	58,434	52,019
	Loan from related parties		-	641
			349,232	222,975
5.5.2	*Non-current*			
	Term loan	5.5.4	487,960	498,857
	Leases		42,447	35,072
			530,407	533,929

5.5.3 The bankers' acceptance bears interest of 5.15% (2017: 5.15%) and is secured by the following:

i. Facility Agreement;
ii. Pledge of fixed deposits with licensed banks (refer to Note 5.3.1)
iii. Execution of a fresh letter of authorisation, memorandum of Deposit and letter of set off;
iv. First-party assignment over the office lots of the Company; and
v. Joint and several guarantees from certain Directors of the Company and a third-party.

5.5.4 The term loan is repayable over 240 monthly instalments (principal plus interest) of $5,119 which commenced on 1 July 2008. The term loan bears interest rates ranging from 5.20% (2017: 520%) per annum is secured by the following:

i. As principal Instrument, an "all monies" Facilities Agreement stamped to the amount of facilities advanced;
ii. First-party absolute assignment of all rights, interest, title and benefits in and to property beneficially owned by a Subsidiary Company;
iii. Corporate Guarantee by subsidiary company for $823,949; and
iv. Personal Guarantee for $823,949 by a Director of the subsidiary company.

Note 5 Financial assets and financial liabilities (cont.)

5.5 Interest-bearing loans and borrowings (cont.)

	Note	2018 $	2017 $
5.5.5 ***Assets pledged as security***			
Floating charge			
Inventories	6.1	442,621	956,236
Security deposits	5.3.1	80,165	109,655
Total current assets pledged as security		522,786	1,065,891
First mortgage			
Freehold land and buildings	6.2.3	791,187	742,023
Total non-current assets pledged as security		791,187	742,023
		1,313,973	1,807,914

5.5.6 ***Financing facilities available***

At balance date, the following financing facilities had been negotiated and were available:	Total facilities		Facilities used		Facilities unused	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Term loan	546,394	550,876	(546,394)	(550,876)	-	-
Banker's acceptance	379,027	379,027	(269,743)	(156,349)	109,284	222,678
Finance lease	63,502	49,038	(63,502)	(49,038)	-	-
Total facilities at balance date	988,923	978,941	(879,639)	(756,263)	109,284	222,678

5.5.7 ***Accounting policy***

a. **Borrowings**

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

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

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

b. **Leases**

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

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

5.6 Other Significant Accounting Policies related to Financial Assets and Liabilities

5.6.1 *Investments and other financial assets*

a. **Classification**

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

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

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

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

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

b. **Recognition and derecognition**

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

c. **Measurement**

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

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

i. *Debt instruments*

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

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

ii. **Equity instruments**

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

Notes to the consolidated financial statements
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Note 5 **Financial assets and financial liabilities** (cont.)

5.6 Other Significant Accounting Policies related to Financial Assets and Liabilities

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

d. **Impairment**

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

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

Note 6 Non-financial assets and financial liabilities

6.1 Inventories

	2018 $	2017 $
Raw materials - at cost	141,996	627,987
Finished goods - at cost	300,625	328,249
	442,621	956,236

6.1.1 ***Accounting policy***

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

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

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

Notes to the consolidated financial statements
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6.2 Property, plant, and equipment	Note	2018 $	2017 $
Freehold land and buildings		2,557,156	2,408,331
Accumulated depreciation and impairment	6.2.4	(1,765,969)	(1,666,308)
		791,187	742,023
Plant and equipment		1,952,920	2,052,091
Accumulated depreciation		(1,339,206)	(1,248,318)
		613,714	803,773
Motor vehicles		156,642	151,891
Accumulated depreciation		(132,456)	(140,251)
		24,186	11,640
Total plant and equipment		1,429,087	1,557,436

6.2.1 ***Movements in Carrying Amounts***

	Freehold land and buildings $	Plant and Equipment $	Motor Vehicles $	Total $
Carrying amount at the beginning of the year	742,023	803,773	11,640	1,557,436
Transfers between classes	20,267	(20,267)	-	-
Additions	-	20,565	29,675	50,240
Disposals / write-offs	-	(45,651)	(1)	(45,652)
Depreciation expense	(33,257)	(147,825)	(18,103)	(199,185)
Foreign currency exchange differences	62,154	3,119	975	66,248
Carrying amount at the end of year	791,187	613,714	24,186	1,429,087

6.2.2 The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2018 is $24,186 (2017: $11,640). There acquired motor vehicles amounting to $28,753 held hire purchase contracts during the year (2017: nil).

6.2.3 Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities. Land and buildings with a carrying amount of $791,187 (2017: $742,023) are subject to a first charge to secure a loan from RHB Bank, Malaysia.

6.2.4 ***Impairment Disclosure***

Collagen Extraction Facility in Collie, Western Australia

This facility was built on land subject to a 20 years lease entered into in June 2004. The facility buildings have a carrying value of $nil as at 31 December 2018 (2017: $nil).

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

6.2 Property, plant, and equipment (cont.)

6.2.5 *Accounting policy*

a. **Recognition and measurement**

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

Items of plant and equipment are measured on the cost basis and carried at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 6.5.1 Impairment of non-financial assets).

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

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

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

b. **Subsequent costs**

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

c. **Depreciation**

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

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

	2018 %	2017 %
■ Buildings	4.00	4.00
■ Plant and equipment	20.00 to 33.33	20.00 to 33.33
■ Motor Vehicles	20.00	20.00

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

d. **Derecognition and disposal**

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

Notes to the consolidated financial statements

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

6.3 Intangible assets	Note	2018 $	2017 $
Goodwill		568,161	514,113
Patents and licences	6.3.2	510,905	393,999
Accumulated amortisation		(124,349)	(49,309)
		954,717	858,803

6.3.1 ***Movements in Carrying Amounts***

	Note	Goodwill $	Patents and licences $	Total $
Carrying amount at the beginning of the year		514,113	344,690	858,803
Additions		-	111,222	111,222
Disposals / write-offs		-	(23,162)	(23,162)
Amortisation expense		-	(58,192)	(58,192)
Foreign currency exchange differences		54,048	11,998	66,046
Carrying amount at the end of year		568,161	386,556	954,717

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

The Company has filed a counter law suit against ATM Metabolics (refer also in Note 15) alleging it had violated the terms of the agreement. The Company continues to sell under the trademark of *Emulin Plus*.

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

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

	2018 $	2017 $
■ Food Ingredients	568,161	514,113

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

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

6.3 Intangible assets (cont.)

6.3.4 *Accounting policy*

a. **Intangible assets acquired separately**

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

b. **Intangible assets acquired in a business combination**

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

c. **Subsequent measurement**

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

	2018 %	2017 %
■ Licenses	20.00	10.00
■ Software	25.00	25.00

d. **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 12.1.1) less accumulated impairment losses, if any.

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

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

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

6.3.5 *Key estimates – Impairment of goodwill*

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

Notes to the consolidated financial statements

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

6.4 Provisions	Note	2018 $	2017 $
Provision for employee entitlements	6.4.1	9,710	8,081
		9,710	8,081

6.4.1 ***Description of provisions***

Provision for employee benefits represents amounts accrued for annual leave (**AL**) and long service leave (**LSL**). The current portion for this provision includes the total amount accrued for AL entitlements and the amounts accrued for LSL entitlements that have vested due to employees having completed the required period of service. The Group does not expect the full amount of AL or LSL balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

6.4.2 ***Accounting policy***

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

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

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

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

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

6.5.1 ***Impairment of non-financial assets***

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

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

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

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

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for the year ended 31 December 2018

Note 7 Equity

7.1 Issued capital

	Note	2018 No.	2017 No.	2018 $	2017 $
Fully paid ordinary shares at no par value		234,039,087	184,039,087	14,548,515	11,538,515

7.1.1 *Ordinary shares*	Note	2018 No.	2017 No.	2018 $	2017 $
At the beginning of the year		184,039,087	171,708,921	11,538,515	10,798,705
Shares issued during the year:					
■ 24.03.17 Options ex. at $0.06	7.1.3	-	6,012,698	-	360,762
■ 18.04.17 Options ex. at $0.06		-	1,666,667	-	100,000
■ 14.06.17 Options ex. at $0.06		-	1,666,667	-	100,000
■ 26.09.17 Options ex. at $0.06		-	1,500,000	-	90,000
■ 05.10.17 Options ex. at $0.06		-	1,484,134	-	89,048
■ 06.02.18 Controlled placement with Acuity Capital	7.1.4	6,500,000	-	10,000	-
■ 06.08.18 Entitlement Issue at $0.07 per share		33,737,556	-	2,361,631	-
■ 06.08.18 Entitlement Issue at $0.07 per share	5.4.3	6,262,444		438,369	
■ 17.10.18 Options ex. at $0.06	7.3	3,500,000	-	210,000	-
Transaction costs relating to share issues		-	-	(10,000)	-
At reporting date		234,039,087	184,039,087	14,548,515	11,538,515

7.1.2 Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

7.1.4 On 6 February 2018, the Company entered into a Controlled Placement Agreement (**CPA**) with Acuity Capital. As collateral for the CPA, the Company issued 6,500,000 shares.

7.1.5 ***Accounting policy***

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

7.2 Performance shares

	Note	2018 No.	2017 No.
Performance shares	20.2.1g	9,000,000	9,000,000

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 7 Equity (cont.)

7.3 Options

		2018 No.	2017 No.
At beginning of the year		46,362,616	30,692,782
■ Options exercisable at 25 cents expiring 31 December 2019		-	-
■ Options exercisable at 20 cents expiring 20 March 2020		-	10,000,000
■ Options exercisable at 10 cents expiring 31 December 2019		-	1,000,000
■ Options exercisable at 20 cents expiring 23 June 2020		-	6,000,000
■ Options exercisable at 25 cents expiring 23 June 2020		-	3,000,000
■ Options exercisable at 30 cents expiring 23 June 2020		-	2,000,000
■ Issued to Patent Consultant exercisable at 10 cents expiring 1 August 2020		-	2,000,000
■ Issued to Holista Foods Inc. shareholder/director and I Galen consultant exercisable at 20 cents expiring 20 October 2020		-	7,000,000
■ Expired Options		(7,908,411)	(3,000,000)
Options exercised at 6 cents per share	7.1	(3,500,000)	(12,330,166)
At reporting date		34,954,205	46,362,616

7.4 Reserves

		2018 $	2017 $
Foreign currency translation reserve	7.4.1	(228,428)	(413,435)
Share-based payment reserve	7.4.2	4,899,791	4,809,268
		4,671,363	4,395,833

7.4.1 ***Foreign currency translation reserve***

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

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

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

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for the year ended 31 December 2018

SECTION B. RISK

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

Note 8 Financial risk management

8.1 Financial Risk Management Policies

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

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

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

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

	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2018 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2017 Total $
Financial Assets								
☐ Cash and cash equivalents	357,705	-	-	357,705	120,982	-	-	120,982
☐ Trade and other receivables	-	-	3,019,017	3,019,017	-	-	1,807,114	1,807,114
☐ Other assets excl. prepayments	-	-	430,342	430,342	-	-	526,832	526,832
☐ Investments	-	-	-	-	-	-	-	-
☐ Loans, net of impairment	-	13,844	-	13,844	-	343,912	-	343,912
Total Financial Assets	357,705	13,844	3,449,359	3,820,908	120,982	343,912	2,333,946	2,798,840
Financial Liabilities								
Financial liabilities at amortised cost								
☐ Trade and other payables	-	-	1,973,888	1,973,888	-	-	2,557,670	2,557,670
☐ Borrowings	816,137	63,502	-	879,639	707,225	49,038	641	756,904
Total Financial Liabilities	816,137	63,502	1,973,888	2,853,527	707,225	49,038	2,558,311	3,314,574
Net Financial Assets / (Liabilities)	(458,432)	(49,658)	1,475,471	967,381	(586,243)	294,874	(224,365)	(515,734)

8.2 Specific Financial Risk Exposures and Management

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2018

Note 8 Financial risk management (cont.)

8.2.1 *Credit risk*

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

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

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

- *Credit risk exposures*

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

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

- *Impairment losses*

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

	Gross 2018 $	Impaired 2018 $	Net 2018 $	Past due but not impaired 2018 $
Trade receivables				
Not past due	2,021,763	-	2,021,763	-
Past due up to 30 days	71,281	-	71,281	71,281
Past due 31 days to 60 months	122,069	-	122,069	122,069
Past due 61 days to 90 months	109,487		109,487	109,487
Past due over 90 months	54,811	-	54,811	54,811
	2,379,411	-	2,379,411	357,648
Other receivables				
Not past due	639,606	-	639,606	-
Total	3,019,017	-	3,019,017	357,648

8.2.2 *Liquidity risk*

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2018

Note 8 Financial risk management (cont.)

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

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

- *Contractual Maturities*

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

	Within 1 Year		Greater Than 1 Year		Total	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Financial liabilities due for payment						
Trade and other payables	1,973,888	2,557,670	-	-	1,973,888	2,557,670
Borrowings	349,232	222,975	530,407	533,929	879,639	756,904
Total contractual outflows	2,323,120	2,780,645	530,407	533,929	2,853,527	3,314,574
Financial assets						
Cash and cash equivalents	357,705	120,982	-	-	357,705	120,982
Trade and other receivables	3,019,017	1,807,114	-	-	3,019,017	1,807,114
Loans, net of impairment	-	-	13,844	343,912	13,844	343,912
Total anticipated inflows	3,376,722	1,928,096	13,844	343,912	3,390,566	2,272,008
Net inflow/(outflow) on financial instruments	1,053,602	(852,549)	(516,563)	(190,017)	537,039	(1,042,566)

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

8.2.3 *Market risk*

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

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

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

a. **Interest rate risk**

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

Note 8 Financial risk management (cont.)

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

b. **Foreign exchange risk**

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

c. **Price risk**

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

8.2.4 ***Sensitivity Analyses***

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

a. **Interest rates**	Profit $	Equity $
Year ended 31 December 2018		
±50 basis points change in interest rates	± (2,292)	± (2,292)
Year ended 31 December 2017		
±50 basis points change in interest rates	± (2,931)	± (2,931)

b. **Foreign exchange**	Profit $	Equity $
Year ended 31 December 2018		
±10% of Australian dollar strengthening/weakening against the Malaysian ringgit	± nil	± 399,494
Year ended 31 December 2017		
±10% of Australian dollar strengthening/weakening against the Malaysian ringgit	± nil	± 350,514

c. **Foreign exchange**	Profit $	Equity $
Year ended 31 December 2018		
±10% of Australian dollar strengthening/weakening against the United States dollar	± nil	± 160,257
Year ended 31 December 2017		
±10% of Australian dollar strengthening/weakening against the United States dollar	± nil	± 36,328

8.2.5 ***Net Fair Values***

a. ***Fair value estimation***

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

Notes to the consolidated financial statements

for the year ended 31 December 2018

Note 8 Financial risk management (cont.)

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

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

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

Note 9 Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

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

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

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

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

The working capital position of the Group was as follows:

	Note	2018 $	2017 $
Cash and cash equivalents	5.1	357,705	120,982
Trade and other receivables	5.2	3,019,017	1,807,114
Inventories	6.1	442,621	956,236
Other current assets	5.3	978,795	876,746
Trade and other payables	5.4	(1,973,888)	(2,557,670)
Borrowings	5.5	(349,232)	(222,975)
Current tax liabilities	4.5	(523)	(7,588)
Current provisions	6.4	(9,710)	(8,081)
Working capital position		2,464,785	964,764

SECTION C. GROUP STRUCTURE

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

(a) changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation

(b) transactions with non-controlling interests, and

(c) interests in joint operations.

A list of significant subsidiaries is provided in note 16. This note also discloses details about the group's equity accounted investments.

Note 10 Business combinations

10.1 HF Pre IPO Fund I LLC

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

10.1.1 *Acquisition consideration*

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

10.1.2 *Goodwill*

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

	Note	Fair value $
Fair value of:		
Consideration given for controlling interest	5.1.2e	354,936
Non-controlling interest		179,173
		534,109
Fair value of identifiable assets and liabilities held at acquisition date:		
Cash		156
Trade and other receivables		54,417
Other current assets		503,336
Trade and other payables		(23,800)
Fair value of identifiable assets and liabilities assumed		534,109
Goodwill		-

Notes to the consolidated financial statements
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Note 10 Business combinations (cont.)

10.2 Holista Foods Inc.

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

10.2.1 *Acquisition consideration*

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

10.2.2 *Fair value of previously held interest*

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

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

10.2.3 *Goodwill*

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

	Note	Fair value $
Fair value of:		
■ Deemed consideration given additional equity	5.1.2f	528,547
■ Previously held interest		249
■ Non-controlling interest		264
		529,060
Fair value of identifiable assets and liabilities held at acquisition date:		
■ Cash	5.1.2f	27,879
■ Other current assets		256
■ Property, plant, and equipment		2,132
■ Trade and other payables		(9,983)
■ Interest-bearing loans and borrowings		(635)
Fair value of identifiable assets and liabilities assumed		19,649
Goodwill	6.3.1	509,411

Notes to the consolidated financial statements

for the year ended 31 December 2018

Note 11 Interest in subsidiaries

11.1 Information about principal subsidiaries

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

	Country of Incorporation	Class of Shares	Percentage Owned 2018	Percentage Owned 2017
Holista Biotech Sdn Bhd	Malaysia	Ordinary	100.0	100.0
Total Health Concept Sdn Bhd	Malaysia	Ordinary	100.0	100.0
Alterni (M) Sdn Bhd	Malaysia	Ordinary	100.0	100.0
Medi Botanics Sdn Bhd	Malaysia	Ordinary	100.0	100.0
Revonutrix Sdn Bhd	Malaysia	Ordinary	100.0	100.0
Holista Ingredients India Private Ltd(1)	India	Ordinary	51.0	-
LiteFoods Inc.(2)	USA	Ordinary	53.0	53.0
Holista Foods Inc. (74% owned by LiteFoods Inc.)	*USA*	*Ordinary*	*39.2*	*39.2*
HF Pre IPO Fund I LLC	USA	Ordinary	67.0	67.0

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

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

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

11.3 Summarised financial information of subsidiaries with material NCI

	LiteFoods Group (LiteFoods Inc. and Holista Foods Inc.) 2018 $	LiteFoods Group 2017 $	HF Pre IPO Fund I LLC 2018 $	HF Pre IPO Fund I LLC 2017 $
11.3.1 ***Summarised financial position***				
Current assets	26,641	22,892	50,601	50,601
Non-current assets	525,233	515,506	343,912	343,912
Current liabilities	(33,112)	(18,663)	(22,078)	(22,078)
Non-current liabilities	(2,166,691)	(1,255,450)	-	-
Net assets	518,762	519,735	372,435	372,435
Carrying amount of NCI	254,193	519,735	226,440	239,864
11.3.2 ***Summarised financial performance***	2018 $	2017 $	2018 $	2017 $
Revenue	25,998	-	-	-
Loss for the year	(766,599)	(165,429)	(380,066)	(131,704)
Total comprehensive income	(740,601)	(165,429)	(380,066)	(131,704)
Loss attributable to NCI	-	-	-	-
Distributions paid to NCI	-	-		
11.3.3 ***Summarised cash flow information***				
Net cash used in operating activities	(689,768)	(165,457)	-	-
Net cash used in investing activities	-	(377,564)	-	-
Net cash from financing activities	686,530	507,550	-	-
Net decrease in cash and cash equivalents	(689,768)	(543,021)	-	-

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 12 Other Significant Accounting Policies related to Group Structure

12.1 Basis of consolidation

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

12.1.1 *Business combinations*

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

The Group measures goodwill at the acquisition date as:

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

less

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

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

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

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

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

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

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

12.1.2 *Subsidiaries*

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

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

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

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

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

A list of controlled entities is contained in Note 11 Interest In Subsidiaries of the financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2018

Note 12 Other Significant Accounting Policies related to Group Structure

12.1.3 ***Loss of control***

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

12.1.4 ***Transactions eliminated on consolidation***

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

SECTION D. UNRECOGNISED ITEMS

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

Note 13 Commitments

13.1 Operating lease commitments - Group as lessee

The Group has a 1-year lease for a warehouse in Malaysia. The future minimum rental payments under non-cancellable tenancy agreements are nil (2017: $6,781).

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

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

	Consolidated		Parent	
	2018 $	2017 $	2018 $	2017 $
Within one year	8,620	15,401	8,620	15,401
After one year but not more than five years	34,480	34,480	34,480	34,480
After five years	8,620	25,860	8,620	25,860
Total	51,720	75,741	51,720	75,741

13.2 Finance lease and hire purchase commitments - Group as lessee

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

	Consolidated	
	2018 $	2017 $
Within one year	23,898	17,623
After one year but not more than five years	45,364	35,072
Later than five years	-	-
Total minimum lease payments	69,262	52,695
Less amounts representing finance charges	(5,762)	(3,657)
Present value of minimum lease payments	63,500	49,038

13.3 Capital commitments

None.

Note 14 Events subsequent to reporting date

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

Note 15 Contingent liabilities

ATM Metabolics filed a claim for unspecified damages the Company in May 2018 in relation to alleged to a breach of contract/warranty. The Company has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise. The Company has filed a counter law suit alleging ATM Metabolics had violated the terms of the agreement.

There are no other contingent liabilities as at 31 December 2018 (31 December 2017: Nil).

Notes to the consolidated financial statements

for the year ended 31 December 2018

SECTION E. OTHER INFORMATION

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

Note 16 Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

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

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 17.

	2018 $	2017 $
Short-term employee benefits	350,415	308,881
Post-employment benefits	51,000	42,728
Share-based payments	-	1,225,327
Total	401,415	1,576,936

Note 17 Related party transactions

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

	Consolidated		Parent	
	2018 $	2017 $	2018 $	2017 $
Legal fees paid to Sumita K & Associates for provision of legal advice. Mrs Sumita's husband is a director of the Company	11,938	10,919	-	-
Director fee paid to Mrs Sumita	11,938	10,919	-	-
Consultation fee paid to Samabudi Consulting Sdn Bhd which director have interest	47,750	49,134	-	-
Impairment of loans to Galen Biomedical Inc., an entity 75% owned by Rajen Manicka (refer also note 5.3.2)	380,066	131,678	-	-
Loan from subsidiary	-	-	1,067,617	1,889,450
Loan to subsidiary	-	-	2,172,321	1,367,018

Note 18 Auditor's remuneration

	2018 $	2017 $
Remuneration of the auditor for:		
■ Auditing or reviewing the financial reports:		
☐ Stanton's International (*Australia*)	69,850	45,000
☐ Russell Bedford LC & Company (*Malaysia*)	31,170	27,782
■ Taxation and independent expert services provided by a related practice of the Auditor, Stanton's International (*Australia*)	15,015	-
	116,035	72,782

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Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 19	Earnings per share (EPS)	Note	2018 $	2017 $
19.1	**Reconciliation of earnings to profit or loss**			
	Loss for the year		(2,203,360)	(3,174,268)
	Less: loss attributable to non-controlling equity interest		(591,213)	(143,978)
	Loss used in the calculation of basic and diluted EPS		(1,612,147)	(3,030,290)
			2018 No.	**2017 No.**
19.2	**Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**		206,708,950	179,185,314
	Weighted average number of dilutive equity instruments outstanding	19.5	N/A	N/A
19.3	**Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**		206,708,950	179,185,314
			2018 ¢	**2017 ¢**
19.4	**Earnings per share**			
	Basic EPS (cents per share)	19.5	(0.78)	(1.69)
	Diluted EPS (cents per share)	19.5	N/A	N/A

19.5 As at 31 December 2018 the Group has 34,954,205 unissued shares under options (2017: 46,362,616) and 9,000,000 performance shares on issue (2017: 9,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the 2018 year the Group's unissued shares under option and partly-paid shares were anti-dilutive.

Note 20	Share-based payments	Note	2018 $	2017 $
20.1	**Share-based payments:**			
	▪ Recognised as Share-based payment expense	20.2.1a,d,e,f,g	90,523	1,589,954
	▪ Recognised in Consultancy and professional services	20.2.1b,c, e	-	624,410
	▪ Recognised in Research and Development expenses	20.2.1c	-	322,231
	Gross share-based payments		90,523	2,536,595

20.2 Share-based payment arrangements in effect during the period

20.2.1 ***Share-based payments recognised in profit or loss***

a. *Director options - Daniel O'Connor*

As approved by shareholders 18 May 2017 the Company issued 3,500,000 Options to provide a performance linked incentive component in the Directors' remuneration packages to assist the Company in rewarding his performance, and to align their interests with those of Shareholders on the terms as detailed below and in Note 20.4:

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

Note 20 Share-based payments (cont.)

b. *Plant Consultant and Patent Holders Options*

On 23 March 2017 the Company granted 6,500,000 Options to Patent Holders and Plant Consultant in the proportions as follows, and as detailed below and in Note 20.4:

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

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

c. *Patent Holder and Consultant Options*

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

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

d. *Co-Inventor and Patent Provider Options*

On 26 July 2017 the Company granted 2,000,000 Options to Professor Jaya Henry, co-inventor of the Low GI and Low Sodium Patents, as detailed below and in Note 20.4:

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

e. *Incentive Options*

On 16 October 2017 the Company granted 7,000,000 Options to incentivise joint venture partners and consultants to the Company in the proportions as follows, and as detailed below and in Note 20.4:

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

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

f. *Subsidiary Director Options*

In consideration for serving on the Board of LiteFoods Inc. the Company issued Mr Roscoe Michael Moore Jr 1,000,000 Options as detailed below and in Note 20.4:

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 20 Share-based payments (cont.)

g. *Director Performance Rights*

As approved by shareholders 9 January 2017 the Company issued 9,000,000 performance rights to Dr Rajen Manicka to provide a performance linked incentive component in the Directors' remuneration packages to assist the Company in rewarding his performance, and to align their interests with those of Shareholders on the terms as detailed below and as detailed below and in Note 20.5:

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

20.3 Movement in share-based payment arrangements during the period

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

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	46,362,616	\$0.2033	30,692,782	\$0.1100
Granted	-	-	31,000,000	\$0.2016
Exercised	(3,500,000)	\$0.0600	(12,330,166)	\$0.0600
Expired	(7,908,411)	\$0.2250	(3,000,000)	\$0.1000
Outstanding at year-end	34,954,205	\$0.2127	46,362,616	\$0.2033
Exercisable at year-end	34,954,205	\$0.2127	46,362,616	\$0.2033

a. 3,500,00 options were exercised during the year at \$0.06 cents per option.

b. The weighted average remaining contractual life of options outstanding at year end was 1.32 years (2017: 1.89 years). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.2127 (2017: \$0.2055).

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

20.4 Fair value of options granted during the period

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

No options were granted during the year. The weighted average fair value of options granted during the 2017 year was \$0.0204

20.5 Fair value of performance rights granted during the period

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

Note 20 Share-based payments (cont.)

20.5.1 ***Accounting policy***

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

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

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

20.5.2 ***Key estimate***

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

Note 21 Operating segments

21.1 Identification of reportable segments

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

21.2 Basis of accounting for purposes of reporting by operating segments

21.2.1 ***Accounting policies adopted***

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

21.2.2 ***Inter-segment transactions***

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

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

21.2.3 ***Segment assets***

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

21.2.4 ***Segment liabilities***

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 21 Operating segments (cont.)

21.2.5 ***Unallocated items***

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

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

21.3 Types of products and services by segment

21.3.1 ***Supplements***

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

21.3.2 ***Sheep collagen***

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

21.3.3 ***Food ingredients***

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

21.4 Segment Financial Performance

Year ended 31 December 2018	Supplements $	Sheep Collagen $	Food Ingredients $	Corporate $	Total $
Revenue					
External sales	7,699,489	215,068	25,998	-	7,940,555
Other income	-	-	-	136,387	136,387
Total segment revenue	7,699,489	215,068	25,998	136,387	8,076,942
Reconciliation of segment revenue to group revenue:					
Total group revenue and other income					8,076,942
Segment profit/(loss) from continuing operations before tax	1,213,228	(404,341)	(617,809)	(2,269,356)	(2,078,278)
Loss before income tax					(2,078,278)
Year ended 31 December 2017					
Revenue					
External sales	7,176,607	392,400	-	-	7,569,007
Other income	-	-	-	338,736	338,736
Total segment revenue	7,176,607	392,400	-	338,736	7,907,743
Reconciliation of segment revenue to group revenue:					
Intra-segment eliminations					-
Total group revenue and other income					7,907,743
Segment profit/(loss) from continuing operations before tax	330,632	(516,509)	(158,984)	(2,989,625)	(3,334,486)
Loss before income tax					(3,334,486)

Notes to the consolidated financial statements

for the year ended 31 December 2018

Note 21 Operating segments (cont.)

21.5 Segment Financial Position

At as 31 December 2018	Supplements $	Sheep Collagen $	Food Ingredients $	Corporate $	Total $
Segment Assets	5,361,905	5,915,794	621,638	-	11,899,337
Reconciliation of segment assets to group assets:					
■ Intra-segment eliminations					(4,471,905)
Total assets					7,427,432
Segment Liabilities	1,366,962	1,174,106	2,224,204	-	4,765,272
Reconciliation of segment liabilities to group liabilities					
■ Intra-segment eliminations					(1,901,512)
Total liabilities					2,863,760
As at 31 December 2017					
Segment Assets	4,512,336	5,073,769	932,911	-	10,519,016
Reconciliation of segment assets to group assets:					
■ Intra-segment eliminations					(3,705,261)
Total assets					6,813,755
Segment Liabilities	1,007,196	2,191,435	1,296,191	-	4,494,822
Reconciliation of segment liabilities to group liabilities					
■ Intra-segment eliminations					(1,164,579)
Total liabilities					3,330,243

21.6 Revenue by geographical region

		2018 $	2017 $
Revenue attributable to external customers is disclosed below, based on the location of the external customer:			
Australia		215,068	392,400
Malaysia		7,699,489	7,176,607
United States		25,998	-
Total revenue	21.4	7,940,555	7,569,007

21.7 Assets by geographical region

		2018 $	2017 $
The location of segment assets by geographical location of the assets is disclosed below:			
Australia		5,361,905	5,073,769
Malaysia		5,915,794	4,512,336
United States		621,638	932,911
Total assets	21.5	11,899,337	10,519,016

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 21 Operating segments (cont.)

21.8 Major customers

The Group has a number of customers to whom it provides both products and services. Within the Food Ingredients and Supplement segment, the Group supplies to a number of retailers through one single external distributor who account for 58.3% (2017: 56.4%) of total revenue for this segment. The Group supplies to a few external customers for the Sheep Collagen segment, where the major customer accounts for 93.0% (2017: 99.4%) of revenue for this segment.

Note 22 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.

22.1 Financial Position of Holista CollTech Limited

	2018 $	2017 $
Current assets	43,688	68,093
Non-current assets	5,517,170	5,005,677
Total assets	5,560,858	5,073,770
Current liabilities	1,174,107	2,191,435
Non-current liabilities	-	-
Total liabilities	1,174,107	2,191,435
Net assets	4,386,751	2,882,335
Equity		
Issued capital	13,057,442	10,047,441
Share-based payment reserve	4,899,791	4,809,268
Accumulated losses	(13,570,482)	(11,974,374)
Total equity	4,386,751	2,882,335

22.2 Financial performance of Holista CollTech Limited

	2018 $	2017 $
Loss for the year	(1,596,108)	(3,003,260)
Other comprehensive income	-	-
Total comprehensive income	(1,596,108)	(3,003,260)

22.3 Guarantees

There are no guarantees entered into by Holista CollTech Limited for the debts of its subsidiaries as at 2018 (2017: none).

22.4 Contractual commitments

The parent company has no capital commitments at 2018 (2017: $nil). The parent company other commitments are disclosed in Note 13 Commitments.

22.5 Contingent liabilities

There are no guarantees entered into by Holista CollTech Limited for the debts of its subsidiaries as at 2018 (2017: none).

Notes to the consolidated financial statements

for the year ended 31 December 2018

Note 23 Statement of significant accounting policies

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

23.1 Basis of preparation

23.1.1 *Reporting Entity*

Holista Colltech Limited (Holista or the Company) is a listed public company limited by shares, domiciled and incorporated in Australia. These are the consolidated financial statements and notes of Holista and controlled entities (collectively the Group). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in the Dietary Supplements, Healthy Food Ingredients, and Sheep (Ovine) Collagen industries.

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

23.1.2 *Basis of accounting*

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

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

The financial statements were authorised for issue on 29 March 2019 by the directors of the Company.

23.1.3 *Going Concern*

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

The Group incurred a loss for the year of $2,203,360 (2017: $3,174,268 loss) and a net cash out-flow from operating activities of $2,200,266 (2017: $240,922 in-flow). As at 31 December 2018, the Company working capital of $2,464,785 (2017: $964,764 working capital), as disclosed in Note 9 of the Issued capital note.

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

After a drop in 2018 due the plant shut down and upgrade to improve processes, the Group's cosmetic collagen business has bounced back and is expected to generate revenue of $567,000 in 2019 with a growth of 163% over 2018. There is also expected business with a multi-level company in Malaysia. This will be a much higher margin business.

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

In addition to the cosmetic and food grade collagen, the Group has also entered into the medical grade collagen and received its ISO certification and has started supplying samples to overseas customers.

In respect to the Healthy Food Ingredients, the Group expect to see significant revenue in Australia and Asia and Europe in the next 12 months from the low-GI white bread, flat breads and biscuits. The Group's US indirect subsidiary, Holista Foods Inc, to distribute our low-GI product in North America and has met with success with the low GI noodles. This business segment is expected to generate revenue in next financial year.

The Group also launched 80Less – a low calorie sugar replacement that would a useful tool for companies trying the meet lower sugar requirement to avoid the sugar tax. "80% less sugar" is also a very powerful label claim in an increasingly "sugar hating world".

The Group's sales of dietary supplement ingredients to companies in the Multi-Level Marketing space declined by 1% last year but are expected to grow in FY2019 as the Group ramps up activities in this space. These supplement ingredients are for carbohydrate management, immunity boosting and stem cell boosting segments.

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 23 Statement of significant accounting policies

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

23.1.4 *Comparative figures*

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

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

23.1.5 *New and Amended Standards Adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- AASB 9 Financial Instruments;
- AASB 15 Revenue from Contracts with Customers;
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions;
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

The group also elected to adopt the following amendments early:

- AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015- 2017 Cycle.

The classification and measurement requirements of AASB 9 did not have a significant impact to the Group. The effects upon the adoption of AASB 15 have been disclosed in note 24

23.2 Value added taxes

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

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

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

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

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

23.3 Foreign currency transactions and balances

23.3.1 *Functional and presentation currency*

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

Note 23 Statement of significant accounting policies

23.3.2 ***Transaction and balances***

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

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

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

23.3.3 ***Group companies and foreign operations***

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

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

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

23.4 Use of estimates and judgments

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

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

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 23.4.1.

23.4.1 ***Critical Accounting Estimates and Judgments***

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

a. Key judgements and estimates – Business Combinations

Refer Note 10 Business combinations.

b. Key estimate – Taxation

Refer Note 4 Income Tax.

c. Key estimate – Impairment of goodwill

Refer Note 6.3 Intangible assets.

23.5 Fair Value

23.5.1 ***Fair Value of Assets and Liabilities***

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

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

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

Note 23 Statement of significant accounting policies

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

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

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

23.5.2 *Fair value hierarchy*

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

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

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

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

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

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

23.5.3 *Valuation techniques*

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 23 Statement of significant accounting policies

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

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

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

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

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

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

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

Note 24 Effects of Changes in Accounting Policy

The Group and the Company applied AASB 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the cumulative effect of all contracts that are not completed as at 1 January 2018 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The comparative information was not restated and continues to be reported under AASB 118.

Set out below, are the amounts by which each financial statement line item of the Group is affected as at and for the year ended 31 December 2018 as a result of the adoption of AASB 15. Had the Group continued to report in accordance with AASB 118 Revenue for the year ended 31 December 2018, it would have reported the following amounts in the financial:

At as 31 December 2018		As reported 2018 $	Amounts reported under previous AASB $	Increase / (Decrease) $
Revenue	24.1,24.2	7,940,555	8,472,259	(531,704)
Cost of Sales	24.2	(4,611,695)	(4,670,685)	58,990
Administrative expenses	24.1	(5,407,138)	(5,778,201)	371,063
Loss before income tax	24.1,24.2	(2,078,278)	(1,976,627)	(101,651)
Inventories	24.2	442,621	503,515	(60,894)
Right of return assets	24.2	60,894	-	60,894
Refund liabilities	24.1,24.2	(312,407)	-	(312,407)
Other payables and accruals	24.1,24.2	(1,661,481)	(1,973,888)	312,407
Total equity	24.1,24.2	(4,563,672)	(4,665,323)	101,651

The reasons for the significant changes in each of the financial statements line item of the Group as at 31 December 2018 and for the year ended 31 December 2018 are described below following.

Notes to the consolidated financial statements
for the year ended 31 December 2018

Note 24 Effects of Changes in Accounting Policy (cont.)

24.1 Volume rebates

The Group offers its customers volume rebates where the Group will make cash payment to its customers once the customers reaches a specified cumulative level of purchase.

Under AASB 118, the Group estimated the expected volume rebates using the weighted average amount of rebates approach and included an accrual for rebates in other payables and accruals with a corresponding adjustment to the administrative expenses. Under AASB 15, retrospective volume rebates give rise to variable consideration and should be estimated at contract inception to determine the transaction price. To estimate the variable consideration to which it will be entitled, the Group applied the most likely outcome method for contracts with single volume threshold and the expected value method for contracts with more than one volume threshold.

Upon adoption of AASB 15, when the Group accounts for consideration payable to a customer as a reduction to the transaction price, a liability would be recorded until the related payments to the customers are made.

24.2 Rights of return

The Group provides the customers with a right to return the goods within a specified period.

Under AASB 15, the consideration received from the customers is variable because the contract allows the customers to return the products. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group used the expected value method to estimate the goods that will be returned. For goods expected to be returned, the Group presented a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position.

Note 25 Adjustments made subsequent to the lodgement of the ASX Appendix 4E

Subsequent to the lodgement of the ASX Appendix 4E:

a. In the statement of comprehensive income, the Group reallocated $120,757 from *Other expenses* to *Distribution costs* as follows:
   i. Increase in – *Distribution costs*: $120,757;
   ii. Decrease in – *Other expenses*: ($120,757);

   This reallocation had no effect on net profit.
b. In the statement of position, the Group reallocated the following balances
   i. Increase in *Other current assets*: 13,844;
   ii. Decrease in *Other non-current assets*: (13,844);
   iii. Increase in *Deferred tax asset*: 13,957;
   iv. Reduction of asset balance in *Current tax liability*: (13,957);
   v. Decrease in *Current borrowings*: (79,489);
   vi. Increase in *Non-current borrowings*: 79,489;

   This reallocation had no effect on net assets.
c. Issued capital was corrected to recognise $10,000 in transaction costs, correcting to total balance in equity.

Note 26 Company details

The registered office of the Company is:

Address:

Street:	283 Rokeby Road SUBIACO WA 6008	*Postal:*	PO Box 52 WEST PERTH WA 6872
Telephone:	+61 (0)8 6141 3500		
Facsimile:	+61 (0)8 6141 3599		

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 74, are in accordance with the *Corporations Act 2001* (Cth) and:

   (a) comply with Accounting Standards;

   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and

   (c) give a true and fair view of the financial position as at 31 December and of the performance for the year ended on that date of the Group.

   (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

DR RAJEN MANICKA
Managing Director
Dated this Friday, 29 March 2019

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

Report on the Audit of the Financial Report

Our Opinion

We have audited the financial report of Holista Colltech Limited (the Company and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

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

As referred to Note 23.1.3 to the financial statements, the consolidated financial statements have been prepared on a going concern basis. The Group incurred a loss of $2,203,360 and cash outflow from operating activities of $2,200,266 for the financial year ended 31 December 2018, respectively. As at 31 December 2018, the Group had cash and cash equivalents totalling $357,705, working capital of $2,464,785.

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

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Carrying value of amounts advanced to a related party and a third party At 31 December 2018, the Group has advanced an amount to a related party totaling $258,082 and to a third party totaling $290,301 inclusive of accrued interest. The amount advanced to a related party is repayable by 1 September 2019 and attracts 5% interest. The amount advanced to a third party is repayable on upon demand and attracts 5% interest. Refer to Note 5.2.4 to the financial statements. The Group has advanced funds to its related party and a third party in relation to the selling of the "Emulin Plus" brand in North America. The recoverability of the receivable is a key audit matter, due to the size of the balance (being 7.4% of the total assets of the Group) and the level of judgement required by us in evaluating managements' assessment of its recoverability.	Inter alia, our audit procedures included the following: i. Obtained external confirmation of the receivables as at 31 December 2018; ii. Discussed with key management personnel the terms of the loan and its recoverability; iii. Performed audit work to ascertain the financial position of the borrower; and iv. Audited the sales forecast provided by the borrowers and assessed reasonableness of the forecasts provided.
Carrying value of intangible assets At 31 December 2018, the Group recognised intangibles of $954,717. Refer to Note 6.3 to the financial statements. Included in the total intangible assets of the Group is the goodwill acquired from the acquisition of one subsidiary in the prior year amounting to $568,161. The remaining intangible asset balance relates to patents and licenses, and this amounted to $386,556. Based on the agreement dated 9 January 2017, the Group has the licence to use the "Emulin Plus" trademark for a period of 5 years with an automatic renewal period of an additional 5 years, provided that there is no termination during the initial period. During the year, the Group commenced its legal proceedings against the owner of the "Emulin Plus" trademark.	Inter alia, our audit procedures included the following: i. Auditing the appropriateness of management's evaluation of the carrying value of intangible assets to determine any asset impairment; ii. Auditing and assessing for reasonableness, the Group's assumptions and estimates used to determine the recoverable amount of the intangible assets; iii. Ascertained as to whether there are any indicators that would give rise to an impairment; iv. Auditing the value in use calculation, including assessing the recoverable amount of the cash-generating unit ("CGU") and thus ensuring that the recoverable amount of the CGU is higher than the carrying amount of goodwill recorded as at 31 December 2018; and

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The Group is required to annually test the intangibles balance for impairment. This annual impairment test is significant to our audit because the balance of $954,717 (12.9% of the total assets of the Group) as at 31 December 2018 is material to the financial statements. Management's assessment process of the carrying value of goodwill is highly judgmental and is based on assumptions, specifically in respect of the sales forecast from the sale of "low-GI" noodles for the next 5 years. In addition, estimates and judgments were also used by management in assessing recoverability in relation to the use of "Emulin Plus" brand.	v. Assessing the variables involved in ascribing a value to the licence for "Emulin Plus" per the sales forecasts, including the change in the useful life of the licence and taking into account the future plans with respect to this licence (in light of the legal proceedings surrounding this licence).
Revenue recognition The Group's revenue amounted to $7,940,555. The Group has applied AASB 15 using the modified retrospective method of adoption with the initial date of application of 1 January 2018. Under this method, the cumulative effect of all contracts that are not completed as at 1 January 2018 are recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The comparative information was not restated and continues to be reported under AASB 118. Recognition of the Group's revenue is complex due to volume rebates offered to its customers where the Group will make cash payments to its customers once the customer reaches a specified cumulative level of purchase. At the same time, the Group provides the customers with a right to return the goods within a specified period. This is considered to be a key audit matter as the recognition of revenue involves significant judgment and estimates made by Management including the determination of the variable consideration that should be estimated at the inception of the contract to determine the transaction price. Refer to Note 24 to the financial statements.	Inter alia, our audit procedures included the following: i. We have audited the Group's implementation of AASB 15, including recognition of the effect on opening equity and changes to procedures, accounting guidelines, disclosures and systems to support the correct revenue recognition. We reviewed and discussed the group accounting policy, the effect on opening equity and disclosures with Management, including key accounting estimates and judgments made by management. ii. Determined whether revenue was appropriately accounted for and disclosed within the financial statements. This included: ▪ Evaluating the revenue recognition policies for all material sources of revenue, performing detailed testing, ensuring that revenue was being recognised appropriately in line with Australian Accounting Standards and policies disclosed within the financial statements; ▪ Substantively testing a sample of revenue transactions throughout the financial year. This included tracing sales invoices to supporting sales documentation, shipping documentation and cash receipts to ensure that it is in accordance with the requirements of AASB 15. ▪ Assessed the accuracy of revenue cut-off and completeness of deferred revenue as at year-end.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation

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of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant

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ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 31 December 2018. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion the Remuneration Report of Holista CollTech Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
29 March 2019

Corporate governance statement

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

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

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

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

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

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	YES	See Board Skills Matrix below. (1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements. (2) Skill gap noticed however an external IT firm is employed on an ad hoc basis to maintain IT requirements.
Recommendation 2.3 **A listed entity should disclose:** (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director	YES	(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and Company website. (b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website. (c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	YES	The Board Charter requires that where practical the majority of the Board will be independent. Details of each Director's independence are provided in the Annual Reports and Company website.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	YES	The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

Board Skills Matrix	**Number of Directors that Meet the Skill**
Executive & Non- Executive experience	3
Industry experience & knowledge	3
Leadership	3
Corporate governance & risk management	3
Strategic thinking	3
Desired behavioural competencies	3
Geographic experience	3
Capital Markets experience	3
Subject matter expertise:	
- accounting	3
- capital management	3
- corporate financing	3
- industry taxation [1]	0
- risk management	3
- legal	3
- IT expertise [2]	0

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

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.
Principle 7: Recognise and manage risk		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	NO	Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	YES	(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. (b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	YES	Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. The Board Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	NO	Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	YES	(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity-based plans. (b) A copy of the Company's Corporate Governance Plan is available on the Company's website.

Additional Information for Listed Public Companies

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

1 Capital as at 18 March 2019.

a. Ordinary share capital

234,039,087 ordinary fully paid shares held by 980 shareholders.

b. Unlisted Options over Unissued Shares

Number of Options	Exercise Price $	Expiry Date
6,500,000	0.20	23 Mar 2020
3,500,000	0.20	23 Mar 2020
1,000,000	0.10	31 Dec 2019
6,000,000	0.20	23 Jun 2020
3,000,000	0.25	23 Jun 2020
2,000,000	0.30	23 Jun 2020
2,000,000	0.10	1 Aug 2020
7,000,000	0.20	16 Oct 2020
31,000,000		

c. Performance Rights over Unissued Shares

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

d. Voting Rights

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

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

e. Substantial Shareholders as at 18 March 2019.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Dr. Rajen Manicka	79,435,272	33.94
Global eHealth Limited	46,226,673	19.75
HSBC Custody Nominees (Australia) Limited	18,055,595	7.71

Additional Information for Listed Public Companies

f. **Distribution of Shareholders as at 18 March 2019.**

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	219	75,614	0.03
1,001 – 5,000	256	753,498	0.32
5,001 – 10,000	141	1,101,672	0.47
10,001 – 100,000	264	8,923,495	3.81
100,001 – and over	100	223,184,808	95.37
	980	**234,039,087**	**100.00**

g. **Unmarketable Parcels as at 18 March 2019**

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

h. **On-Market Buy-Back**

There is no current on-market buy-back.

i. **Restricted Securities**

The Company has no restricted securities

j. **20 Largest Shareholders — Ordinary Shares as at as at 18 March 2019**

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Dr. Rajen Manicka	79,435,272	33.94
2.	Global eHealth Limited	46,226,673	19.75
3.	HSBC Custody Nominees (Australia) Limited	18,055,595	7.71
4.	Ms Sarinderjit Kaur	9,675,785	4.13
5.	Citicorp Nominees Pty Limited	6,522,648	2.79
6.	Acuity Capital Investment Management Pty Ltd <Acuity Capital Holdings A/C>	6,305,488	2.69
7.	Fairview Holdings Pty Ltd <The Manjule Super A/C>	6,214,285	2.66
8.	Dr Fathil Mohamed	4,163,158	1.78
9.	Mr Himmat Singh	3,500,000	1.50
10.	Chandra Sekaran P Perumal	3,333,333	1.42
11.	Franjack Pty Ltd & Aurjoe Pty Ltd	3,300,000	1.41
12.	Mr Ravindran Govindan	2,595,587	1.11
13.	Mr Kok Wah Ong	1,696,220	0.72
14.	BNP Paribas Noms Pty Ltd <DRP>	1,519,254	0.65
15.	Koina Pty Limited <Cuffe Fam Foundation A/C>	1,514,285	0.65
16.	Bubobi Pty Ltd <Woodward A/C>	1,513,000	0.65
17.	Mr Kok Seng Chen	1,482,459	0.63
18.	Pinewood Asset Pty Ltd <The Fraser Family A/C>	1,428,572	0.61
19.	Harold Cripps Holdings Pty Ltd	1,244,930	0.53
20.	Mr Philip Lai Kwok Leong	1,000,000	0.43
	TOTAL	**200,726,544**	**85.76**

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

3 Principal registered office

As disclosed in Note 26 Company details on page 74 of this Annual Report.

Additional Information for Listed Public Companies

4 Registers of securities

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

5 Stock exchange listing

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

6 Use of funds

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

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