HOLISTA COLLTECH

Appendix 4D
Half Year Report Period Ended 31 December 2009

Results for announcement to the Market

	Percentage Change			$'000
Revenue from ordinary activities	Up	7.1%	to	3,050
Loss from ordinary activities after tax	Down		to	(1,500)
Net loss for the period attributable to members	Down		to	(1,527)

Dividends

	Amount per security	Franked Amount
Current period:		
Interim Dividend	NIL	N/A
Date the Dividend is Payable:	N/A	
Record Date for determining entitlements to the Dividend:	N/A	
Prior corresponding period:		
Interim Dividend	NIL	N/A

Net Tangible Assets per Security

As at 31 December 2008	3.14 cents
As at 31 December 2009	4.41 cents

Entities Gained Control over

Control was gained over Holista Biotech Sdn Bhd in July 2009.

In accordance with Listing Rule 4.2A, the Interim Financial Report for the six months ended 31 December 2009 of Holista Colltech Limited (ASX: HCT) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2009.

Holista CollTech Limited

(Formerly CollTech Australia Limited)

ABN 24 094 515 992

Interim Financial Report

31 December 2009

HOLISTA
BIOTECH
... adding science to Nature.

Contents

CORPORATE DIRECTORY

DIRECTORS
Mr Mick Aw, Chairman
Dato Dr M. Rajen
Mr Ravindran Govindan
Dr Fathil Bin Mohamed
Mr Michael Pixley

COMPANY SECRETARY
Mr Ben Donovan

REGISTERED & HEAD OFFICE
Suite 2
34 Salvado Road
WEMBLEY, WA 6014
Tel: (08) 9426 3900
Fax (08) 9426 3909

AUDITORS
HLB Mann Judd
Chartered Accountants
Level 4, 130 Stirling Street
Perth, WA 6000
Tel: (08) 9481 0977
Fax: (08) 9481 3686

SHARE REGISTRY
Computershare Investor Services
Level 2, 45 St Georges Terrace
Perth, WA 6000
Tel: (08) 9323 2000
Fax (08) 9323 2033

DIRECTORS' REPORT

Directors

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

Mr Stephen Carter	Resigned 11 November 2009
Dato Dr. M. Rajen	Managing Director – appointed 10 July 2009
Mr Michael Pixley	Non-Executive Director – appointed 13 February 2004
Mr Ravindran Govindan	Non-Executive Director – appointed 30 May 2008
Dr Fathil Bin Mohamed	Non-Executive Director – appointed 15 May 2008
Mr Mick Aw	Non-Executive Director – appointed 7 August 2009

Review of Operations for the period ending 31 December 2009

- The Company announced the completion of the acquisition of Holista Biotech Sdn Bhd in July 2009 following shareholder approval.
- Following the acquisition, Dato Dr M. Rajendran A/L V. Marnickasagar was appointed as Managing Director.
- The Company undertook a 10:1 consolidation of its shares.
- Following the completion of the acquisition, the Group now has a suite of products in the market place, together with a strong development pipeline which will position the Group for expansion into ASEAN, Indian and Chinese markets.
- The Group continues to lodge patents and develop products with key industry players in the United Kingdom, the USA, China and India.
- The financial position of the Company and the Group has been strengthened. $3,000,000 raised following the successful placement of shares in July and September 2009.

Australian Operations

The Group's Collie operation remains in maintenance mode, with no production recorded during the period. All equipment is being maintained and the Group is investigating ways to move its collagen production to Malaysia, which will offer significant cost and logistic advantages.

The Group continues to maintain staffing levels at maintenance mode, with Dr Deborah Cooper now appointed to the Scientific Advisory Board.

Collagen

The Group continues to focus on food grade collagen with significant high volume opportunities presenting themselves especially in Asia where cultural and religious issues could make collagen from pigs (porcine) and cows (bovine) far less attractive when compared to sheep (ovine collagen). The Group continues to work with the Science University of Malaysia to develop the process to create collagen molecules of 3 Kilo Dalton size – a vital market requirement for food grade collagen. There is also focus on using enzymes that would fit "halal" certification requirements.

By moving the manufacturing of collagen to Malaysia, the Group is aiming to keep costs lower in the event of scaling up production given the closer proximity to emerging markets in China and India.

The Group's provisional patent in nano-collagen lapsed during the period. However, steps have been taken to reactivate follow-on work in Hamdard University. Hamdard is a leading center of excellence in nanotechnology. It is likely a patent will be filed in early March 2010.

Work continues to find a method to encase the nano collagen particles in liposome or phospholipid encapsulation. A concept product is likely toward the end of April 2010. Work is also progressing with the Indian Institute of Immunology to develop safety data for nano collagen particles.

Medical collagen continues to present hurdles to the Group and it has been decided to not push ahead with this product.

Supplementary Business

The Group's Malaysian subsidiary Holista Biotech Sdn Bhd' original core business continues to remain profitable, with more than 20 products now being distributed through pharmacies in Malaysia.

Pristin continues to be the market leader in premium grade fish oil in Malaysia.

Product Development

The Group continues to develop a range of new products, with two of the key products being TMOF and BluOxy.

TMOF

Trysin Modifying Oostatic Factor ("TMOF") is a mosquito enzyme that shuts off digestion of mosquito larvae. The larvae starve to death as a result. This safely and effectively eliminates the mosquito menace in the most vulnerable part of its lifecycle. The technology is safe, natural and does not affect any other species except mosquitoes.

The Malaysian Government has already placed an order and a field trial is in progress in the dengue-infested state of Selangor in Malaysia. Trials are being planned in Zambia and Indochina for later in the year.

BluOxy

BluOxy is a proprietary blend of natural substances that safely and effectively kills more than 100 known disease-causing agents. The Group is currently in discussion with several medical centres and the American Botanical Council to develop this compound further.

Future Research and Development

Progress is being made on the development of products for use in the fast food industry, which could lead to significant reductions in the amount of fat and salt absorbed.

The Group continues to work at developing products that can be protected by patents, with the aim to target large global markets.

Financial Result

The Group recorded a net loss of ($1,500,172) in the half year ended 31 December 2009, compared to a net profit of $986,390 for the six-month period ended 31 December 2008. The decline was mainly attributed to:

- The write down of goodwill due to the expiry of several patents ($919,470)
- Non-recurring other income (sale of Fixed Assets and FD Interest) ($485,482)
- Non-recurring expenses associated with the Reverse Takeover exercise ($575,662)
- Increased staff and promotional costs ($307,829)

No interim dividend was paid or declared for the period.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Group with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

....

Mick Aw

Chairman

26 February 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Holista Colltech Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Holista Colltech Limited and the entities it controlled during the period.

Perth, Western Australia
26 February 2010

W M CLARK
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated 31-Dec-09	Consolidated 31-Dec-08
		$	$
Revenue		3,050,370	2,847,396
Other income	2	296,643	782,125
Change in inventories of finished goods and work in progress		(44,071)	166,746
Raw materials and consumables used		(1,155,408)	(991,902)
Employee benefits expense		(90,301)	(62,727)
Depreciation and amortisation expense		(131,102)	(87,763)
Impairment of intangible assets	10	(919,470)	-
Finance costs		(172,272)	(138,846)
Other expenses		(2,334,561)	(1,526,013)
Profit (Loss) before income tax expense		**(1,500,172)**	**989,016**
Income tax expense		-	(2,626)
Profit (Loss) for the period		**(1,500,172)**	**986,390**
Other comprehensive income			
Exchange differences on translation of foreign operations		(27,780)	387,287
Other comprehensive loss for the period, net of tax		**(27,780)**	**387,287**
Total comprehensive loss for the period		**(1,527,952)**	**1,373,677**
Basic earnings/(loss) per share (cents per share)		(1.30)	1.28
Diluted earnings/(loss) per share (cents per share)		(1.30)	1.28

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	Consolidated 31-Dec-09 $	31-Dec-08 $
Assets			
Current Assets			
Cash and cash equivalents		3,644,072	2,911,032
Trade and other receivables		1,413,692	1,351,864
Inventories		689,712	1,091,052
Other		15,274	1,178,680
Total Current Assets		**5,762,750**	**6,532,628**
Non-Current Assets			
Property, plant and equipment		3,953,053	2,459,320
Intangible assets	10	22,504	22,046
Total Non-Current Assets		**3,975,557**	**2,481,366**
Total Assets		**9,738,307**	**9,013,994**
Liabilities			
Current Liabilities			
Trade and other payables		842,805	1,401,656
Borrowings		1,600,809	3,317,760
Current tax liabilities		43,219	72,227
Other liabilities	4	346,746	665,246
Total Current Liabilities		**2,833,579**	**5,456,889**
Non-Current Liabilities			
Borrowings		1,165,784	1,114,876
Total Non-Current Liabilities		**1,165,784**	**1,114,876**
Total Liabilities		**3,999,363**	**6,571,765**
Net Assets		**5,738,944**	**2,442,229**
Equity			
Issued capital	3	8,635,343	2,572,273
Other reserves		117,329	290,369
Accumulated losses		(3,013,728)	(420,413)
Total Equity		**5,738,944**	**2,442,229**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

		Consolidated			
	Notes	Issued Capital	Accumulated Losses	Other Reserves	Total Equity
		$	$	$	$
Balance at 1 July 2008		**2,572,273**	**(1,406,803)**	**(96,918)**	**1,068,552**
Profit for the period		-	986,390	-	986,390
Exchange differences arising on translation of foreign operations		-	-	387,287	387,287
Balance at 31 December 2008		**2,572,273**	**(420,413)**	**290,369**	**2,442,229**
Balance at 1 July 2009		**2,572,273**	**(1,513,556)**	**145,109**	**1,203,826**
Loss for the period		-	(1,500,172)	-	(1,500,172)
Exchange differences arising on translation of foreign operations		-	-	(27,780)	(27,780)
Shares issued during the half-year		6,063,070	-	-	6,063,070
Balance at 31 December 2009		**8,635,343**	**(3,013,728)**	**117,329**	**5,738,944**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated 31-Dec-09 $	31-Dec-08 $
Cash flows from operating activities			
Receipts from customers		3,216,992	3,823,980
Payments to suppliers and employees		(4,290,431)	(3,816,523)
Finance costs		(172,272)	(138,845)
Interest received		12,276	-
Income tax paid		(5,824)	(33,750)
Net cash used in operating activities		**(1,239,259)**	**(165,138)**
Cash flows from investing activities			
Payments for property, plant and equipment		(107,148)	(703,099)
Proceeds from sale of property, plant and equipment		20,597	596,147
Net cash used in investing activities		**(86,551)**	**(106,952)**
Cash flows from financing activities			
Proceeds from issue of shares		2,975,547	-
Proceeds from borrowings		370,336	1,734,941
Repayment of borrowings		(421,275)	(451,992)
Other		180,000	-
Net cash provided by financing activities		**3,104,608**	**1,282,949**
Net increase in cash held		1,778,798	1,010,859
Cash and cash equivalents at the beginning of the period		1,989,003	1,444,614
Effects of exchange rate fluctuations on cash held		(123,729)	455,559
Cash and cash equivalents at the end of the period		**3,644,072**	**2,911,032**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations including AASB 134 and complies with other requirements of the law. Compliance with AASB 134 ensures compliance with IAS 134 "Interim Financial Reporting".

Holista CollTech Limited is a listed public company, incorporated and domiciled in Australia with subsidiary companies operating in Malaysia. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Holista CollTech Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards**.**

(b) Adoption of new and revised standards

In the half-year ended 31 December 2009, Holista CollTech Limited has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009.

During the current period, certain accounting policies have changed as a result of new or revised accounting standards, which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Presentation of Financial Statements – revised AASB 101 *presentation of financial statements*
- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Business combinations – revised AASB 3 *Business Combinations*
- Segment reporting – new AASB 8 *Operating Segments*

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Items of income and expenses not recognized in profit or loss are now disclosed as components of "other comprehensive income".

Principles of Consolidation

AASB 127 (revised) required the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with any minority interests were treated as transactions with parties external to the group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must be re-measured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

The Group will in future allocate losses to any non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as none of the non-controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity, no transactions with non-controlling interests and no dividends paid out of pre-acquisition profits.

Business Combinations

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments included at their respective fair values. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of the acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial recognition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

Holista CollTech Limited (formerly CollTech Australia Limited) is a company domiciled in Australia. The consolidated balances of the company for the half-year ended 31 December 2009 include the company and its subsidiaries, including Holista Biotech Sdn Bhd. Holista CollTech Limited acquired Holista Biotech Sdn Bhd on 10 July 2009. In accordance with AASB 3 Business Combinations, this acquisition was determined to be a reverse acquisition. Refer to Note 1 (r).

As a result of the acquisition of Holista Sdn Bhd being a reverse acquisition, the financial statements presented in this report represent a continuation of financial statements of Holista Biotech Sdn Bhd. and comprise the following:

- Condensed Statement of Financial Position:
  - Comparative Statement of Financial Position – Holista Biotech Sdn Bhd and its controlled entities as at 31 December 2008, being the immediately preceding annual reporting period.
  - Current Statement of Financial Position – Holista CollTech Ltd and its controlled entities as at 31 December 2009, including the reverse acquisition of Holista Biotech Sdn Bhd which comprise:
    - The historical Statement of Financial Position of Holista Biotech Sdn Bhd
    - The Statement of Financial Position of Holista CollTech Limited based on fair value at acquisition date (10 July 2009) and transactions since that date at historical cost.
- Condensed Statement of Comprehensive Income, Condensed Cash Flow Statement and Condensed Statement of Changes in Equity:
  - Comparative financial information – Holista Biotech Sdn Bhd and its controlled entities for the period from 1st July 2008 to 31st December 2008.
  - Current period financial information - Holista Biotech Sdn Bhd and its controlled entities for the period from 1st July 2009 to 31st December 2009, and Holista CollTech Limited for the period from 10 July 2009 to 31 December 2009.

Segment Reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Holista CollTech Limited.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(c) Significant accounting judgments, estimates and assumptions

The application of accounting policies requires the use of judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black & Scholes model.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

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

(ii) Interest income
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(ii) 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.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(f) Going concern

The financial statements are prepared on a going concern basis.

At balance date, the Group had a surplus of current assets over current liabilities of $2,929,171.

The Board of the Group considers that based on its assessment of operating cash flows and the capital raised to date, that it is appropriate to the group's current circumstances, to prepare its financial statements on a going concern basis.

(g) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(i) Inventories

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

- (i) Raw materials
- (ii) Purchase cost on a first-in, first-out basis; and

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(ii) Finished goods and work-in-progress
Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(j) Foreign currency transactions and balances

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of Malaysian entity is Malaysian Ringgit. The consolidated financial statements are presented in Australian Dollars, which is Holista Colltech Ltd's functional and presentation currency.

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(iii) Group Companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currently different to the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expense for each income statement are translated at average exchange rate (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and

- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are taken to shareholders equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale. Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities when the exchange rate changes.

(k) Income tax

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 sheet date.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. The Group has not recorded a tax benefit or deferred tax asset as it deems that it has not yet had sufficient taxable profit that will allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet 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 sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority are classified as operating cash flows.

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

(m) Property, plant and equipment

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. Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line or diminishing value basis, as appropriate, over the estimated useful life of the assets as follows:

- Buildings – 25 years for Perth entity and 50 Years for Malaysian entity (2% and 4%)
- Plant and equipment – over 2½ to 20 years

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item. Where land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement to the extent of previous revaluation increments.

(ii) 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)
(iii) Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a reducing balance basis or prime cost basis over their useful lives 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.

The major depreciation rates used are between 4% and 40%.

(n) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in a business combination is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The cash generating units represents group's operation in Perth Australia and Malaysia.

(o) Research and development expenditure

Research and development costs are charged to profit/loss from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs. To date no research and development costs, including costs associated with patent applications, have been deferred.

(p) Trade and other payables

Trade payables and other payables are carried at amortised costs 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.

(q) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired. In respect of step acquisitions, the excess of acquisition price over the fair value of the net assets acquired is treated as goodwill.

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.

(r) Reverse Acquisition Accounting

The transaction involving Holista CollTech Limited acquiring all the issued shares of Holista Biotech Sdn Bhd has been accounted for under the principles of Reverse Acquisition included in Australian Accounting Standard AASB 3 *Business Combinations*.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The legal structure of the Holista CollTech Limited subsequent to the acquisition of Holista Biotech Sdn Bhd will be that Holista Colltech Limited will remain as the parent entity. However, the principles of reverse acquisition accounting apply where the owner of the acquired entity (in this case, Holista Biotech Sdn Bhd) obtain control of the acquiring entity (in this case, Holista CollTech Limited) as a result of the businesses' combination. Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (Holista CollTech Limited) but are a continuation of the consolidated financial statements of the legal subsidiary (Holista Biotech Sdn Bhd), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

(s) Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

(t) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs – refer Note 1(f).

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

(u) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 2: PROFIT BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2009	31 December 2008
The following revenue and expense items are relevant in explaining the financial performance for the half-year:	$	$
Other Income		
Net gain/(loss) on the disposal of investment in subsidiary	(20,099)	267,151
Interest income	39,283	207,380
Grant (Malaysian subsidiary)	271,738	287,947
Other	5,721	19,647
	296,643	782,125

NOTE 3: ISSUED CAPITAL

	Consolidated	
	31 December 2009	31 December 2008
Ordinary shares		
Issued and fully paid	8,635,343	2,572,273

	31 December 2009	
	No.	$
Movements in ordinary shares on issue		
At 1 July 2009	770,000,000	2,572,273
Acquisition of Holista CollTech Limited	308,752,333	3,087,523
	1,078,752,333	5,659,796
10 for 1 share consolidation on 13 July 2009	(970,877,239)	-
	107,875,094	5,659,796
Shares issued during the period	21,728,187	2,975,547
At 31 December 2009	129,603,281	8,635,343

NOTE 4: Current Liabilities - Other

	Consolidated	
	31 December 2009	31 December 2008
	$	$
Amount owing to directors	341,397	665,246
Other	5,349	-
	346,746	665,246

The amount owing to directors is an unsecured, interest free loan and payable at call.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 5: SEGMENT REPORTING

Holista CollTech group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group's business involves the process of extracting and purifying collagen from animal sources in Australia for sale, as well as the development of THC, Pristin and other topical products in Malaysia. The Malaysian business is the only business producing significant revenue, and as such, it currently represents the group's sole reportable segment. The directors are of the opinion that the statement of comprehensive income of the Holista CollTech group is equivalent to the operating segment identified above and as such no further disclosure is being provided.

NOTE 6: BUSINESS COMBINATION

On 10 July 2009, the parent entity acquired 100 % of Holista Biotech Sdn Bhd, a manufacturer of health supplements and lifestyle products. The purchase was satisfied by the issue of 770,000,000 ordinary shares in exchange for all the Holista Biotech Sdn Bhd ordinary shares owned by Dato' Dr Rajendran.

Due to the nature of the acquisition, the acquisition of Holista Biotech Sdn Bhd was considered a reverse acquisition for accounting purpose. Refer to Note 1 (r) the following represents the net assets and consideration paid by Holista Biotech Sdn Bhd for CollTech Australia Limited.

The assets and liabilities comprising the acquisition as at the date of acquisition are –

	$
Cash and cash equivalents	408,340
Trade and other receivables	16,297
Property, plant and equipment	2,129,378
Other assets	23,133
Intangible assets	919,470
Trade and other payables	(119,044)
Borrowings	(290,051)
Net assets acquired	**3,087,523**
Consideration paid	
- ordinary shares	**3,087,523**

NOTE 7: OPTIONS

	No.
Movements in options over ordinary shares on issue	
Unlisted Options	
At 1 July 2009	16,620,000
13 July 2009 1 for 10 consolidation	(14,958,000)
2 August 2009 Options Expired	(35,000)
At 31 December 2009	1,627,000

NOTE 7: OPTIONS (CONT.)

	No.
Listed Options	
At 1 July 2009	64,313,083
13 July 2009 1 for 10 consolidation	(57,881,745)
30 October 2009 Options Exercised	(1,520)
31 October 2009 Options Expired	(6,429,818)
At 31 December 2009	-

NOTE 8: CONTINGENT LIABILITIES

There is no contingent liability for this reporting period.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material events subsequent to reporting date.

NOTE 10: INTANGIBLE ASSETS

	Goodwill	Other	Total
	$	$	$
Net book value			
Balance at 01 July 2009	-	-	-
Business combination on 10 July 2009	919,470	-	919,470
Impairment loss	(919,470)	-	(919,470)
Other intangible assets recognised during the year	-	22,929	22,929
Amortization expenses	-	(425)	(425)
Balance at 31 December 2009	-	22,504	22,504

Goodwill arose from the reverse acquisition of CollTech Australia Limited on 10 July 2009. Please refer to Note 6 Business Combination.

Impairment testing was carried out by the “Value In Use” method at the end of the reporting period. It has been resolved by the board of directors that the goodwill will be fully impaired. The impairment loss is recorded in the condensed statement of the comprehensive income.

DIRECTORS' DECLARATION

In the opinion of the directors of Holista CollTech Limited ('the group'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year then ended.

2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

Mick Aw

Chairman

26 February 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of
HOLISTA COLLTECH LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Holista Colltech Limited and the entities it controlled during the half-year ended 31 December 2009 ("consolidated entity").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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.* As the auditor of Holista Colltech Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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*.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
26 February 2010

W M CLARK
Partner