

Stronger Gross Margins and Positive Outlook Despite Decline in Interim Revenue

ASX Announcement

31 August 2023

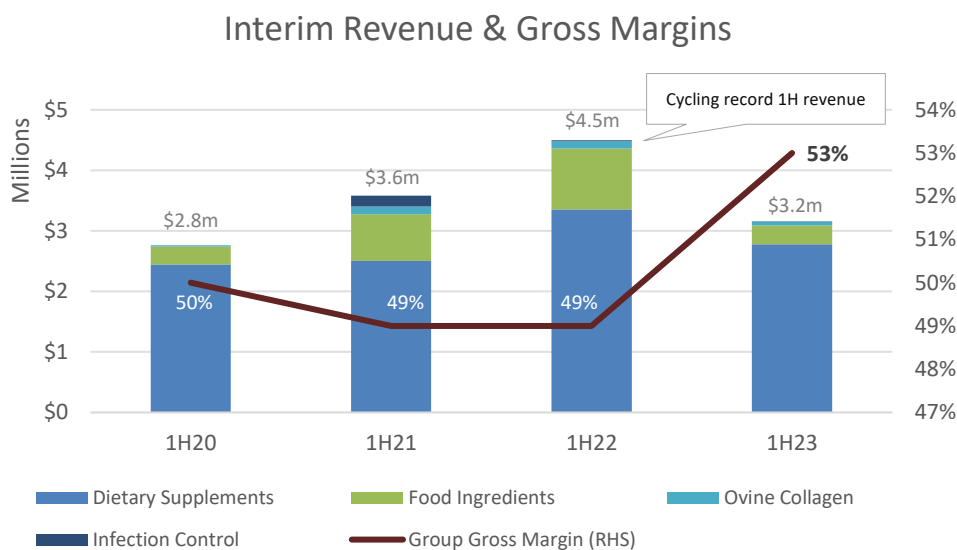
Highlights

- Collagen patent filed in March has successfully cleared all the preliminaries, extending its patent protection
- Nano collagen formulations being tested in Malaysia and India
- Work on ovine exosomes has commenced that will extend Holista's unique collagen offering
- Gross margin jumps to 53% (1H22: 49%) due to positive change in sales mix and easing cost pressures and supply chain disruptions
- Interim revenue declines to \$3.2M (1HFY22: \$4.5M) from a drop in consumer spending and a slowing economy although the decline has stabilised
- Launch of a range of innovative products expected to return Holista to growth in the near term
- Most of these products have been or are expected to be launched before end of 2023 and are expected to contribute to Group revenue in the current half.

Holista Colltech Limited (ASX: HCT, "Holista" or "the Group") is providing the following commentary in respect to its audited first half FY2023 (1H23) results for the six months ended 30 June 2023.

Group revenue declined 29.9% to \$3.2 million when compared with the previous corresponding period (**pcp**), which was a record for Holista, although gross profit margins increased 4 percentage points to 53% versus the pcp.

Gross margins were positively impacted by a favourable change in the sales mix and easing cost pressures, while revenue was weighed down by macroeconomic headwinds, such as a slowing economy and a drop in consumer spending, and the restructuring of Holista's sales team.



Holista recorded an interim net loss of -\$1,294K (1H22: -\$548K) as it also stepped-up investments in new product innovations, many of which are expected to be launched in the current half. These new products are forecast to deliver a turnaround in revenue and drive growth over the short- to medium-term (more details provided in the “Outlook” section below).

Divisional Performance

Holista's largest division, Dietary Supplements, recorded a 17.3% pcp decline in interim revenue to \$2.8 million in the first half of 2023. The slowing economy and changes to its sales team negatively impacted on sales of Holista's market leading supplements in Malaysia.

Meanwhile, the Group's Healthy Food Ingredients division reported a 68.6% pcp decline in revenue to \$315K as strong ongoing orders from food and beverage (F&B) manufacturer, Rex Industry Bhd, were not sufficient to offset softer demand from other customers.

The Ovine Collagen division recorded a 50.7% pcp decline in first half revenue to \$60K but is expecting to deliver a stronger second half result as Holista has a binding sales contract with Behn Meyer Thailand that obligates the cosmetic manufacturer to purchase a minimum quantity of the product before the end of 2023.

Finally, the Infection Control division recorded no sales in in 1H23 as consumer demand and interest in sanitising solutions have declined materially in this post-pandemic era. This division is Holista's smallest and newest business and its performance is not material to the group.

Nevertheless, Holista believes there are attractive industrial applications for its unique and all natural solutions and is focusing its business development efforts in the B2B space. Further details are outlined in the section below.

New Products and Outlook

Holista believes the outlook for the Group is positive due to several factors. Firstly, the decline in sales that were evident in 1H23 have tapered off and have started to stabilise in the current half.

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Additionally, strong cost control and the easing of supply chain disruptions will continue to support Holista's profitability in 2H23 when compared to the same period a year ago.

Importantly, Holista is in the process of launching, or will soon launch, a wide range of new innovative offerings that are expected to contribute to revenue growth from 2H23 onwards. The new products are for all four of Holista's divisions as detailed below.

Ovine Collagen and Infection Control

Holista has successfully filed for new collagen producing patents in Australia, New Zealand, United States of America and Malaysia. The patent protects improved processes to reduce bioburden and now also includes new innovations relating to nano collagen and exosomes¹. The patent has successfully passed the preliminaries without issues.

Meanwhile, in consultation with Guangzhou Sinbio Cosmetic Co Ltd (**Sinbio**), Holista has successfully developed a range of cosmeceutical products that leverages on the all-natural protection of the Natshield™ sanitising formulation and its unique ovine collagen solution.

These include a nasal balm for rhinitis, facial cleanser, vaginal wash, collagen face mask, anti-aging cream and a collagen with exosomes solution.

Apart from the latter, all other products are being test marketed by Sinbio, a State-Owned Enterprise and one of the largest OEM cosmetic manufacturers in China. A successful result from the test marketing exercise may lead to a commercial order, although it is too early for Holista to speculate on the timing of such orders or quantify the value of any potential contracts.

Formulations with exosomes have also been added to the mix of products being evaluated by the Chinese company.

Holista is also pleased to announce that it has developed a prototype of its first food-grade collagen ingredient utilising its patented process and is in active discussions with food and beverage (F&B) manufacturers from around the world, including China, the US and Australia. Holista will work with contract manufacturing partners to scale up production of the ingredient should it secure a commercial contract as its Collie plant manufactures cosmetic-grade collagen.

Dietary Supplements

Holista is aiming to drive growth in its Dietary Supplements division with two new product offerings targeting the premium end of the market and an affordable range of vitamins for children in Malaysia. These are two market segments that are more resilient to economic cycles.

The Group entered into an exclusive agreement with US-based Premium Vitamins and Supplements LLC to sell its Nugevity brand of vitamins in Malaysia. The popularity of the premium supplement is underpinned by the US company's partnership with the National

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

Aeronautics and Space Administration (NASA) to jointly develop nutritional technologies for use by astronauts on long-duration missions.



Holista-Nugevity brand of premium supplements for the Malaysian market are expected to be launched in the current half.

Holista also developed a fish oil supplement called Pristin Max, which is six times more concentrated than other fish oil supplements in the Malaysian market, and a low-cost range of children's supplement for economically disadvantaged households.

These three new supplements are anticipated to be launched in the current half, subject to Holista obtaining the relevant Malaysian government approvals.

Healthy Food Ingredients

Separately, Holista has developed a high-intensity sweetener and a food-grade collagen product for its Food Ingredients division. The high-intensity sweetener is 40-times more concentrated than sugar compared with its current 80Less™ offering, which is five times stronger than sugar.

As less sweetener is required, the new product will allow F&B manufacturers to further cut input costs, generate supply-chain savings and offer a healthier alternative to consumers.

This announcement has been approved by the Board of Directors.

-ENDS-

About Holista Colltech Limited

Holista Colltech Ltd ("**Holista**" or "the **Company**") is an innovator in health and wellness solutions based in Perth, Western Australia. It is listed on the Australian Securities Exchange (ASX:HCT).

Holista's core business divisions are Dietary Supplements, Healthy Food Ingredients, Ovine Collagen and Infection Control Solutions. The suite of health and food related solutions, combines the best of nature and science to address evolving needs in order that people may live better and healthier lives.

Key products include one of the market-leading and best-selling health supplements, low-GI food ingredients used by leading food manufacturers, disease-free ovine collagen, all-natural and non-toxic effective sanitisers for consumers and industrial applications.

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Over the years, the company has successfully developed and patented outstanding technologies in the field of Global Health and Wellness Industry.

Holista is passionate about combining economic success with enriching lives for a sustainable future.

For further information, please contact:

Our Investor Mailing list: investors@holistaco.com

General Enquiries: enquiries@holistaco.com

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Global Investor relations and media enquiries:

Brendon Lau, Vantage Point Partners
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M: +61 409 341 613

Holista Colltech Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Holista Colltech Limited
ABN: 24 094 515 992
Reporting period: For the half-year ended 30 June 2023
Previous period: For the half-year ended 30 June 2022

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	29.93% to	3,151,414
Loss from ordinary activities after tax attributable to the owners of Holista Colltech Limited	up	102.32% to	(1,148,615)
Loss for the half-year attributable to the owners of Holista Colltech Limited	up	102.32% to	(1,148,615)

Dividends

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

Comments

The loss for the Group after providing for income tax and non-controlling interest amounted to \$1,148,615 (30 June 2022: \$567,724).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.06</u>	<u>0.53</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been reviewed by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Holista Colltech Limited for the half-year ended 30 June 2023 is attached.

12. Signed



Signed _____

Date: 31 August 2023

Holista Colltech Limited

ABN 24 094 515 992

Interim Report - 30 June 2023

Holista Colltech Limited
Corporate directory
30 June 2023

Directors

Dr Rajen Manicka
Mr David Deloub
Mrs Loren King

Company secretary

Mr Jay Stephenson

Registered office and Principal
place of business

Australia:
283 Rokeby Road
Subiaco, WA 6008

Malaysia:
Unit 1201, 12th Floor,
Amcorp Trade Centre, PJ Tower
No. 18, Persiaran Barat
46000 Petaling Jaya, Malaysia
Telephone: +603 7965 2828
Facsimile: +603 7965 2777
Email: enquiries@holistaco.com
Website: www.holistaco.com

Share register

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: 1300 850 505 (investors within Australia)
Telephone: +61 (0)3 9415 4000
Email: web.queries@computershare.com.au
Website: www.investorcentre.com

Auditor

Stantons
Level 2, 40 Kings Park Road
West Perth WA 6005, Australia
Telephone: +61(0)8 9481 3188
Facsimile: +61(0)8 9321 1204

Solicitors

Edwards Mac Scovell
Level 1/8, St. Georges Terrace
Perth WA 6005, Australia
Telephone: +61(0)8 6245 0222

Bankers

National Australian Bank

Stock exchange listing

Holista Colltech Limited shares are listed on the Australian Securities Exchange (ASX code: HCT).

Media Enquiries

Global investor relations and media enquires:
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Telephone: +61 409 341 613

Holista Colltech Limited
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Holista Colltech Limited (referred to hereafter as 'Holista', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2023.

Directors

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

Dr Rajen Manicka	Managing Director and Chief Executive Officer
Mr Walter Edward Joseph	Non-Executive Director (resigned on 6.4.2023)
Mr. David Deloub	Non-Executive Chairman (appointed on 6.4.2023)
Mrs Loren King	Non-Executive Director

Principal activities

The principal activities of the Group are the manufacture and sale of health-style products, focusing on the following core areas:

- Dietary Supplements
- Healthy Food Ingredients
- Ovine Collagen
- Infection Control Solutions

Dividends

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

Operating and financial review

Holista posted stronger operating margins but a drop in revenue for the six months to 30 June 2023 (1H 2023), compared to the previous corresponding period (pcp), meaning 1H 2022, as rising cost of living and a slowing economy weighed on sales of its products.

Total interim Group revenue decreased by 30% to \$3.2 million and the loss for the Group after providing for income tax and non-controlling interest increased to \$1,148,615 (30 June 2022: \$567,724), while gross profit margins increased to 53% from 49% due to a favourable change in the sales mix and easing cost pressures.

During the interim financial period, the Group focused on:

- Dietary Supplements
- Healthy Food Ingredients
- Ovine Collagen
- Infection Control Solutions

Dietary Supplements

Holista's largest division, Dietary Supplements, recorded a 17.3% pcp decline in interim revenue to \$2.8 million in the first half of 2023. The slowing economy and changes to its sales team negatively impacted on sales of Holista's market leading supplements in Malaysia.

Healthy Food Ingredients

The Group's Healthy Food Ingredients division reported a 68.6% pcp decline in revenue to \$315K as strong ongoing orders from food and beverage (F&B) manufacturer, Rex Industry Bhd, were not sufficient to offset softer demand from other customers.

Ovine Collagen

The Ovine Collagen division recorded a 50.7% pcp decline in first half revenue to \$60K but is expecting to deliver a stronger second half result as Holista has a binding sales contract with Behn Meyer Thailand that obligates the cosmetic manufacturer to purchase a minimum quantity of the product before the end of 2023.

Infection Control Solutions

the Infection Control division recorded no sales in in 1H 2023 as consumer demand and interest in sanitising solutions have declined materially in this post-pandemic era. This division is Holista's smallest and newest business and its performance is not material to the group.

Outlook and Projects

Holista believes the outlook for the Group is positive due to several factors. Firstly, the decline in sales that were evident in 1H 2023 have tapered off and have started to stabilise in the current half.

Additionally, strong cost control and the easing of supply chain disruptions will continue to support Holista's profitability in 2H 2023 when compared to the same period a year ago.

Importantly, Holista is in the process of launching, or will soon launch, a wide range of new innovation offerings that are expected to contribute to revenue growth from 2H 2023 onwards. The new products are for all four of Holista's divisions as detailed below.

Dietary Supplements

Holista is aiming to drive growth in its Dietary Supplements division with two new product offerings targeting the premium end of the market and an affordable range of vitamins for children in Malaysia. These are two market segments that are more resilient to economic cycles.

The Group entered into an exclusive agreement with US-based Premium Vitamins and Supplements LLC to sell its Nugevity brand of vitamins in Malaysia. The popularity of the premium supplement is underpinned by the US company's partnership with the National Aeronautics and Space Administration (NASA) to jointly develop nutritional technologies for use by astronauts on long-duration missions.

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Ovine Collagen and Infection Control

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Holista Colltech Limited
Directors' report
30 June 2023

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Holista is also pleased to announce that it has developed a prototype of its first food-grade collagen ingredient utilising its patented process and is in active discussions with food and beverage (F&B) manufacturers from around the world, including China, the US and Australia. Holista will work with contract manufacturing partners to scale up production of the ingredient should it secure a commercial contract as its Collie plant manufactures cosmetic-grade collagen.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Future Developments, Prospects and Business Strategies


There are no other likely developments, future prospects and business strategies not included in this Directors' report.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



DR RAJEN MANICKA
Chief Executive Officer

31 August 2023



Stantons

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31 August 2023

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 review of the financial statements of Holista Colltech Limited for the half-year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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

Samir Tirodkar
Director



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Holista Colltech Limited

Contents

30 June 2023

Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Condensed notes to the consolidated financial statements	11
Directors' declaration	19
Independent auditor's review report to the members of Holista Colltech Limited	20

General information

The financial statements cover Holista Colltech Limited as a Group consisting of Holista Colltech Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Holista Colltech Limited's functional and presentation currency.

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

Registered office

283 Rokeby Road
Subiaco
WA 6008
Australia

Principal place of business

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2023.

Holista Colltech Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2023

	Note	Consolidated 30 June 2023 \$	30 June 2022 \$
Revenue			
Revenue		3,151,414	4,497,374
Other income	3	-	30,990
Expenses			
Change in inventories of finished goods and work in progress		(405,986)	498,886
Raw materials and consumables used		(867,650)	(2,536,142)
Distribution costs and other costs of sales		(218,259)	(253,651)
Advertising and promotion		(241,380)	(251,999)
Consultancy and professional fees		(472,903)	(357,161)
Depreciation and amortisation		(124,441)	(139,047)
Employment costs		(1,251,362)	(1,448,931)
Finance costs		(40,471)	(32,099)
Foreign exchange loss		(38,096)	2,119
Impairment	4	(82,806)	(54,217)
Research and development		(60,912)	(38,373)
Other expenses	4	(533,938)	(348,023)
(Loss) before income tax expense		(1,186,790)	(430,274)
Income tax expense		(70,695)	(119,956)
(Loss) after income tax expense for the half-year		(1,257,485)	(550,230)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(36,487)	2,717
Other comprehensive (Loss) for the half-year, net of tax		(36,487)	2,717
Total comprehensive (Loss) for the half-year		<u>(1,293,972)</u>	<u>(547,513)</u>
(Loss) for the half-year is attributable to:			
Non-controlling interest		(108,870)	17,494
Owners of Holista Colltech Limited		(1,148,615)	(567,724)
		<u>(1,257,485)</u>	<u>(550,230)</u>
Total comprehensive (Loss) for the half-year is attributable to:			
Non-controlling interest		(190,431)	(41,998)
Owners of Holista Colltech Limited		(1,103,541)	(505,515)
		<u>(1,293,972)</u>	<u>(547,513)</u>
		Cents	Cents
Basic loss per share	12	(0.41)	(0.21)
Diluted loss per share	12	(0.41)	(0.21)

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

Holista Colltech Limited
Consolidated statement of financial position
As at 30 June 2023

		Consolidated	
	Note	30 June 2023	31 December 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		54,242	117,528
Trade and other receivables	5	1,058,629	1,321,880
Inventories		776,985	1,411,962
Income tax recoverable		90,909	68,204
Other current assets	6	1,086,765	1,146,780
Total current assets		<u>3,067,530</u>	<u>4,066,354</u>
Non-current assets			
Property, plant, and equipment		797,206	898,361
Right-of-use assets		292,177	335,884
Intangible assets		92,533	104,610
Deferred tax assets		65,373	67,831
Total non-current assets		<u>1,247,289</u>	<u>1,406,686</u>
Total assets		<u>4,314,819</u>	<u>5,473,040</u>
Liabilities			
Current liabilities			
Trade and other payables	7	2,449,092	2,269,349
Contract liabilities		60,754	52,851
Borrowings	8	484,781	483,087
Income tax		-	37,050
Provisions		46,006	40,530
Total current liabilities		<u>3,040,633</u>	<u>2,882,867</u>
Non-current liabilities			
Borrowings	8	426,921	457,562
Provisions		333,819	333,819
Lease liabilities		250,844	242,218
Total non-current liabilities		<u>1,011,584</u>	<u>1,033,599</u>
Total liabilities		<u>4,052,217</u>	<u>3,916,466</u>
Net assets		<u>262,602</u>	<u>1,556,574</u>
Equity			
Issued capital	9	21,787,478	21,787,478
Reserves		(54,878)	(99,952)
Accumulated losses		(20,006,849)	(18,858,234)
Equity attributable to the owners of Holista Colltech Limited		1,725,751	2,829,292
Non-controlling interest		(1,463,149)	(1,272,718)
Total equity		<u>262,602</u>	<u>1,556,574</u>

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

Holista Colltech Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2023

Consolidated	Issued capital \$	Foreign exchange translation reserve \$	Accumulated Losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2022	21,707,478	(204,502)	(17,405,332)	(1,121,431)	2,976,213
Loss after income tax benefit for the half-year	-	-	(567,724)	17,494	(550,230)
Other comprehensive income for the half-year, net of tax	-	62,209	-	(59,492)	2,717
Total comprehensive income for the half-year	-	62,209	(567,724)	(41,998)	(547,513)
Balance at 30 June 2022	<u>21,707,478</u>	<u>(142,293)</u>	<u>(17,973,056)</u>	<u>(1,163,429)</u>	<u>2,428,700</u>

Consolidated	Issued capital \$	Foreign exchange translation reserve \$	Accumulated Losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2023	21,787,478	(99,952)	(18,858,234)	(1,272,718)	1,556,574
Loss after income tax expense for the half-year	-	-	(1,148,615)	(108,870)	(1,257,485)
Other comprehensive income for the half-year, net of tax	-	45,074	-	(81,561)	(36,487)
Total comprehensive income for the half-year	-	45,074	(1,148,615)	(190,431)	(1,293,972)
Balance at 30 June 2023	<u>21,787,478</u>	<u>(54,878)</u>	<u>(20,006,849)</u>	<u>(1,463,149)</u>	<u>262,602</u>

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

Holista Colltech Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2023

	Consolidated	Consolidated
	30 June 2023	30 June 2022
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,542,917	5,216,267
Payments to suppliers (inclusive of GST) and employees	(3,430,647)	(5,570,719)
Interest received	-	76
Finance costs	(40,471)	(32,099)
Net Income tax paid	(96,586)	(84,728)
Net cash used in operating activities	(24,787)	(471,203)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(4,569)	(51,131)
Increase of deposits/investments	(19,896)	(325)
Proceeds from disposal of property, plant and equipment	-	30,914
Net cash used in investing activities	(24,465)	(20,542)
Cash flows from financing activities		
Proceeds from Issue of Shares	1,113	-
Proceeds from borrowings	1,993,235	1,946,603
Repayment of borrowings	(1,988,872)	(1,956,384)
Repayment of lease liabilities	(21,524)	(15,025)
Net cash used in financing activities	(16,048)	(24,806)
Net decrease in cash and cash equivalents	(65,300)	(516,551)
Cash and cash equivalents at the beginning of the financial half-year	117,528	1,213,093
Change in foreign currency held	2,014	603
Cash and cash equivalents at the end of the financial half-year	<u>54,242</u>	<u>697,145</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The financial 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 after tax for the period of \$1,257,485 (June 2022: \$550,230 loss) and a net cash outflow from operating activities of \$24,787 (30 June 2022: \$471,203 outflow). As at 30 June 2023, the Group has generated a working capital of \$26,897 (31 December 2022: \$1,183,487 working capital).

This financial statements 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.

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 statements.

Note 2. Operating segments

Identification of reportable operating segments

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

Holista Colltech Limited
Condensed notes to the consolidated financial statements
30 June 2023

Note 2. Operating segments (continued)

Segment Performance

	Supplements \$	Sheep Collagen \$	Food ingredients \$	Infection Control Solutions \$	Corporate \$	Total \$
Half-year ended 30 June 2023						
Revenue						
External sales	2,776,782	60,000	314,590	42	-	3,151,414
Other revenue	-	-	-	-	-	-
	<u>2,776,782</u>	<u>60,000</u>	<u>314,590</u>	<u>42</u>	<u>-</u>	<u>3,151,414</u>
Reconciliation of segment revenue to group revenue: Total group revenue and other income						3,151,414
Segment Profit/(Loss) from continuing operations before tax	248,544	(298,875)	(379,886)	(48,918)	(707,655)	(1,186,790)
	Supplements \$	Sheep Collagen \$	Food Ingredients \$	Infection Control Solutions \$	Corporate \$	Total
Half-Year ended 30 June 2022						
Revenue						
External sales	3,356,556	121,670	1,002,557	16,591	-	4,497,374
Other revenue	-	-	-	-	30,990	30,990
Total segment revenue	<u>3,356,556</u>	<u>121,670</u>	<u>1,002,557</u>	<u>16,591</u>	<u>30,990</u>	<u>4,528,364</u>
Reconciliation of segment revenue to group revenue: Total group revenue and other income						4,528,364
Segment (Loss) from continuing operations before tax	666,978	(211,895)	(200,629)	(116,417)	(568,311)	(430,274)

Holista Colltech Limited
Condensed notes to the consolidated financial statements
30 June 2023

Note 2. Operating segments (continued)

Segment Financial Position

	Supplements \$	Sheep Collagen \$	Food Ingredients \$	Infection Control Solutions \$	Corporate \$	Total \$
As at 30 June 2023						
Segment Assets	2,427,916	5,075,433	1,472,460	(861)	-	8,974,948
Intra-segment eliminations	-	-	-	-	(4,660,129)	(4,660,129)
Total assets	2,427,916	5,075,433	1,472,460	(861)	(4,660,129)	4,314,819
Segment liabilities	(1,712,583)	(3,435,982)	(4,274,946)	(371,968)	-	(9,795,478)
Intra-segment eliminations	-	-	-	-	5,743,262	5,743,262
Total liabilities	(1,712,583)	(3,435,982)	(4,274,946)	(371,968)	5,743,262	(4,052,217)
Total net assets/(liabilities)	715,333	1,639,451	(2,802,486)	(372,829)	1,083,133	262,602

	Supplements \$	Sheep Collagen \$	Food Ingredients \$	Infection Control Solutions \$	Corporate \$	Total \$
As at 31 December 2022						
Segment Assets	3,069,194	5,256,297	2,289,398	196,633	-	10,811,522
Intra-segment eliminations	-	-	(668,179)	-	(4,670,303)	(5,338,482)
Total assets	3,069,194	5,256,297	1,621,219	196,633	(4,670,303)	5,473,040
Segment Liabilities	(1,765,545)	(2,748,008)	(4,987,737)	(415,065)	-	(9,916,355)
Intra-segment eliminations	-	-	298,057	-	5,701,832	5,999,889
Total liabilities	(1,765,545)	(2,748,008)	(4,689,680)	(415,065)	5,701,832	(3,916,466)
Total net assets/(liabilities)	1,303,649	2,508,289	(3,068,461)	(218,432)	1,031,529	1,556,574

Note 3. Other income

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Gain on disposal of property, plant and equipment	-	30,914
Interest income	-	76
Other income	-	30,990

Holista Colltech Limited
Condensed notes to the consolidated financial statements
30 June 2023

Note 4. Loss before income tax

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Impairment</i>		
Impairment on credit losses (note 5)	82,806	54,217
<i>Other expenses</i>		
Compliance and regulatory costs	83,946	85,350
Insurance	41,857	42,586
Other expenses	10,253	10,122
Stock written off	181,927	-
Collie factory maintenance costs	58,186	64,133
Audit fees	52,102	47,784
Office rental expense and occupancy costs	105,667	98,048
	<u>533,938</u>	<u>348,023</u>

Note 5. Trade and other receivables

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
<i>Current assets</i>		
Trade receivables	2,994,732	3,293,464
Less: Allowance for expected credit losses	<u>(2,003,954)</u>	<u>(2,090,325)</u>
	990,778	1,203,139
<i>Other receivables</i>		
Other receivables	8,459	60,620
Amounts advanced to a related party	180,623	180,623
Amounts advanced to a third party	294,534	294,534
Less: allowance for expected credit losses	<u>(475,157)</u>	<u>(475,157)</u>
Interest receivable	59,392	58,121
	<u><u>1,058,629</u></u>	<u><u>1,321,880</u></u>

The average credit period on sales of goods ranges from 30 to 65 days. Interest is not charged. During the period ended 30 June 2023 an allowance of \$82,806 has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods, determined by reference to past default experience. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

The amounts advanced to related party and to a third party were fully impaired since the financial year ended 2021.

Holista Colltech Limited
Condensed notes to the consolidated financial statements
30 June 2023

Note 6. Other current assets

	Consolidated	31 December
	30 June 2023	2022
	\$	\$
<i>Current assets</i>		
Prepayments	263,341	365,093
Security deposits	110,806	94,904
Other deposits	33,408	15,048
Loan to a related party	559,517	547,542
Right of return assets	119,693	124,193
	<u>1,086,765</u>	<u>1,146,780</u>

Included in prepayment is an amount of \$428,052 for deposit and advances previously made to Proimmune Company LLC for supply contract. As disclosed in 31 December 2020 annual report, Proimmune Company LLC filed for purported breached of supply contracts by the Company in February 2020. As it is not practical to estimate when the decision of the court will be made, the prepayments has been fully impaired.

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

Loan to a related party as at 30 June 2023 is related to loan to Galen BioMedical Inc - related party which is non-interest bearing and repayable upon demand.

Note 7. Trade and other payables

	Consolidated	31 December
	30 June 2023	2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,436,835	1,128,239
Accruals	456,548	416,745
Dividends payable	25,975	25,419
Refund liability	427,853	516,158
Other payables - current	101,881	182,788
	<u>2,449,092</u>	<u>2,269,349</u>

Holista Colltech Limited
Condensed notes to the consolidated financial statements
30 June 2023

Note 8. Borrowings

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
<i>Current liabilities</i>		
Term Loan	32,593	32,888
Banker's acceptance	436,464	434,812
Loan from related parties	15,724	15,387
	<u>484,781</u>	<u>483,087</u>
<i>Non-current liabilities</i>		
Term loan	<u>426,921</u>	<u>457,562</u>

Note 9. Issued capital

	Consolidated			
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	Shares	Shares	\$	\$
Fully paid ordinary shares	<u>278,800,067</u>	<u>278,800,067</u>	<u>21,787,478</u>	<u>21,787,478</u>

Ordinary shares

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.

Note 10. Dividends

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

Note 11. Contingent liabilities

Gara Group, Inc. ("Gara Group")

This case was about iGalen(a related company and a customer of the Group), acting as plaintiff, filed an action against Gara Group, Inc. and others on 27 September 2019, alleging breach of contract, breach of covenant of good faith and fair dealing, and intentional interference with economic relations. This complaint stems from the Gara Group's failure to provide services including product fulfillment, software development and maintenance of non-site platform which manages the Company's back office and managing the Company's social media sites. Two weeks later, the Gara Group filed a complaint against the Company for breach of contract, breach of covenant of good faith and fair dealing, quantum meruit, intentional misrepresentation, negligent misrepresentation, open book account, intentional interference with prospective economic advantage, alter-ego liability, and accounting. The Company then filed a related complaint in Florida in early 2020.

This case has now been dismissed with prejudice.

Prolmmune Company LLC ("Prolmmune")

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

Holista Colltech Limited
Condensed notes to the consolidated financial statements
30 June 2023

Note 11. Contingent liabilities (continued)

The court granted partial summary judgment on the issue of liability in favour of Prolmmune, however failed to award any damages until it received further legal briefing on whether or not (a) Prolmmune had a duty to mitigate its damages (in which case it could likely be awarded nothing or an amount to be determined); (b) whether the last contract entered into by the parties was still in full force and effect and (c) legal cost claimed by the plaintiff's legal councils. This briefing and appeal were provided to the court in the middle of 2023, but no decision was ever rendered by the Court till date.

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

Australian Securities and Investments Commission ("ASIC")

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

ASIC and the Group have gone through mediation process and the case was listed for mediation in April 2022 and August 2022 but no settlement was reached. In parallel to this mediation, legal proceeding is ongoing whereby the Court have fixed a further case management hearing in October 2022. Both ASIC and the Group have submitted their respective affidavits and evidence on 24 February 2023 to the Court. The first case management was listed on 1 March 2023 where the Court has directed to file all documents to rely on trial by end of March 2023. The matter is listed for trial for 3 weeks and 8 weeks prior to the trial, all parties are to attend a further mediation before the Registrar.

On 17 March 2023, the Court has listed the matter for trial for 2 weeks from 9 to 20 October 2023 (inclusive) followed by 1 week in reserve from 4 to 8 December 2023 (inclusive).

On 17 July 2023, all the parties attended a further mediation the Registrar as directed by the Court. The matter will shortly be listed for a further mediation mention with the new Registrar as the existing Registrar will be reassigned. The Group is also requested to provide any further offers prior to the next mediation, tentatively scheduled sometime by mid of September 2023.

In view of inconclusive status of this matter, no liabilities are being admitted by the Group at the date of this report. The case is still progressing to trials in Court. The exposure to the Group always exists. However, management maintains its claims and will defend the allegation in the Court. In the view of the management, it is too early in the case to determine the amount of exposure.

Note 12. Earnings per share

	Consolidated	Consolidated
	30 June 2023	30 June 2022
	\$	\$
Loss after income tax	(1,257,485)	(550,230)
Non-controlling interest	108,870	(17,494)
Loss after income tax attributable to the owners of Holista Colltech Limited	<u>(1,148,615)</u>	<u>(567,724)</u>
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	<u>278,800,067</u>	<u>275,349,087</u>
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	<u>278,800,067</u>	<u>275,349,087</u>

Holista Colltech Limited
Condensed notes to the consolidated financial statements
30 June 2023

	Cents	Cents
Basic loss per share	(0.41)	(0.21)
Diluted loss per share	(0.41)	(0.21)

There are no options and performance rights outstanding as at the end of the financial period.

Note 13. Events after the reporting date

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Holista Colltech Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached consolidated financial statements and condensed notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached consolidated financial statements and condensed notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



DR RAJEN MANICKA
Chief Executive Officer

31 August 2023

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Holista Colltech Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Holista Colltech Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's *Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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* has been given to the directors of the Company on 30 August 2023.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss after income tax of \$1,257,485 and in net cash outflow from operating activities of \$24,787 during the half-year ended 30 June 2023. These events or conditions, along with other matters, as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusion is not modified with respect to this matter.



Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

A handwritten signature in black ink that reads "Samir Tirodkar". Above the signature, the text "Stantons International Audit and Consulting Pty Ltd" is written in a cursive script.

Samir Tirodkar
Director

West Perth, Western Australia
31 August 2023

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