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**HOLISTA COLLTECH
LIMITED**

ABN 24 094 515 992

**ANNUAL REPORT
FOR THE YEAR ENDED 31 December 2016**

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ABOUT US

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

CORPORATE PROFILE

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

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

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

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

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

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

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CORPORATE INFORMATION

ABN 24 094 515 992

Directors

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

Company secretary

Mr Jay Stephenson

Registered office

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National Australia Bank
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Auditors

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue West Perth WA 6005

Stock Exchange

Australian Securities Exchange (ASX)
ASX Code: HCT

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CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the Annual Report and audited financial statements of Holista CollTech Limited ("Holista" or the "Group") for the new financial period ended 31 December 2016 ("FY2016").

The new financial year end date, announced on 9 January 2017, will allow for greater administrative efficiency in coordinating financial reporting requirements with our subsidiaries in Malaysia and the U.S.

It has been an eventful year for Holista, particularly for our breakthrough scientific formula for the world's lowest glycemic index ("GI") in white bread. We secured new partnerships across several regions including signing four non-disclosure agreements ("NDAs") with leading food manufacturers from the Asia Pacific region to implement our low-GI reducer in flour-based products.

Low-GI Breakthrough

To tackle the global pandemic of obesity and diabetes, we need to collaborate with major food manufactures and restaurant chains to enhance their recipes and make their products healthier for consumers. The solution lies in adding small amounts of simple, clean label ingredients to the flour mix without complex new equipment or changing the taste and texture.

On 12 January 2016, we announced a major scientific breakthrough: a formula for low-GI white bread, PANATURA@GI, in partnership with Europe's largest independent bakery, VERIPAN Ingredients AG ("Veripan"). White bread that was baked using our formula recorded a GI reading of 53 in tests at the University of Sydney, the lowest-ever for a "clean-label" white bread.

On 12 December 2016, we broke ground again after the group announced that the University of Sydney successfully tested four additional formulae of PANATURA@GI in white bread. Clinical trials showed that white bread made with four different blends of the formula scored readings of 49, 51 and 54 (twice).

Holista's low-GI formulae -- made from barley, fenugreek, ladies' fingers and lentil - can be added to white flour to dramatically reduce blood sugar levels without changing the taste or texture of the final baked product. The year in review saw many breakthroughs for the Group in the low-GI segment and we expect major launches in the first half of FY2017.

Subsequent to the financial year end, we announced on 6 January 2017 the collaboration with 2016 Nobel Prize Nominee, Daryl Thompson, to file a patent for the world's first low-GI sugar made out of all natural ingredients. Unlike other alternatives, our natural low-GI sugar can be melted, baked and caramelized for use in all cooking applications. The potential impact of our low-GI sugar could be significant. Holista's low-GI sugar is expected to be launched in the first half of 2017.

Holista Foods Formed

Holista also secured a landmark partnership with Nadja Foods LLC ("Nadja Foods") to co-develop clean-label low-GI muffins. On 6 April 2016, this partnership was extended to include healthy bagels, brownies and croutons. On 12 July 2016, the Group and Nadja Foods announced a 51-49 joint-venture company, Holista Foods ("Holista Foods"), to be run by Nadja Piatka as CEO. Holista Foods, based in New York, will be the distributor for our low-GI products in North America.

Nadja Foods' network and track record with North American food manufacturers and restaurant chains will accelerate market acceptance of Holista's food ingredients. Holista Foods is also in discussions with Veripan to exclusively distribute PANATURA@GI in North America.

We are proud to highlight another breakthrough for the Group in the low-GI space to develop the world's first low-GI noodles. On 21 October 2016, Holista Foods signed a Research and Development collaboration with Wing's Food Products ("Wing's") – a major North American noodle manufacturer – to develop the world's first low-GI noodles.

Based in Canada, Wing's has supplied noodles to the North American market since 1953. Wing's will test Holista's low-GI ingredient for use in noodles and Holista will provide expertise on the application of its formula.

This will have a significant global impact for the Group. According to Statista, 50% of the world's wheat is consumed as noodles, led by China and Indonesia. In the United States alone, the noodle market is worth US\$270 million. In 2015, the global demand for instant noodle amounted to 103.58 billion servings.

Food-Grade Collagen

The year in review saw the Group upgrade the collagen plant in Collie, Australia, to produce food-grade collagen. Food-grade collagen is expected to contribute better revenue as compared to its existing cosmetic-based collagen. This will be ready for commercialization by the second half of FY2017.

We are confident that food-grade collagen will be a major revenue contributor for the Group. According to U.K. biotechnology market research firm Meticulous Research, the global collagen market is expected to grow at a compounded annual rate of 6.3% from 2015, and will reach a market size of US\$3.97 billion by 2020. It also has enormous market potential as it is safe for consumption by multiple major religious groups and cultures. Our collagen product is sourced from Australia, the only country certified by the United States Department of Agriculture (USDA) to have disease-free sheep.

Sales of Supplements

In the year in review, dietary supplements remained the Group's main income contributor.

Revenue from dietary supplements increased due to the launch of new products – iNContro and BONEX ACTIV – as well as an increase of product advisor staff. We will continue to source for more potential products and supply raw materials to multi-level marketing companies.

Financial Performance

As announced on 9 January 2017, the Group changed its financial year end to 31 December (compared to 30 June previously) as part of our initiatives to streamline administrative efficiencies for financial reporting across various subsidiaries. In view of this, the financial period from July 2016 to December 2016 (i.e. six months) will be a transitional one. Thereafter, the Group will adopt financial reporting on an annual basis, with respect to a 31 December year end.

Despite the strengthening of the US Dollar against the Australian Dollar and Malaysian Ringgit, the Group recorded a net profit attributable to owners of the parent of \$166,268 for the six months ended 31 December 2016 ("6M Dec 2016"). On a 12-month basis for the period ended 30 June 2016, the Group recorded a net loss attributable to owners of the parent of \$407,930.

The Group's revenue for 6M Dec 2016 increased to \$3.7 million compared to \$3.0 million for the six months ended 31 December 2015 ("6M Dec 2015"). On a 12-month basis for the period ended 30 June 2016 ("12M FY June 2016") revenue increased to \$6.3 million primarily due to higher contribution from the dietary supplements segment. The higher revenue has played a key part in sustaining the Group's advanced research in low-GI (glycemic index) ingredients for white flour and low-GI sugar.

Outlook

Our performance during the year in review reflects confidence in the Group's ability to expand to larger markets and achieve global leadership for our brands.

The Group's biggest opportunity in FY2017 is expected to come from applications in bakeries for Holista's low-GI reducer. Holista's partnerships with Veripan AG in Europe and Nadja Foods LLC in North America, including the four NDAs with leading flour and bread manufacturers in the Asia Pacific region is expected to generate revenue in FY2017.

We are currently pursuing more strategic or joint-venture partners to develop and distribute our healthy food ingredients. We are confident that the work we undertook in FY2016 will position Holista favourably as a world-class biotechnology company.

Appreciation

On behalf of the Board of Directors, I would like to express my deepest gratitude to all stakeholders for their support. Thanks are also due to our research and development collaborators, retailers, suppliers and customers. I would also like to extend my appreciation to fellow Board members for their guidance, support and advice.

Last but not least, I would like to thank the Group's management team and staff for all their hard work.

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

Thank you.
Dr. Rajen Manicka
Chairman

BUSINESS SEGMENT

In the financial year under review, the principle activities within the consolidated group remained focus on three (3) core areas which are Healthy Food Ingredients, Dietary Supplements and Collagen. This includes marketing PANATURA®GI globally and upgrading the collagen plant in Perth to produce food-grade sheep collagen.

Healthy Food Ingredients

Dietary habits and trends are leading to a global pandemic of obesity-related diseases. In North America, the increasing consumption of white-flour based products is leading to metabolic syndrome, a health pandemic which includes symptoms such as obesity, type-2 diabetes and heart diseases.

Meanwhile, Asian diets are increasingly Westernised due to lifestyle trends. In 2014, Japan consumed more wheat than rice for the first time in history. Starch – irrespective of the source whether rice or bread – usually turns to sugar in the human body within 20 minutes and is a major contributor to obesity, diabetes and hypertension.

In the year under review, the Group's focus areas for this business segment was the Glycemic Index ("GI") Reducer.

Holista's GI reducer, a formula which consists of barley, dhal, fenugreek and okra, dramatically reduces blood sugar levels when added to white flour without changing the taste or texture of the final product.

We have made significant progress with our GI reducer since the 12 January 2016 announcement of our scientific breakthrough in achieving the world's lowest GI for white bread.

The Group partnered with Veripan Ingredients AG ("Veripan"), the largest independent bakery supplier based in Europe, to develop and market PANTURA®GI, an all-natural sourdough. White bread made with PANATURA®GI has been proven to achieve a significantly low GI reading of 55.

Since the announcement of this breakthrough, we have signed four non-disclosure agreements with leading bread makers in the Asia Pacific region. Launches from these agreements are expected in the first quarter of 2017. The global white bread market is projected to be worth US\$198.7 billion by 2020, according to Global Industry Analyst Inc.

On 3 March 2016, we began a partnership with Nadja Foods LLC ("Nadja Foods") to co-develop clean-label low-GI muffins for distribution in U.S. and Canada. The Group has successfully achieved a GI reading of 48 for muffins – the lowest-ever clean-label reading for this product category – at GI Labs, a nutrition research organization in Toronto, Canada. On 6 April 2016, Holista extended this partnership with Nadja Foods to include bagels, brownies and croutons.

Nadja Piatka, is the founder of Nadja Foods which supplies healthy snacks and desserts to the food service industry, restaurant chains and retail stores under private label and bran products. Founded in 1992, Nadja Foods customers have included Subway Restaurants®, McDonald's®, Sodexo®, Wegmans®, Price Copper and Tops. Nadja Piatka, a former guest on the Oprah Winfrey Show, made her name with low-fat muffins which has been an ever stay on McDonald's Canada menu for 23 years.

On 12 July 2016, our U.S. subsidiary Litefood Inc ("Litefood") announced the formation of a 51-49 joint venture company, Holista Foods, with Nadja Foods LLC ("Nadja Foods") to distribute our low-GI product in North America. Holista foods has food manufacturing operations in the U.S. and Canada. It will be run by Nadja Piatka as CEO.

Nadja Foods' network and track record with North American food manufacturers and restaurant chains will accelerate market acceptance of Holista's food ingredients. Holista Foods is also in discussion with Veripan to exclusively distribute PANATURA®GI.

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

On 21 October 2016, Holista Foods secured its first major collaboration following the announcement of a Research and Development collaboration with Wing's Food Products ("Wing's") – a major North American noodle manufacturer – to develop the world's first low-GI noodles.

Based in Canada, Wing's has supplied noodles to the North American market since 1953. Wing's will test Holista's low-GI ingredient for use in noodles and Holista will provide expertise on the application of its formula. Once validated, Wing's and Holista Foods will enter a commercial agreement to distribute the low-GI noodles in to the North American market.

In terms of wheat consumption, individuals are eating more noodles, especially the instant variety; low-GI noodles will have a significant global impact for the Group. According to Statista, 50% of the world's wheat is consumed as noodles, led by China and Indonesia. In the United States alone, the noodle market is worth US\$270 million. In 2015, the global demand for instant noodle amounted to 103.58 billion servings.

On 12 December 2016, we broke ground again after the group announced that the University of Sydney successfully tested four additional formulae of PANATURA®GI in white bread. Clinical trials showed that white bread made with four different blends of the formula scored readings of 49, 51 and 54 (twice).

Subsequent to the financial year end, we announced on 6 January 2017 the collaboration with 2016 Nobel Prize Nominee, Daryl Thompson, to file a patent for the world's first low-GI sugar made out of all natural ingredients. Unlike other alternatives, our natural low-GI sugar can be melted, baked and caramelized for use in all cooking applications.

The potential impact of our low-GI sugar could be significant as it can replace sugar in its many industrial applications with minimal formulation challenges. As the product is made from natural ingredients, it is unlikely to face regulatory hurdles. The Group expects to launch the product in the first half of 2017.

Having achieved significant progress with our GI Reducer, the next food ingredients which the group will focus on developing will be the Low Sodium Salt, Low Fat Chip and Low-GI Sugar.

Our Low Sodium Salt, LITESALT™, reduces sodium levels in salt by 25% to 40%, significantly lowering the risk of blood pressure and heart disease. This product also replaces sodium with a proprietary potassium blend without the unpleasant metallic taste found in common table salts. It works equally well in water and oil-based foods.

Our Low Fat Chip, Neusolite™, combines FDA-compliant ingredients in our patent-pending two-stage wash system. It dramatically reduces the amount of oil and saturated fat in deep-fried products such as chips. The final product reduces calories by up to 40%, creating crispier and healthier fried food.

Dietary Supplements

This remains our main income contributor during the year with a strong distribution network throughout Malaysia. An increase in revenue from dietary supplements was recorded at \$3,641,576 for the six (6) month period ending 31 December 2016, as compared to \$2,950,271 from the previous six (6) month period ending 31 December 2015.

The increase in revenue is attributed to the launch of new products and the increase in product advisor staff. For the twelve (12) month period ending June 2016, revenue from Dietary Supplements was recorded at \$5,961,312.

The Group markets and sells thirty-seven (37) different propriety supplements through our two wholly owned subsidiaries.

These products include Pristin® MOPL™ contains third-generation Omega-3 sourced from herring caviar harvested by Arctic Nutrition in Norway. It comes in unique phospholipids structure to make it both fat and water-soluble.

Pristin® MOPL™ is clinically proven to have significantly high absorption rate of nutrients than most products on the market. Aside from human breast milk, Omega-3 phospholipids are abundant in herring fish roe, and have more than twice the absorption rate fish oils typically sourced from salmon or krill. Aside from boosting cognitive performance, it can improve overall function of the heart, liver, kidneys, lungs and skin.

The Group has implemented initiatives to increase its presence in the Dietary Supplements market. In the year under review, we released two (2) new dietary supplement products in Malaysia: iNContro and BONEX ACTIV.

Developed in Sweden, iNContro is an all-natural spinach extract that helps to reduce hunger, control cravings and enhance satiety. iNContro has the most amount of scientific support among all weight-loss supplements in the market today with a total of nine (9) human clinical trials.

BONEX ACTIV is a supplement to help keep joints and bones healthy, developed using patented German technology that reduces the size of its collagen hydrolysate molecules for excellent water-solubility and absorption.

Aside from this, the Group has also generated a new source of revenue by supplying raw material to multi-level marketing companies. We will continue to source for new potential products in the next financial year.

Collagen

According to the U.K. biotechnology market research group Meticulous Research, the global collagen market is expected to grow at a compounded annual growth rate of 6.3% from 2015 to reach a market size of US\$3.97 billion by 2020. Growth rates in Asia, particularly China, are even faster.

In the year under review, the Group has produced small-size samples and invested in essential equipment for the commercialization of a new range of food-grade collagen. Food grade collagen is expected to be ready for commercial sale in the first quarter of 2017.

The Group is also working with a European research and development partner, Palma Biosciences, to develop variants of highly absorbed collagen for food and cosmetic application with liposome technology.

The potential of Holista's collagen products, Ovicoll (cosmetic-grade) and Ovinex (food-grade), is huge. Traditional sources of collagen – bird, cow, fish or pig – potentially carry diseases such as mad-cow disease, avian flu or toxic metal poisoning.

Collagen Type	Source	Disease Risk	Market
Bovine (Cow)	Mammal source	Disease carrying	Hindus cannot consume
Porcine (Pig)	Mammal source	Disease carrying	Muslims cannot consume
Marine (Fish)	Non-mammal source	Disease - free	All religious groups can consume
Ovine (Sheep)	Mammal source	Disease - free	All religious groups can consume

Our mammalian-sourced sheepskin-based collagen products can be consumed without cultural, religious or health concerns. It is sourced from sheep in Australia – the only country certified by the United States Department of Agriculture to have disease-free sheep.

Sheep as a source of collagen is unique and does not present cultural and religious barriers seen with collagen from cows and pigs. Ovicoll and Ovinex are also Halal certified by the Islamic Association of Kattaning.

Food grade collagen will be another important segment for the Group and we have begun optimising our Collie plant in Australia. Samples are expected to be ready in the first half of 2017 and ready for commercial sale in the second half of 2017.

KEY MILESTONES

12 December 2016	University of Sydney successfully tested four additional formulae of PANATURA®GI in white bread which scored readings of 49, 51 and 54 (twice).
15 November 2016	Holista secured a 10% free carried interest in SeD Biomedical Inc, a bio-medical research company incorporated in Delaware, USA.
21 October 2016	Development of low-GI noodles with Wing's of Canada, the largest noodle maker in North America.
18 August 2016	Holista signs non-disclosure agreements for research and development with four flour and bread manufacturers in Asia Pacific to implement low-GI formula.
12 July 2016	Holista and Nadja Foods form a 51-49 joint venture, Holista Foods, with Nadja Piatka as CEO and Dr. Rajen Manicka taking-up a board seat.
6 April 2016	Nadja Foods extends partnership with Holista to include a range of bagels, brownies and croutons.
3 March 2016	Nadja Foods LLC, founded by celebrity food expert Nadja Piatka, partners with Holista to develop and distribute a range of healthy low-GI muffins exclusively for the U.S. and Canadian market.
12 January 2016	Holista and Swiss Bakery Ingredients Specialist Veripan announce major breakthrough formulae to produce clean-label white bread with lowest glycemic index. Holista's stocks rocketed 300%.

Holista has been featured on:

The Edge
Bloomberg
Channel 7 (Australia)
New Straits Times
Business Times (Singapore)
BFM 89.9 (Radio)

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A GLOBAL SCIENTIFIC BREAKTHROUGH FOR HEALTHY WHITE BREAD

On 12 January 2016, Holista CollTech (“Holista” or the “Company”) announced that it had partnered VERIPAN AG, a Swiss supplier of specialty bakery ingredients, for a global scientific breakthrough – a blend of natural ingredients that significantly reduces blood sugar levels caused by consuming white bread.

The product, PANATURA@GI, was tested at the University of Sydney where it confirmed that the clean-label blend of okra, dhal, barley and fenugreek, achieved the world’s lowest Glycemic Index (“GI”) reading for white bread, 53.

PANATURA@GI will only increase production costs marginally and comprise approximately 5%-7% of the final formulation.

According to public health experts, rising consumption of white flour-based products is leading to a “metabolic syndrome” epidemic, characterised by obesity, diabetes and heart disease.

GI is an indicator of different carbohydrate-containing foods’ ability to raise blood glucose. GI values are measured using methods such as clinical trials, which are only provided by select nutrition researchers worldwide.

Foods with a high-GI score contain rapidly digested carbohydrates, which trigger a large and rapid rise in the levels of blood glucose and insulin. Experts believe that peaks in insulin levels are directly related to obesity, Type-2 diabetes and risk of heart disease. In contrast, low-GI foods contain slowly digested carbohydrates, which produce a gradual, relatively low rise in blood glucose and insulin levels.

Holista’s formula for low-GI white bread was released to much fanfare. More than 30 media publications in Malaysia and the region covered the story, with Bloomberg carrying an exclusive web feature on Asia’s rising flour consumption.

HOLISTA FOODS: A PARTNERSHIP WITH CELEBRITY COOK, NADJA PIATKA

Holista’s PANATURA@GI has received significant attention from the market. Most notably, the Company forged a longstanding partnership with celebrity cook and author, Ms. Nadja Piatka to develop and market various low-GI baked products.

The joint venture company and subsidiary of Holista, Holista Foods, will be the Company’s vehicle to develop and market the low-GI reducer for white bread and baked products for North America. Ms. Piatka will assume the post of CEO at Holista Foods with Dr. Rajen Manicka, CEO of Holista, taking up a board seat.

Ms. Piatka is the President and CEO of Nadja Foods, the author of two bestselling cookbooks and a previous guest on the Oprah Winfrey show. Nadja Foods (www.NadjaFoods.com) attained international fame on the back of Nadja’s own US\$100 investment. She has been frequently featured in mainstream media.

Founded in 1992, Nadja Foods is a leading healthy food supplier for restaurant chains and retail stores under private-label and branded products. Its customers have included McDonald’s Canada as well as Subway Restaurants in the U.S. and Canada. Nadja’s original Cranberry Orange fat-reduced muffin has been a McDonald’s Canada menu mainstay for more than 20 years.

On 21 October 2016, Holista Foods announced that it had partnered Wing’s, a major North American noodle manufacturer, to develop the world’s first low-GI noodles. Based in Ontario and Alberta, Canada, Wing’s has supplied noodles to the North American market since 1953.

According to market research group Statista, almost 50% of the world’s wheat is consumed as noodles, led by China and Indonesia, respectively. In comparison, only a quarter of the world’s wheat is consumed as bread. In the U.S., alone, the noodle market is worth US\$270 million. In 2015 the global demand for instant noodles amounted to 103.58 billion servings.

OTHER LOW-GI DEVELOPMENTS

Beyond its successes with Holista Foods, there have been a number of developments with PANATURA@GI in the market.

On 18 August 2016, Holista announced that it had signed Non-Disclosure Agreements with four of Asia Pacific’s top flour and bread manufacturers to begin research trials to produce healthier baked products using its GI reducer.

Holista has also successfully tested four additional formulae of the proprietary PANATURA@GI in white bread. Two recorded even lower readings than Holista’s original formula which scored the world’s lowest GI.

Looking forward, Holista is working to develop its low-GI formula for other applications such as sugar. The company has collaborated with 2016 Nobel Prize Nominee, Mr. Daryl Thompson, to file a patent for the world’s first low-GI sugar made out of all-natural ingredients.

Unlike other alternatives which can only be used in beverages, such as artificial sweeteners, Holista's natural low-GI sugar can be melted, baked and caramelised for use in all cooking applications.

The low-GI sugar formula is being refined before testing at the world renowned GI Labs in Toronto for final validation. As the product is made from natural ingredients, it is unlikely to face regulatory hurdles. Holista expects to launch the product before June 2017.

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MESSAGE FROM OUR KEY PARTNERS**Ms. Nadja Piatka****CEO of Nadja Foods and CEO of Holista Foods**

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

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

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

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

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

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

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

Thank you!

Nadja Piatka

MESSAGE FROM OUR KEY PARTNERS (continued)**Mr. Meiert J. Grootes*****Chairman of VERIPAN AG, a partner of Holista CollTech***

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

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

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

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

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

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

Thank you!

Meiert J. Grootes

DIRECTORS' REPORT

During the financial year, the Group remained focused on its three (3) core areas:-

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

Dietary Supplements

This remains the Group's main income contributor during the year.

The revenue from dietary supplements was recorded at \$3,641,576 for the six (6) month period ended 31 December 2016 as compared to \$2,950,271 from the previous six (6) month period ended 31 December 2015 due to a launch of new products and increase of product advisor staff.

Healthy Foods Ingredients

The Group's key focuses are:

- Glycemic Index ("GI") Reducer
- Low Sodium Salt
- Low Fat Chip
- Low Calorie Sugar

The Group made significant progress with its low-GI formula. On 12 January 2016, we announced our scientific breakthrough in achieving the world's first low-GI white bread in partnership with Veripan Ingredients AG ("Veripan"), the largest independent bakery supplier based in Europe. This generated significant international media coverage, including Bloomberg and Australia's Today Tonight on Channel 7 as well as significant investor interest.

Sheep (Ovine) Collagen

This area of business registered decrease during the financial period due to the seasonal nature of cosmetic collagen. We delivered 1,520kg of collagen during these 6 months as compared with 6,143kg in the previous reporting period.

Operating Results for the Year

For the six (6) month period ending December 31 2016, The Group recorded a profit from ordinary activities after tax attributable to owners of the parent of \$166,268 despite the strengthening of the US Dollar against the Australian Dollar and Malaysian Ringgit.

The Group's revenue for the six (6) month period ending December 2016 was recorded at \$3,716,876 as compared with the previous six (6) month period ending December 2015 which recorded \$3,023,592. For the twelve (12) month period ending June 2016, the group recorded a revenue of \$6,263,671. This increase in revenue can mainly be attributed to the increase of Dietary Supplement sales which offset the decrease in sales of cosmetic-grade sheep collagen, as we stripped out the plant for the new Food-Grade collagen production line.

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

Based on the above, the Group is optimistic that its new food grade collagen will be ready for commercialization in the near future once the required equipment is commissioned in its plant in Collie, Australia in November 2016.

The Group's dietary supplements business is targeted to continue growing in the coming financial year with the launch of new products. The positive development of both the healthy food ingredients in the U.S. and food grade collagen in Australia are expected to contribute positively to the Group in this coming financial year.

Financial Position

In the financial year under review, the Group's net asset increased by \$101,352 to \$3,109,378 with warrants exercised.

DIRECTORS'S REPORT (continued)**Significant Changes in the State of Affairs**

There have been no significant changes in the state of affairs of the Group during the financial period ended 31 December 2016 other than disclosed elsewhere in this Annual Report.

Dividends

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

Significant events after balance date

On 6 January 2017, the Group announced it has collaborated with 2017 Nobel Prize Nominee and emerging thought leader in carbohydrate chemistry, Daryl Thompson, to file a patent for the world's first low-Glycemic Index sugar made out of all natural-ingredients.

On 9 January 2017, Dr Rajen Manicka was granted 9,000,000 performance right in the AGM.

On 23 March 2017, a total of 6,500,000 options (warrants) were granted to plant consultants and patent holders.

On 27 March 2017, Mr Chan Heng Fai exercised 6,012,698 warrants.

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

Likely developments and expected results

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

Environmental legislation

Holista CollTech Limited has operated under environmental licence 7998/1 issued by the Western Australian Department of Environment as prescribed under the Environmental Protection Act 1986. The licence relates to collagen extraction and purification, waste water storage and wastewater disposal pipeline to the Collie Power Station marine disposal outfall tank. During the financial year the Group's operations were materially conducted in accordance with the guidelines of that licence.

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

Risk Management

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

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

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

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

Compliance and Control: Standard Operating Procedures have been drawn up, circulated and regularly monitored to

DIRECTORS' REPORT (continued)

ensure adherence to company policy. They include the various cash, purchasing, sales, and payment cycles, and payroll. Levels of Authority have been set, divisions of duty are made and multiple signature approvals imposed. Regular checks are made by management to ensure that these controls are indeed in place and complied with.

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

Information on Directors

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

Names, qualifications, experience and special responsibilities**Dr Rajen Manicka - Managing Director**

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

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

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

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

Mr Daniel Joseph O'Connor – Non Executive Director

B.Bus, MBA, FAICD (Dip) CPM, AIMM, MAIM, MAIeX.

Mr Daniel has spent more than 30 years in the commercialization of intellectual property and has worked with R&D teams across Asia, North America and Australia. He is a published author, mentor, coach, commercialization consultant and Company Director. He is the Consultant Principal of the on-line coaching and mentoring group **Incubate IP**. Mr Daniel is a member of the UN Task Force on Innovation and Competitiveness and works with Corporate Leaders, inventors and R&D team managers who need greater traction and focus with patent portfolio management and driving their commercialization projects (www.incub8IP.com). He has been a Director of Holista for more than 5 years.

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

Mr Chan Heng Fai – Non Executive Director

Mr Chan Heng Fai has restructured over 35 companies in different industries and countries in the past 40 years.

In 1987, Mr Chan Heng Fai acquired American Pacific Bank, a full service U.S. commercial bank, out of bankruptcy. He recapitalised, refocused and grew the bank's operations. Under his guidance, American Pacific Bank became a US NASDAQ high asset quality bank, with zero loan losses for over 5 consecutive years before it was ultimately bought and merged into Riverview Bancorp Inc. Prior to its merger with Riverview Bancorp Inc., in June 2004, American

DIRECTORS' REPORT (continued)

Pacific Bank was ranked #13 by the Seattle Times "Annual Northwest's Top 100 Public Companies" for the year 2003, and ranked #6 in the Oregon state [for the year 2003], which ranked ahead of names such as Nike, Microsoft, Costco, AT&T Wireless and Amazon.com.

In 1997, Mr Chan Heng Fai acquired and ran a regional investment banking and securities broking-dealing business headquartered in Denver, with 12 offices throughout USA.

Mr Chan Heng Fai also sits on the board of Singapore eDevelopment Limited.

Company Secretary**Mr Jay Stephenson**

Mr Jay Stephenson holds a Master of Business Administration, is a Fellow of the Certified Practicing Accountants (Australia), Chartered Professional Accountant (Canada), Certified Management Accountant (Canada), Member of the Australian Institute of Company Directors and Fellow of the Governance Institute of Australia.

Mr Stephenson has over 25 years of business development including approximately 20 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, as well as managing all areas of finance for companies. He sits on the boards of Doray Minerals Limited, Drake Resources Limited, Strategic Minerals Corporation NL, Nickelore Limited, Dragon Mountain Gold and Yonder and Beyond Group Limited as well as acts as Company Secretary of Holista CollTech Limited and for a number of ASX Listed resource and industrial companies.

Directors' Meetings

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

	No of Directors' Meeting held	No. Of Directors' Meeting Attended
Dr Rajen Manicka	2	2
Mr Daniel Joseph O'Connor	2	2
Mr Chan Heng Fai	2	2

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

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

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Dr Rajen Manicka	-	73,914,400
Mr Chan Heng Fai	9,817,468	38,827,633

On 27 March 2017, Mr Chan Heng Fai exercised 6,012,698 options, via his company Global eHealth Limited.

Options

2,136,500 (Jun 2016: 11,616,667) ordinary shares have been issued by the Company during the financial year as a result of the conversion of convertible notes and the exercise of options.

At the date of this report there are 30,692,782 (Jun 2016: 31,829,283) unissued ordinary shares of the Company under option.

DIRECTORS' REPORT (continued)**Indemnification and insurance of Directors and Officers**

Holista CollTech Limited has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and

its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year Holista CollTech Limited has paid a premium of \$Nil in respect of a contract to insure the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. (Jun 2016: \$17,381)

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, Stantons International Audit and Consulting Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report.

This Independence Declaration is set out on page 34 and forms part of this Directors' Report for the year ended 31 Dec 2016.

Non-Audit Services

No amounts were paid or payable to the auditors for non-audit services as outlined in Note 25 to the financial statements.

Remuneration report (Audited)

This report outlines the remuneration arrangements in place for the key management personnel of Holista CollTech Limited (the "Group") for the financial period ended 31 December 2016. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

Key Management Personnel**(i) Directors**

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

(ii) Executives

Mr Jay Stephenson (Company Secretary)

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

Remuneration philosophy

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

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

Remuneration committee

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

DIRECTORS' REPORT (continued)

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

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

Remuneration structure

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

Non-executive director remuneration

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

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

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

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

The remuneration of non-executive directors for the period ended 31 December 2016 is detailed in Table 1 of this report.

Senior manager and executive director remuneration

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

Fixed Remuneration

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

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

The fixed remuneration component of the company executives is detailed in Table 2.

Variable Remuneration

The aggregate of annual payments available for executives across the Group is subject to the approval of the Remuneration Committee. During the year, the Board of Directors approved \$Nil bonus payment to its Malaysia subsidiaries as per their employment contract. (Jun 2016: \$13,018)

Employment Contracts

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

DIRECTORS' REPORT (continued)

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

		Dr Rajen Manicka
a)	Commencement date	10 July 2015
b)	Termination date of contract	Initial 3 year period
c)	Period of notice for resignation/termination	3 months
d)	Remuneration	AUD231,374
e)	Termination - with cause	The Company may terminate at any time without notice if serious misconduct has occurred. Where termination with cause occurs employees are only entitled to entitlements up to the date of termination and any unvested options will immediately be forfeited.
f)	Termination - without cause	The Agreement provides for the termination of the Agreement by paying a severance payment of up to three months in addition to notice period.

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DIRECTORS' REPORT (continued)

Table 1
Directors' Remuneration

		Short-term Employee benefits			Post-employment benefit		Equity	Total	Performance Related %
		Salary & Fees	Bonuses	Non-Monetary Benefits	Super-annuation	Other	Share Options		
		\$	\$	\$	\$	\$	\$		
Mr Daniel Joseph O'Connor	Dec 2016	-	-	-	-	-	-	-	-
	Jun 2016	15,000	-	-	-	-	-	15,000	-
Mr Chan Heng Fai	Dec 2016	18,000	-	-	-	-	-	18,000	-
	Jun 2016	36,000	-	-	-	-	-	36,000	-
Dr Rajen Manicka	Dec 2016	112,361	-	-	21,350	-	-	133,711	-
	Jun 2016	231,374	9,592	-	45,893	-	-	286,859	-
Total	Dec 2016	130,361	-	-	21,350	-	-	151,711	-
	Jun 2016	282,374	9,592	-	45,893	-	-	337,859	-

Mr Daniel O'Connor remuneration was paid by way of fees to Xenex Consulting.

DIRECTORS' REPORT (continued)

Table 2
Executives Remuneration

		Short-term Employee benefits			Post-employment benefit		Equity	Total	Performance Related %
		Salary & Fees	Bonuses	Non-Monetary	Super-	Other	Share		
		\$	\$	Benefits	annuation	\$	options		
				\$	\$	\$	\$		
Mr.Kong Hon Khien (resigned 30 June 2016)	Dec 2016	-	-	-	-	-	-	-	-
	Jun 2016	82,633	3,426	-	18,877	-	-	104,936	-
Mr. Jay Stephenson	Dec 2016	24,400	-	-	-	-	-	24,400	-
	Jun 2016	48,400	-	-	-	-	-	48,400	-
Total	Dec 2016	24,400	-	-	-	-	-	24,400	-
	Jun 2016	131,033	3,426	-	18,877	-	-	153,336	-

DIRECTORS' REPORT (continued)**Details of employee share option plans**

The Group believes that encouraging its directors and executives to become shareholders is the best way of aligning their interests with those of its shareholders.

At present the Group does not have an employee share option plan.

Bonuses

No bonus was granted to the Directors. (Jun 2016: \$9,592).

Share-based payments

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

Relationship between the remuneration policy and company performance

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

Ordinary shares held in Holista CollTech Limited (number)

31 December 2016	Balance at beginning of year	Granted as remuneration	On Exercise of Option	Net Change Other	Balance at end of year
Directors					
Mr Chan Heng Fai	32,514,935	-	300,000	-	32,814,935
Dr Rajen Manicka	73,914,400	-	-	-	73,914,400
Mr Daniel O'Connor	-	-	-	-	-
Executives					
Mr Jay Stephenson	-	-	-	-	-
	106,429,335	-	300,000	-	106,729,335

30 June 2016	Balance at beginning of year	Granted as remuneration	On Exercise of Option	Net Change Other	Balance at end of year
Directors					
Mr Chan Heng Fai	20,898,268	-	5,366,667	6,250,000	32,514,935
Dr Rajen Manicka	73,914,400	-	-	-	73,914,400
Mr Daniel O'Connor	-	-	-	-	-
Executives					
Mr Jay Stephenson	-	-	-	-	-
	94,812,668	-	5,366,667	6,250,000	106,429,335

DIRECTORS' REPORT (continued)*Options held in Holista CollTech Limited (number)*

31 December 2016	Balance at beginning of year	Granted	Exercised	Disposed	Balance at end of year
Directors					
Mr Chan Heng Fai	17,966,666	-	(300,000)	(1,836,500)	15,830,166
Dr Rajen Manicka	-	-	-	-	-
Mr Daniel O'Connor	-	-	-	-	-
Executives					
Mr Jay Stephenson	-	-	-	-	-
	17,966,666	-	(300,000)	(1,836,500)	15,830,166
30 June 2016					
Directors	Balance at beginning of year	Granted	Exercised	Disposed	Balance at end of year
Mr Chan Heng Fai	23,333,333	-	(5,366,667)	-	17,966,666
Dr Rajen Manicka	-	-	-	-	-
Mr Daniel O'Connor	-	-	-	-	-
Executives					
Mr Jay Stephenson	-	-	-	-	-
	23,333,333	-	(5,366,667)	-	17,966,666

Value of options held by directors, exercised and lapsed during the year.

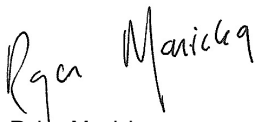
On 29th of July 2016, Mr Chan Heng Fai disposed 1,836,500 options to a third party.

On the 18th of August 2016 Mr Chan Heng Fai exercised 300,000 options.

No further options were exercised, forfeited or lapsed during the year.

END OF REMUNERATION REPORT

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



Dr Rajen Manicka
Director
Selangor, Malaysia
31 March 2017

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication 'Corporate Governance Principles and Recommendations (3rd Edition)' (**Recommendations**). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons have been provided for not following them.

The Company's Corporate Governance Plan has been posted on the Company's website at www.holistaco.com.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.1</p> <p>A listed entity should have and disclose a charter which:</p> <p>(a) sets out the respective roles and responsibilities of the board, the chair and management; and</p> <p>(b) includes a description of those matters expressly reserved to the board and those delegated to management.</p>	YES	<p>The Company has adopted a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is stated in Schedule 1 of the Corporate Governance Plan which is available on the Company's website.</p>
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.</p>	YES	<p>(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.</p> <p>(b) Material information relevant to any decision on whether or not to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director.</p>
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	YES	<p>The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p>
<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	YES	<p>The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.</p>
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p>	YES	<p>(a) The Company has adopted a Diversity Policy.</p> <p>(i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that</p>

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<p>(i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>		<p>encompass gender equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives.</p> <p>(b) The Diversity Policy is stated in Schedule 9 of the Corporate Governance Plan which is available on the company website.</p> <p>(c) (i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition the Board will review progress against the objectives in its annual performance assessment. (ii) The Board will include in the annual report each year, the measurable objectives, progress against the objectives, and the proportion of male and female employees in the whole organisation, at senior management level and at Board Level.</p>
<p>Recommendation 1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p>	<p>(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan. . (b) The Company's Corporate Governance Plan requires the Board to disclosure whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Reports.</p>
<p>Recommendation 1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p>	<p>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives. (b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 'Performance Evaluation' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Report.</p>
<p>Principle 2: Structure the board to add value</p>		
<p>Recommendation 2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director,</p>	<p>NO</p>	<p>(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Nomination Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of</p>

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<p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>		<p>reference for that committee.</p> <p>The duties of the Nomination Committee are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devotes time at board meetings to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.</p>																																		
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>YES</p>	<table border="1" data-bbox="841 701 1334 1556"> <thead> <tr> <th data-bbox="841 701 1146 795">Board Skills Matrix</th> <th data-bbox="1146 701 1334 795">Number of Directors that Meet the Skill</th> </tr> </thead> <tbody> <tr> <td data-bbox="841 795 1146 863">Executive & Non- Executive experience</td> <td data-bbox="1146 795 1334 863">3</td> </tr> <tr> <td data-bbox="841 863 1146 930">Industry experience & knowledge</td> <td data-bbox="1146 863 1334 930">3</td> </tr> <tr> <td data-bbox="841 930 1146 968">Leadership</td> <td data-bbox="1146 930 1334 968">3</td> </tr> <tr> <td data-bbox="841 968 1146 1035">Corporate governance & risk management</td> <td data-bbox="1146 968 1334 1035">3</td> </tr> <tr> <td data-bbox="841 1035 1146 1073">Strategic thinking</td> <td data-bbox="1146 1035 1334 1073">3</td> </tr> <tr> <td data-bbox="841 1073 1146 1140">Desired behavioural competencies</td> <td data-bbox="1146 1073 1334 1140">3</td> </tr> <tr> <td data-bbox="841 1140 1146 1178">Geographic experience</td> <td data-bbox="1146 1140 1334 1178">3</td> </tr> <tr> <td data-bbox="841 1178 1146 1215">Capital Markets experience</td> <td data-bbox="1146 1178 1334 1215">3</td> </tr> <tr> <td data-bbox="841 1215 1146 1262"><i>Subject matter expertise:</i></td> <td data-bbox="1146 1215 1334 1262"></td> </tr> <tr> <td data-bbox="841 1262 1146 1308">- accounting</td> <td data-bbox="1146 1262 1334 1308">3</td> </tr> <tr> <td data-bbox="841 1308 1146 1354">- capital management</td> <td data-bbox="1146 1308 1334 1354">3</td> </tr> <tr> <td data-bbox="841 1354 1146 1400">- corporate financing</td> <td data-bbox="1146 1354 1334 1400">3</td> </tr> <tr> <td data-bbox="841 1400 1146 1446">- industry taxation ¹</td> <td data-bbox="1146 1400 1334 1446">0</td> </tr> <tr> <td data-bbox="841 1446 1146 1493">- risk management</td> <td data-bbox="1146 1446 1334 1493">3</td> </tr> <tr> <td data-bbox="841 1493 1146 1539">- legal</td> <td data-bbox="1146 1493 1334 1539">3</td> </tr> <tr> <td data-bbox="841 1539 1146 1556">- IT expertise ²</td> <td data-bbox="1146 1539 1334 1556">0</td> </tr> </tbody> </table> <p>(1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.</p> <p>(2) Skill gap noticed however an external IT firm is employed on an adhoc basis to maintain IT requirements.</p>	Board Skills Matrix	Number of Directors that Meet the Skill	Executive & Non- Executive experience	3	Industry experience & knowledge	3	Leadership	3	Corporate governance & risk management	3	Strategic thinking	3	Desired behavioural competencies	3	Geographic experience	3	Capital Markets experience	3	<i>Subject matter expertise:</i>		- accounting	3	- capital management	3	- corporate financing	3	- industry taxation ¹	0	- risk management	3	- legal	3	- IT expertise ²	0
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- legal	3																																			
- IT expertise ²	0																																			
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p>	<p>YES</p>	<p>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and Company website.</p>																																		

<p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director</p>		<p>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website.</p> <p>(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website.</p>
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>YES</p>	<p>The Board Charter requires that where practical the majority of the Board will be independent.</p> <p>Details of each Director's independence are provided in the Annual Reports and Company website.</p>
<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>YES</p>	<p>The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	<p>YES</p>	<p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p>
<p>Principle 3: Act ethically and responsibly</p>		
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>YES</p>	<p>(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website.</p>
<p>Principle 4: Safeguard integrity in financial reporting</p>		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and</p>	<p>NO</p>	<p>(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board</p>

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<p>experience of the members of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>YES</p>	<p>The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>YES</p>	<p>The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>
<p>Principle 5: Make timely and balanced disclosure</p>		
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>YES</p>	<p>(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure – Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.</p>
<p>Principle 6: Respect the rights of security holders</p>		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>YES</p>	<p>Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.</p> <p>Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company website.</p>
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective</p>	<p>YES</p>	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications</p>

two-way communication with investors.		Strategy outlines a range of ways in which information is communicated to shareholders.
<p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	YES	<p>The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.</p>
<p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	YES	<p>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, <p>and disclose:</p> <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	NO	<p>Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.</p>
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to</p>	YES	<p>(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled</p>

<p>ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>		<p>'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.</p> <p>(b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>YES</p>	<p>Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. The Board Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>YES</p>	<p>Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p>
<p>Principle 8: Remunerate fairly and responsibly</p>		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>NO</p>	<p>Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>

<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.</p>	<p>YES</p>	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>YES</p>	<p>(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity based plans.</p> <p>(b) A copy of the Company's Corporate Governance Plan is available on the Company's website.</p>

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31 March 2017

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

Dear Directors

RE: HOLISTA COLLTECH LIMITED

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

As Audit Director for the audit of the financial statements of Holista CollTech Limited for the period ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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



Samir Tirodkar
Director

West Perth, Western Australia

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	Notes	6 months to December 2016 \$	12 months to June 2016 \$
Revenue from continuing operations	3	3,716,876	6,263,671
Other income	3	351,404	505,910
Change in inventories of finished goods and work in progress	3	(51,263)	62,184
Raw materials and consumables used	3	(1,486,996)	(2,710,339)
Employee benefits expense		(877,867)	(2,301,194)
Depreciation and amortisation expense	11/12	(70,532)	(212,573)
Finance costs		(34,032)	(116,484)
Share based payments	27	(6,943)	-
Share of net loss of joint ventures	22	(6,224)	-
Other expenses	3	(1,307,177)	(2,026,389)
Profit/(Loss)/before income tax expense		227,246	(535,214)
Income tax (expense) / benefit	4	(63,388)	126,843
Profit/(Loss) after tax from continuing operations		163,858	(408,371)
Profit/(Loss) for the year		163,858	(408,371)
Other comprehensive income			
Exchange differences on translation of foreign operations		(197,639)	(143,855)
Total comprehensive (loss) for the year		(33,781)	(552,226)
Profit/ (loss) attributable to :-			
Owners of the parent		166,268	(407,930)
Non-controlling interest		(2,410)	(441)
		163,858	(408,371)
Total comprehensive loss attributable to :-			
Owners of the parent		(25,769)	(545,209)
Non-controlling interest		(8,012)	(7,017)
		(33,781)	(552,226)
Basic profit/ (loss) per share (cents per share)	6	0.10	(0.26)
Diluted profit/ (loss) per share (cents per share)	6	0.09	(0.26)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	31 December 2016 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents	7	58,105	348,434
Trade and other receivables	8	2,040,254	1,225,334
Inventories	10	891,340	1,021,325
Other current assets	9	596,101	961,677
Total Current Assets		3,585,800	3,556,770
Non-Current Assets			
Property, plant and equipment	11	1,569,356	1,069,574
Intangible assets	12	321,986	75,728
Other financial assets-FV through profit or loss	9	360,174	397,645
Investment accounted using the equity method	22	111,019	-
Deferred tax asset	4	99,085	141,381
Total Non-Current Assets		2,461,620	1,684,328
Total Assets		6,047,420	5,241,098
Current Liabilities			
Trade and other payables	13	1,672,621	1,272,059
Borrowings	14	718,700	305,611
Current tax liability	4	6,569	50,119
Provision for employee entitlements	29	6,516	-
Total Current Liabilities		2,404,406	1,627,789
Non-Current Liabilities			
Deferred tax liability	4	770	-
Borrowings	14	532,866	605,283
Total Non-Current Liabilities		533,636	605,283
Total Liabilities		2,938,042	2,233,072
Net Assets		3,109,378	3,008,026
Equity			
Issued capital	15	10,798,705	10,670,515
Reserves	16	1,896,643	2,081,737
(Accumulated losses)	16	(9,378,424)	(9,544,692)
Total parent entity interest		3,316,924	3,207,560
Non-controlling interest	17	(207,546)	(199,534)
Total Equity		3,109,378	3,008,026

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	Notes	Issued Capital \$	Compound Financial Instrument \$	Accumulated Losses \$	Option Reserve \$	Foreign Currency Translation \$	Non- controlling interest \$	Total \$
Balance as at 1 July 2015		9,286,702	137,501	(9,136,762)	2,242,994	(46,714)	(192,517)	2,291,204
(Loss) for the year		-	-	(407,930)	-	-	(441)	(408,371)
Exchange differences arising on translation of foreign operations		-	-	-	-	(137,279)	(6,576)	(143,855)
Total comprehensive loss for the year		-	-	(407,930)	-	(137,279)	(7,017)	(552,226)
Shares issued during the year		1,414,235	(137,501)	-	-	-	-	1,276,734
Equity raising costs		(30,422)	-	-	-	-	-	(30,422)
Options granted during the year		-	-	-	22,736	-	-	22,736
Balance at 30 June 2016	15 & 16	10,670,515	-	(9,544,692)	2,265,730	(183,993)	(199,534)	(3,008,026)
Balance as at 1 July 2016		10,670,515	-	(9,544,692)	2,265,730	(183,993)	(199,534)	3,008,026
Profit/ (loss) for the period		-	-	166,268	-	-	(2,410)	163,858
Exchange differences arising on translation of foreign operations		-	-	-	-	(192,037)	(5,602)	(197,639)
Total comprehensive loss for the period		-	-	166,268	-	(192,037)	(8,012)	(33,781)
Shares issued during the period		128,190	-	-	-	-	-	128,190
Options granted during the period		-	-	-	6,943	-	-	6,943
Balance at 31 December 2016	15 & 16	10,798,705	-	(9,378,424)	2,272,673	(376,030)	(207,546)	3,109,378

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

		31 December 2016	30 June 2016
	Notes	\$	\$
Inflows/(Outflows)			
Cash flows from operating activities			
Receipts from customers		3,716,876	6,844,165
Payments to suppliers and employees		(3,331,165)	(6,760,418)
Interest received		5,901	21,872
Finance costs		(24,080)	(9,255)
Other revenue		37,825	-
Net income tax received		283,851	298,380
Net cash provided by/ (used in) operating activities	7 (ii)	689,208	394,744
Cash flows from investing activities			
Proceeds from legal settlements		3,456	-
Proceeds from the sale of property, plant and equipment		3,467	33
Purchase of intellectual property	12	(117,181)	(24,259)
Purchase of property, plant and equipment	11	(106,808)	(3,322)
Prepayments made related to intangible assets		-	(69,618)
Increase in fixed deposits pledged		(5,757)	-
Transfer of work in progress from prepayments	11	(532,427)	-
Prepayment made related to property, plant and equipment		-	(260,966)
Investments in unlisted securities	9	(115,703)	(251,064)
Investment in joint venture		(48,144)	-
Net cash provided by/ (used in) investing activities		(919,097)	(609,196)
Cash flows from financing activities			
Proceeds from exercise of warrants		128,190	-
Proceeds from borrowings		379,238	-
Repayment of borrowings		(23,575)	(84,340)
Proceeds from issue of shares		-	769,050
Withdrawal of fixed deposits		-	5,412
Advance loan to third party		(377,453)	-
Net cash provided by/ (used in) financing activities		106,400	690,122
Net (decrease)/ increase in cash and cash equivalents		(123,489)	475,670
Cash and cash equivalents at beginning of year		348,434	63,604
Effect of exchange rate fluctuations on cash held		(166,840)	(190,840)
Cash and cash equivalents at end of year	7 (i)	58,105	348,434

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 1: REPORTING ENTITY

Holista Colltech Limited is a company domiciled in Australia. The Company's registered address is 283 Rokeby Road, Subiaco WA 6008. The consolidated financial statements of the Group as at and for the period ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities") and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity and primarily involved in development and commercialisation of food ingredients and ovine collagen.

NOTE 2: SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 31 March 2017.

Change in financial year end

The company has changed its financial year end from 30 June to 31 December. The current period figures relate to six months from 1 July 2016 to 31 December 2016.

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

b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of Holista CollTech Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 21.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

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

c) Business combination

Business combinations occur when an acquirer obtains control over one or more businesses.

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interests proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

d) Going Concern

The Group has reported a net profit after tax for the period of \$163,858 and a cash inflow from operating activities of \$689,208. Its current assets of \$3,585,800 exceed the current liabilities of \$2,404,406.

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

The Group's cosmetic collagen business has generating revenue of \$75,300. This area of business decrease during the financial period due to the seasonal nature of cosmetic collagen. Revenue from this business will continue to grow in the coming year with an order on hand of 3,000kg from Thailand to be delivered by June 2017.

The Group has invested in some essential equipment at its Collie Plant to produce the Food Grade Collagen on a higher scale. We expect this equipment to be commissioned in year 2017. The Group is confident that this new source of revenue from Collie will contribute positively to the Group's revenue in the coming financial year as oral grade collagen is a large and growing global market.

Beside the cosmetic and food grade collagen, the Group will also enter into the Medical Grade collagen. The Group expects to ship the first 10-kg medical-grade collagen, valued at over \$140,000, from its plant in Collie, Western Australia, starting in April 2017

On the Healthy Food Ingredients, we expect to see significant revenue in Australia, New Zealand and Europe in the next 12 months. Our US subsidiary, LiteFood Inc formed a 51-49 joint venture company with Nadja Foods LLC, to distribute our low-GI product in North America. This business segment will expected to generate revenue in the next financial year.

Our sales of dietary supplement ingredients to companies in the Multi-Level Marketing space will continue to grow. One of the Multi-Level Marketing company that we supply to has achieved revenue of US\$689,800 in the first 30 days of operations since launch in North America.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Income tax

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

b) Fair Value of Assets and Liabilities

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

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

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

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

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

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

Valuation techniques

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fair value hierarchy

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

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

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

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

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

c) Inventories

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

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

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

d) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Buildings - over 25 years

Motor vehicles - over 5 years

Plant and equipment - over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

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

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

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

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

(ii) De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

e) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Revisions to expected future net cash flows will necessitate an adjustment to carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale investments

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

(v) Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

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

(i) Financial assets carried at amortised cost

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

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

individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

De-recognition

(i) Financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Financial liabilities

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

f) Interests in Joint Arrangements

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

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

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

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

During the financial period a subsidiary of the Group, Lite Foods Inc, (74% ownership) has a joint venture with Nadja Foods LLC known as Holista Foods Inc. Lite Foods Inc has 49% interest in this joint venture.

g) Intangibles Other than Goodwill

Intangible assets acquired separately

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

Internally generated intangible assets - research and development expenditure

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

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capitalised development	5 years
Licences	10 years
Software	4 years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

h) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

i) Employee leave benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Long service leave

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

j) Provisions

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

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

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

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

k) Cash and cash equivalents

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

l) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is 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 of the goods to the customer.

(ii) Rendering of services

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

(iii) Interest income

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

m) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

n) Trade and other payables

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

o) Borrowing costs

Borrowing costs are capitalised that are directly attributable to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is 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 statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

q) Government grants

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

r) New standards and interpretations not yet adopted

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

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

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

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

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

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

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact. (or the directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's recognition of leases and disclosures).

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods commencing on or after 1 January 2018).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: *Business Combinations* to an associate or joint venture and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

s) Amendments to AASBs and new Interpretations that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current period.

New and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Group include:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The adoption of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements

t) Impairment of non-current assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the

recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

u) Interest-bearing loans and borrowings

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

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that

has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

v) Issued capital

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

w) Parent entity financial information

The financial information for the parent entity, Holista CollTech Limited, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

x) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

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

NOTE 3: REVENUE AND EXPENSES

	6 months to December 2016 \$	12 months to June 2016 \$
(a) Revenue		
<i>Sales revenue</i>		
Sale of goods	3,716,876	6,263,671
	<u>3,716,876</u>	<u>6,263,671</u>
(b) Other income		
Other Profit on disposal of property, plant and equipment	(65)	(19,145)
Bank interest and other interest receivable	10,874	21,872
Rental income	37,825	79,822
Research and development tax offset	283,851	378,211
Other income	3,467	45,150
Dividend receivable	15,452	-
	<u>351,404</u>	<u>505,910</u>
(c) Expenses		
Net increase / (decrease) in inventories	51,263	(62,184)
Raw materials and consumables used during production	1,486,996	2,710,339
Distribution costs	176,955	288,268
Advertising and promotion	288,020	565,864
Other expenses	421,608	304,308
Collie factory maintenance costs	45,323	153,229
Research - current year expense	65,237	163,175
Consultancy & professional services	215,732	292,136
Audit fees (note 25)	46,093	75,038
Operating lease rental expense	35,709	73,260
Provision for stock written off	8,290	111,111
Provision for doubtful debts	4,210	-
	<u>1,307,177</u>	<u>2,026,389</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

NOTE 4: INCOME TAX

	31 December 2016	30 June 2016
	\$	\$
Income tax recognised in profit or loss		
The major components of tax expense are:		
Current tax	63,388	-
Deferred tax benefit recognised	-	(126,843)
Total tax expenses /(benefit)	<u>63,388</u>	<u>(126,843)</u>
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting profit/ (loss) before tax from continuing operations	<u>227,246</u>	<u>(535,214)</u>
Income tax expense calculated at 30%	68,174	(160,564)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Current year tax losses not recognised	63,161	62,301
Profit attributable to foreign subsidiaries	(129,309)	12,453
Research and development tax offset exempted from tax	(85,155)	(113,463)
Foreign tax losses not recognised	2,781	509
Non-deductible expenditure	89,425	194,646
Foreign income tax payable	63,388	(126,843)
Timing differences	(9,077)	4,118
Income tax expense / (benefit) reported in the consolidated statement of comprehensive income	<u>63,388</u>	<u>(126,843)</u>
Current		
Income tax payable in Malaysia	<u>6,569</u>	<u>50,119</u>
Non-current		
Deferred tax assets	<u>99,085</u>	<u>141,381</u>
Deferred tax liabilities	<u>770</u>	<u>-</u>
Unrecognised deferred tax balances		
<i>Deferred Tax Assets</i>		
Tax losses Australia	1,080,469	1,017,307
Tax losses attributable to foreign subsidiaries	923,087	1,007,842
Total deferred tax assets not brought to account	<u>2,003,556</u>	<u>2,025,149</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 4: INCOME TAX (continued)

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

The foreign tax payable relates to the Malaysian corporate entities, where the current corporate tax rate is 25%. The Malaysian corporate entities tax losses have unrecognised deferred tax assets in relation to unutilised tax losses carried forward for which no deferred tax asset has been recorded as it is not probable that taxable profit will be available in the foreseeable future.

The parent entity has accumulated tax losses of \$3,601,562 which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office. The parent company has additional accumulated tax losses of \$7,938,150 which are not expected to be available to offset any future taxable profits as their origin cannot be determined. No deferred tax asset has been recorded in relation to these tax losses as it is not probable that taxable profit will be available in the foreseeable future and they may not be used to offset taxable.

NOTE 5: SEGMENT REPORTING

General Information

Identification of reportable segments

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

Types of products and services by segment

(i) Supplements

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

(ii) Sheep collagen

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

(iii) Food ingredients

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

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

(b) Intersegment transactions

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

(c) Segment assets

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

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

NOTE 5: SEGMENT REPORTING (continued)

(e) Segment Information

(i) Segment performance

	Supplements	Sheep Collagen	Food Ingredients	Corporate	Total
	\$	\$	\$	\$	\$
31 December 2016					
REVENUE					
External sales	3,641,576	75,300	-	-	3,716,876
Other revenue	-	-	-	351,404	351,404
Total segment revenue	3,641,576	75,300	-	351,404	4,068,280
Reconciliation of segment revenue to group revenue					
Total Group revenue					4,068,280
Segment net profit/(loss) from continuing operations before tax	431,032	(194,514)	-	(9,272)	227,246
Net profit before tax from continuing operations					227,246
30 June 2016					
REVENUE					
External sales	5,961,312	302,359	-	-	6,263,671
Other revenue	-	-	-	505,910	505,910
Total segment revenue	5,961,312	302,359	-	505,910	6,769,581
Reconciliation of segment revenue to group revenue					
Total Group revenue					6,769,581
Segment net profit/(loss) from continuing operations before tax	751,467	(404,472)	-	(882,209)	(535,214)
Net loss before tax from continuing operations					(535,214)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

NOTE 5: SEGMENT REPORTING (continued)

(ii) Segment assets

	Supplements	Sheep Collagen	Food Ingredient	Total
	\$	\$	\$	\$
31 December 2016				
Segment assets	5,548,246	4,372,886	(839,058)	9,082,074
Reconciliation of segment assets to Group assets:				
Intersegment eliminations				(3,034,654)
Total Group assets				<u>6,047,420</u>
30 June 2016				
Segment assets	5,227,613	3,533,158	897	8,761,668
Reconciliation of segment assets to Group assets:				
Intersegment eliminations				(3,520,570)
Total Group assets				<u>5,241,098</u>

(iii) Segment liabilities

	Supplements	Sheep Collagen	Food Ingredients	Total
	\$	\$	\$	\$
31 December 2016				
Segment liabilities	2,257,600	1,763,696	(41,864)	3,979,432
Reconciliation of segment liabilities to Group liabilities:				
Intersegment eliminations				(1,041,390)
Total Group liabilities				<u>2,938,042</u>
30 June 2016				
Segment liabilities	2,046,171	864,587	768,334	3,679,092
Reconciliation of segment liabilities to Group liabilities:				
Intersegment eliminations				(1,446,020)
Total Group liabilities				<u>2,233,072</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 5: SEGMENT REPORTING (continued)

(iv) Revenue by geographical region

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

	31 December 2016	30 June 2016
	\$	\$
Australia	75,300	302,359
Malaysia	3,641,576	5,961,312
United States	-	-
Total revenue	3,716,876	6,263,671

(v) Assets by geographical region

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

Australia	1,593,069	768,630
Malaysia	4,342,459	4,471,571
United States	111,892	897
Total assets	6,047,420	5,241,098

(vi) Major customers

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

NOTE 6: EARNINGS PER SHARE

	31 December 2016	30 June 2016
	Cents per share	Cents per share
Basic profit/ (loss) per share:		
Continuing operations	0.10	(0.26)
Total basic profit/ (loss) per share	0.10	(0.26)
Net profit/ (loss) to owners	166,268	(407,930)
Diluted profit/ (loss) per share	0.09	(0.26)
Profit/ (loss) from continuing operations	166,268	(407,930)
Weighted average number of shares	171,128,350	159,711,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 7: CASH AND CASH EQUIVALENTS

	31 December 2016 \$	30 June 2016 \$
Current		
Cash at bank and on hand	58,105	348,434
	<u>58,105</u>	<u>348,434</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(i) Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	58,105	348,434
Cash and cash equivalents as per statement of cash flows	<u>58,105</u>	<u>348,434</u>

(ii) Reconciliation of (loss) for the year to net cash flows from operating activities

Profit / (Loss) for the year after tax	163,858	(408,371)
Foreign exchange in profit & loss	46,429	5,550
Depreciation and amortisation	70,532	209,718
Loss on sale of non-current assets	(3,467)	-
Share based payment	6,943	-
Dividend receivable	(15,452)	-
Accrued interest payable	9,952	-
Accrued interest receivable	(4,973)	-
Share of loss of joint venture	6,224	-
Property plant and equipment written off	65	-
Non cash tax movement	43,066	(110,876)
Finance costs (non cash)	-	61,521
- (increase)/decrease in receivables	(423,452)	431,454
- Decrease/(increase) in inventories	129,985	(10,643)
- increase in payables	331,463	4,721
- (increase)/decrease in prepayments	321,519	211,670
-increase in provisions	6,516	-
Net cash provided by operating activities	<u>689,208</u>	<u>394,744</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 8: CURRENT TRADE AND OTHER RECEIVABLES

	31 December 2016 \$	30 June 2016 \$
Trade receivables (i)	1,367,066	1,159,226
Other receivables (ii)	673,188	66,108
	<u>2,040,254</u>	<u>1,225,334</u>

(i) the average credit period on sales of goods and rendering of services is range from 30 to 90 days. Interest is not charged. No allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

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

Sales in Malaysian entities are either on a cash basis or via a distributor. The terms of payment from this distributor are 50% after net 45 days and 50% after net 65 days.

(ii) In the other receivables, it includes an amount advance of \$417,941 to third party which attracts 5% interest on accrual basis

Aging of past due but not impaired

0 – 30 days	-	59,864
30 – 60 days	-	13,119
60 – 90 days	-	-
90 - 120 days	4,115	20,595
Total	<u>4,115</u>	<u>93,578</u>

NOTE 9: OTHER ASSETS

Current		
Security deposits (i)	400,794	428,748
Prepayments	195,307	532,929
Total	<u>596,101</u>	<u>961,677</u>
Non Current		
Legal settlement proceeds due	5,238	8,694
Unlisted Investment (ii)	354,936	388,951
Total	<u>360,174</u>	<u>397,645</u>

(i) 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.

(ii) Unlisted investment (units in limited liability company). This investment has been treated as Level 3 investment since its measurement has been based on unobservable inputs for the units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 10: INVENTORIES

	31 December 2016	30 June 2016
	\$	\$
Raw materials - at cost	291,497	480,429
Finished goods - at cost	599,843	540,896
	<u>891,340</u>	<u>1,021,325</u>

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Work in Progress	Freehold land and building	Plant and equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2016					
At 1 July 2016, net of accumulated depreciation and impairment	-	815,028	205,152	49,394	1,069,574
Transfer from prepayment	532,427	-	-	-	532,427
Additions	-	-	106,808	-	106,808
Disposals/write off	-	-	(65)	-	(65)
Depreciation charge for the year	-	(9,257)	(46,754)	(11,666)	(67,677)
Foreign currency exchange differences	-	(63,874)	(4,216)	(3,621)	(71,711)
At 31 Dec 2016, net of accumulated depreciation and impairment	<u>532,427</u>	<u>741,897</u>	<u>260,925</u>	<u>34,107</u>	<u>1,569,356</u>
At 31 December 2016					
Cost	532,427	2,385,557	1,711,209	148,160	4,777,353
Accumulated depreciation and impairment	-	(1,643,660)	(1,450,284)	(114,053)	(3,207,997)
Net carrying amount	<u>532,427</u>	<u>741,897</u>	<u>260,925</u>	<u>34,107</u>	<u>1,569,356</u>

The useful life of the assets was estimated as follows for both years:

Buildings	20 years
Plant and equipment	5 to 15 years
Motor vehicles	10 years

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2016 is \$34,107 (2016: \$49,394) There were no additions during the year to motor vehicles held under finance leases and hire purchase contracts.

The carrying value of property, plant and equipment temporarily idle is \$ nil (2016 \$ nil). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities. Land and buildings with a carrying amount of \$741,897 (2016: \$815,028) are subject to a first charge to secure a loan from RHB Bank, Malaysia.

During period ended 31 December 2016 the Group paid amount equivalent to \$275,350 for spray dryer machinery to be constructed by supplier. In the prior the Group had paid for the spray dryer machinery of \$257,077 which was accounted as deposit. This has been now classified as work in progress together with the amount paid in this current period of \$275,350, totalling to \$532,427.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and building	Plant and equipment	Motor vehicles	Total
	\$	\$	\$	\$
Year ended 30 June 2016				
At 1 July 2015, net of accumulated depreciation and impairment	859,352	369,821	76,282	1,305,455
Additions	-	3,322	-	3,322
Disposals	-	-	-	-
Depreciation charge for the year	(19,535)	(165,619)	(24,564)	(209,718)
Foreign currency exchange differences	(24,789)	(2,372)	(2,324)	(29,485)
At 30 June 2016, net of accumulated depreciation and impairment	815,028	205,152	49,394	1,069,574
At 30 June 2016				
Cost	2,462,764	1,645,890	123,484	4,232,138
Accumulated depreciation and impairment	(1,647,736)	(1,440,738)	(74,090)	(3,162,564)
Net carrying amount	815,028	205,152	49,394	1,069,574

Impairment Disclosure

Collagen Extraction Facility in Collie, Western Australia

This facility was built on land subject to a 20 years lease entered into in June 2004. The facility buildings have a carrying value of \$nil as at 31 December 2016 (2015: \$nil). Whilst this extraction facility has been largely inactive since its completion in 2005, the factory was reactivated in the 2014 financial year and has delivered 1,520kg (June 2016: 6,143kg) of orders in the Dec 2016 financial year as received from a customer in Thailand.

NOTE 12: INTANGIBLE ASSETS

	Patents and licences	Total
	\$	\$
Period ended 31 December 2016		
Opening balance as at 1 July 2016	75,728	75,728
Additions	117,181	117,181
Transfer from other assets	137,886	137,886
Disposals		
Amortisation charge	(2,855)	(2,855)
Impairment losses		
Reclassification and regrouping		
Foreign currency exchange differences	(5,954)	(5,954)
Closing balance as at 31 December 2016	321,986	321,986

Included in the intangible is payment to ATM Metabolics of AUD248,756 (USD180,000) for use of the brand Emulin Plus per term sheet entered into on the 6 December 2015. The parties have not signed an executed agreement as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 12: INTANGIBLE ASSETS (continued)

Year ended 30 June 2016	Patents and licences \$	Total \$
Opening balance	189,190	189,190
Additions	24,259	24,259
Disposals	(19,178)	(19,178)
Amortisation charge	(5,709)	(5,709)
Reclassification and regroup	(110,852)	(110,852)
Foreign currency exchange differences	(1,982)	(1,982)
	<u>75,728</u>	<u>75,728</u>

NOTE 13: TRADE AND OTHER PAYABLES

	31 December 2016 \$	30 June 2016 \$
Trade payables	731,688	438,809
Non-trade creditors (i)	940,933	833,250
	<u>1,672,621</u>	<u>1,272,059</u>

(i) Included in the non-trade creditors is deferred revenue amounting of \$84,140 which represents customer loyalty points and is estimated based on the amount of loyalty points outstanding at reporting date that are expected to be redeemed.

NOTE 14: INTEREST-BEARING LOANS AND BORROWINGS

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

	31 December 2016 \$	30 June 2016 \$
Current		
Bankers acceptance	313,338	262,498
Credit card	-	(7,933)
Financial leases	12,998	13,767
Term loans: (1)	35,285	37,279
Loan from related parties (2)	357,079	-
Total Current	<u>718,700</u>	<u>305,611</u>
Non-Current		
After 1 year but not later than 5 years		
Term loans: (1)	163,645	137,270
Financial leases	47,834	59,055
	<u>211,479</u>	<u>196,325</u>
After 5 years		
Term loans: (1)	321,387	408,958
	<u>321,387</u>	<u>408,958</u>
Total Non-Current	<u>532,866</u>	<u>605,283</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 14: INTEREST-BEARING LOANS AND BORROWINGS(continued)

The borrowings of the Group and the Company are secured by the following:-

Term loan (1):

- 1) As principal Instrument, an "all monies" Facilities Agreement stamped to the amount of facilities advanced;
- 2) First party Absolute Assignment of all rights, interest, title and benefits in and to property beneficially owned by a Subsidiary Company;
- 3) Corporate Guarantee by subsidiary company for \$823,949; and
- 4) Personal Guarantee for \$823,949 by a Director of the subsidiary company.

Bankers' Acceptance and bank overdraft:

- 5) Facility Agreement;
- 6) Pledge of fixed deposits with licensed banks (refer to note 7)
- 7) Memorandum of Deposit and letter of set off;
- 8) Corporate Guarantee by a subsidiary company; and
- 9) Joint and several guarantees from certain Directors of the company and a third party.

The bankers' acceptance bears interest of 5.15% (2016: 5.43%).

The term Loan (1) is repayable over 240 monthly instalments (principal plus interest) of \$5,119 which commenced on 1 July 2008. The term loan bears interest rates ranging from 5.20% (2016: 5.35) per annum.

Related party loan (2)

This loan amounting to US\$250,000 has been advanced by associated company of a director. This loan attracts interest of 10% per annum. There is \$9,952 of accrued interest until 31 December 2016 included in the liability amount.

Assets pledged as security.

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

Current	31 December 2016	30 June 2016
Floating charge		
Security deposits	400,794	428,748
Inventories	891,340	1,021,325
Total assets pledged as security	1,292,134	1,450,073
Non-Current		
First mortgage		
Freehold land and buildings	741,897	815,028
Floating charge	-	-
Total non-current assets pledged as security	741,897	815,028
Total assets pledged as security	2,034,031	2,265,101

Financing facilities available

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

Total facilities:

	31 December 2016	30 June 2016
	\$	\$
Bank loan	520,317	583,507
Trade facilities	369,720	401,271
Finance lease	60,832	72,822
	950,869	1,057,600

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

NOTE 14: INTEREST-BEARING LOANS AND BORROWINGS (continued)

	31 December 2016	30 June 2016
	\$	\$
Facilities used at balance date		
Bank loan	520,317	583,507
Trade facilities	313,338	262,498
Convertible notes	-	-
Finance lease	60,832	72,822
	<u>894,487</u>	<u>918,827</u>
Facilities unused at balance date		
Trade facilities	56,382	138,773
	<u>56,382</u>	<u>138,773</u>
Total facilities	950,869	1,057,600
Facilities used at balance date	<u>(894,487)</u>	<u>(918,827)</u>
Facilities unused at balance date	<u>56,382</u>	<u>138,773</u>

NOTE 15: ISSUED CAPITAL

	December 2016	June 2016
	\$	\$
171,708,921 ordinary shares issued and fully paid (2016: 169,572,421)	10,798,705	10,670,515
Convertible notes nil	-	-
	<u>10,798,705</u>	<u>10,670,515</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 15: ISSUED CAPITAL (continued)

Movements in ordinary share capital of the Company during the last two year were as follows:

Date	Details	No. of Shares	Issue Price	\$
01/07/2016	Opening balance	169,572,421		10,670,515
19/08/2016	Options exercised	2,136,500	\$0.06	128,190
31/12/2016	Closing balance	171,708,921		10,798,705

Date	Details	No. of Shares	Issue Price	\$
01/07/2015	Opening balance	154,001,549		9,286,702
27/10/2015	Options exercised	4,166,667	\$0.06	250,000
08/03/2016	Shares issued	3,954,205	\$0.12	454,734
	Less: costs of issue of shares			(22,737)
08/03/2016	Conversion of convertible notes (i)	6,250,000	\$0.10	637,501
28/04/2016	Warrants exercised	1,200,000	\$0.06	72,000
	Less: costs on issue of shares			(7,685)
30/06/2016	Closing balance	169,572,421		10,670,515

(i) including the conversion rights of \$137,501.

NOTE 16: ACCUMULATED LOSSES AND RESERVES

Accumulated Losses

Movements in accumulated losses were as follows:

	31 December 2016	30 June 2016
	\$	\$
Balance at beginning of financial year	(9,544,692)	(9,136,762)
Net profit/ (loss) for the year	166,268	(407,930)
Balance at end of financial year	(9,378,424)	(9,544,692)

Reserves

Compositions of reserves were as follows:

	31 December 2016	30 June 2016
	\$	\$
Foreign currency translation reserve	(376,030)	(183,993)
Options reserve	2,272,673	2,265,730
	1,896,643	2,081,737

Movements in options reserve during the last year:

	31 December 2016	30 June 2016
	\$	\$
Foreign currency translation reserve (a)	(192,037)	(137,279)
Options reserve (b)	6,943	22,736
	(185,094)	(114,543)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 16: ACCUMULATED LOSSES AND RESERVES (continued)

Nature and purpose of reserves

(a) Foreign currency translation reserve

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

(b) Option reserve

The option reserve records items recognised as expenses on valuation of share options. There are 30,692,782 (2016: 31,829,282) options outstanding at year end.

Share options

The company has previously had an employee share option scheme under which options to subscribe for the Group's shares have been granted to certain executives and other employees. No options have been issued during the year under this scheme (2016: nil).

NOTE 17: NON-CONTROLLING INTEREST

Reconciliation of non-controlling interest in controlled entities:

	31 December 2016	30 June 2016
	\$	\$
Opening balance	(199,534)	(192,517)
Share of current year loss after income tax	(2,410)	(441)
Share of current year translation reserve	(5,602)	(6,576)
Share capital	-	-
	<u>(207,546)</u>	<u>(199,534)</u>

NOTE 18: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2011.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 18: FINANCIAL INSTRUMENTS (continued)

	31 December 2016	30 June 2016
	\$	\$
(b) Categories of financial instruments		
Financial assets		
Cash and cash equivalents (i)	58,105	348,434
Trade and other receivables	2,040,254	1,225,334
Other assets	406,302	688,507
Unlisted investment	354,936	-
Financial liabilities (at amortised cost)		
Trade and other payables	1,672,621	1,272,059
Borrowings (current and non-current)	1,251,566	910,894

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

(c) Financial risk management objective

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

(d) Market risk

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

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

The Holista Group has an investment in a company classified as Tier 3, in that the investment company is unlisted. The Holista Group investment is relatively new and has only recently commenced trading by the Tier 3 company investing in another unlisted company that operates in the USA. No financial information is available on the latter investment and is a company that has been set up to commercialise certain brain food (blood glucose control ingredients) in the USA and elsewhere. Thus, in total the investment by the Holista Group and the underlying investment is subject to future market conditions. The Holista Group has carried forward their investment at cost until such time a more reliable valuation methodology can be used.

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

(i) Foreign currency risk management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 18: FINANCIAL INSTRUMENTS (continued)

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

	Liabilities		Assets	
	December 2016	June 2016	December 2016	June 2016
	\$	\$	\$	\$
Malaysian ringgit	2,257,599	1,855,148	2,990,903	2,982,579
United States dollar	69,154	191,023	874	97,449

Foreign currency sensitivity analysis

The Group is exposed to Malaysian ringgit (RM) and United States Dollar (USD) currency fluctuations.

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

	RM and USD impact			
	Consolidated		Company	
	December 2016	June 2016	December 2016	June 2016
	\$	\$	\$	\$
Profit or loss (i)	(170,668)	(25,533)	-	-
Other equity (ii)	260,919	266,857	-	-

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

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

(ii) Interest rate risk management

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

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

(iii) Interest rate risk sensitivity analysis

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

At balance date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Groups: net profit would increase by \$2,662 (2016:\$2,902) and decrease by \$4,264 (2016: \$4,207). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 18: FINANCIAL INSTRUMENTS (continued)

(e) Credit risk management

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

An analysis of the credit quality of trade and other receivables that are neither past due is as follows:

	31 December 2016	30 June 2016
	\$	\$
Customers with external credit rating		
Other customers		
- four or more years trading history with the Group	720,550	562,306
- less than four years or more trading history with the Group	642,401	503,342
	<u>1,362,951</u>	<u>1,065,648</u>

(f) Liquidity risk management

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

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

	Less than 1 Month	1-3 Months	3 months- 1 year	1-5 years	5+ years
	\$	\$	\$	\$	\$
December 2016					
Non-interest bearing	-	-	-	-	-
Finance lease liabilities (4.56%)	1,083	2,166	9,749	47,834	-
Variable interest rate instruments (5.15%)	55,150	207,351	50,837	-	-
Fixed interest rate instruments (5.20%-10%)	2,940	5,881	383,543	163,645	321,387
	<u>59,173</u>	<u>215,398</u>	<u>444,129</u>	<u>211,479</u>	<u>321,387</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 18: FINANCIAL INSTRUMENTS (continued)

	Less than 1 Month \$	1-3 Months \$	3 months- 1 year \$	1-5 years \$	5+ years \$
June 2016					
Non-interest bearing	-	-	-	-	-
Finance lease liabilities	1,395	2,790	12,556	56,080	-
Variable interest rate instruments	189,600	72,898	-	-	-
Fixed interest rate instruments	8,285	16,273	73,352	374,519	111,079
	199,280	91,961	85,908	430,599	111,079

NOTE 19: COMMITMENTS

Operating lease commitments - Group as lessee

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

The Group has a 1-3 year lease for commercial office, retail shop and warehouse in Malaysia. The future minimum rental payments under non cancellable tenancy agreements are \$23,009.

The Group has a 20 year lease entered into in June 2004 for a site in Collie, Western Australia. The rent for this site is \$9,742 increased by CPI per hectare per annum.

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

	Consolidated		Parent	
	31 December 2016 \$	30 June 2016 \$	31 December 2016 \$	30 June 2016 \$
Within one year	25,668	27,023	9,793	9,793
After one year but not more than five years	45,785	54,965	39,171	39,171
After five years	29,379	29,379	29,379	29,379
	100,832	111,367	78,343	78,343

Finance lease and hire purchase commitments - Group as lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 19: COMMITMENTS (continued)

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

	<i>Minimum Lease Payments</i> \$	<i>Minimum Lease Payments</i> \$
Consolidated		
Within one year	15,425	16,741
After one year but not more than five years	51,401	64,158
Later than five years	-	-
Total minimum lease payments	66,826	80,899
Less amounts representing finance charges	(5,994)	(8,077)
Present value of minimum lease payments	60,832	72,822

Capital commitments

At 31 December 2016 the Group has \$nil (2016 \$257,077) of capital commitments that have not otherwise been booked as a liability. This is for the purchase of a spray dryer for the Collie plant.

NOTE 20: RELATED PARTY DISCLOSURE

Transactions with related parties

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

The following transactions occurred with related parties

	Consolidated		Parent	
	31 December 2016 \$	30 June 2016 \$	31 December 2016 \$	30 June 2016 \$
Director fee paid to Mdm Nora Hassan	5,674	11,973	-	-
Legal services fee paid to Sumita K & Associates for provision of legal advice. Mrs Sumita's husband is a director of Holista CollTech Limited	5,674	11,973	-	-
Director fee paid to Mrs Sumita	5,674	11,973	-	-
Consultation fee paid to Samabudi Consulting Sdn Bhd which director have interest	24,019	-	-	-
Loan and interest from Global eHealth Ltd which a director have interest	357,079	-	-	-
Loan from subsidiary	-	-	1,189,413	677,740
Loan to subsidiary	-	-	(864,306)	(812,011)
	398,120	35,919	325,107	(134,271)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 20: RELATED PARTY DISCLOSURE (continued)

Lite Food Inc is 74% owned by the Group with the remaining 26% being held by private shareholders including the company's director Mr. Chan Heng Fai.

The Holista Group has made an investment in a Tier 3 classified company as referred to in Note 9 and Note 18. The Tier 3 investment company has invested in another unlisted company in which Mr Chan Heng Fai is Chairman and Dr Rajen Manicka is the Chief Executive Officer. The cost of the investment by the Tier 3 company in the investment company involving Mr Chan Heng Fai and Dr Rajen Manicka is US\$375,460.

NOTE 21: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 December 2016. The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the group. Each subsidiaries country of incorporation is also its principal place of business.

Name	Country of Incorporation	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		Dec 2016	June 2016	Dec 2016	June 2016
Holista Biotech Sdn Bhd	Malaysia	100%	100%	-	-
Total Health Concept Sdn Bhd	Malaysia	100%	100%	-	-
Alterni (M) Sdn Bhd	Malaysia	100%	100%	-	-
Medi Botanics Sdn Bhd	Malaysia	100%	100%	-	-
Lite Food Inc	United States of America	74%	74%	26%	26%

Subsidiaries financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Summarised Financial Information of Subsidiaries with Material Non-controlling Interests

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group:

	Lite Food Inc	
	31 December 2016	30 June 2016
	\$	\$
Summarised Financial Position		
Current assets	873	897
Non-current assets	111,019	-
Current liabilities	(69,154)	(54)
Non-current liabilities	(840,992)	(768,280)
Net liabilities	(798,254)	(767,437)
Carrying amount of non-controlling interests	(207,546)	(199,534)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 21: INTEREST IN SUBSIDIARIES (continued)

	Period ended 31 December 2016	Year ended 30 June 2016
		\$
Summarised Financial Performance		
Revenue		-
(Loss) after tax	(6,951)	(1,696)
Other comprehensive income after tax		
Total comprehensive income	(6,951)	(1,696)
(Loss) attributable to non-controlling interests	(1,807)	(441)
Distributions paid to non-controlling interests	-	-

The information above is before intercompany eliminations.

	Lite Food Inc	
	31 December 2016	30 June 2016
	\$	\$
Summarised Cash Flow Information		
Net cash used in operating activities	(9,270)	(1,696)
Net cash from investing activities	-	68,059
Net cash from/(used in) financing activities	23,625	-
Effect of exchange rates on cash holdings in foreign currencies		-
Net (decrease) in cash and cash equivalents	14,355	66,363

NOTE 22: JOINT VENTURE DISCLOSURES

On 12 July 2016, the Group and Nadja Foods LLC announced a 51-49 joint venture company, Holista Foods Inc, to be run by Nadja Piatka as Chief Executive Officer. Holista Foods Inc will be the distributor for the Group's low-GI products in North America.

Set out below is the Group's interest in joint ventures at 31 December 2016.

Name	Country of Incorporation	Ownership Interest Held by the Group	
		December 2016	June 2016
Holista Foods Inc	United States of America	36.26%	-

The above joint venture is accounted for using the equity method in these consolidated financial statements.

Holista CollTech Ltd holds 74% of LiteFoods Inc and LiteFoods Inc hold 49% of Holista Foods Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 22: JOINT VENTURE DISCLOSURES (continued)

Summarised Financial Information of Group's material joint venture

Set out below is the summarised financial information for each joint venture that are material to the Group:

	Period ended 31 December 2016 \$	Year ended 30 June 2016 \$
Summarised Financial Position		
Current assets	15,616	-
Non-current assets	92,765	-
Current liabilities	(3,800)	-
Non-current liabilities	(117,284)	-
Net liabilities	(12,703)	-
Group's share of joint venture's net assets	(6,224)	-
	Period ended 31 December 2016 \$	Year ended 30 June 2016 \$
Summarised Financial Performance		
Revenue	-	-
(Loss) after tax	(12,703)	-
Other comprehensive income after tax		
Total comprehensive income	(12,703)	-
Group's share of joint venture's net income	(6,224)	-
	Period ended 31 December 2016 \$	Year ended 30 June 2016 \$
Reconciliation to carrying amounts		
Group's share of joint venture's opening net assets	-	-
Investments during period	117,243	-
Group's share of joint venture's comprehensive income	(6,224)	-
Group's share of joint venture's closing net assets	111,019	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 23: PARENT ENTITY DISCLOSURES

Holista CollTech Limited is the ultimate Australian parent entity and ultimate parent of the Group.
Holista CollTech Limited did not enter into any trading transactions with any related party during the year.

Financial position

	31 December 2016	30 June 2016
	\$	\$
Assets		
Current assets	823,064	376,683
Non-current assets	3,563,708	3,163,503
Total assets	4,386,772	3,540,186
Liabilities		
Current liabilities	1,777,582	871,615
Non-current liabilities	-	-
Total liabilities	1,777,582	871,615
Net Assets	2,609,190	2,668,571
Equity		
Issued capital	9,307,630	9,179,440
Accumulated losses	(8,971,113)	(8,776,600)
Reserves	2,272,673	2,265,731
Total Equity	2,609,190	2,668,571

Financial performance

	Period ended 31 December 2016	Year ended 30 June 2016
	\$	\$
(Loss) for the year	(194,513)	(492,007)
Other comprehensive income	-	-
Total comprehensive (loss)	(194,513)	(492,007)

The parent company has capital commitments at 31 December 2016 of \$nil (2016: \$257,077).

The parent company has not entered into any guarantees on behalf of subsidiary entities.

The parent company other commitments are disclosed in Note 19.

NOTE 24: EVENTS AFTER THE REPORTING PERIOD

On 6 January 2017, the Group announced it has collaborated with 2017 Nobel Prize Nominee and emerging thought leader in carbohydrate chemistry, Daryl Thompson, to file a patent for the world's first low-Glycemic Index sugar made out of all natural-ingredients.

On 9 January 2017, Dr Rajen Manicka was granted 9,000,000 performance rights in the AGM.

On 23 March 2017, a total of 6,500,000 options (warrants) were granted to plant consultant and patent holders.

On 27 March 2017, Mr Chan Heng Fai exercised 6,012,698 warrants.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 25: AUDITOR'S REMUNERATION

	31 December 2016 \$	30 June 2016 \$
<i>Amounts received or due and receivable by Stantons International Audit and Consulting for:</i>		
An audit or review of the financial report of the entity and any other entity in the Group	28,000	47,000
<i>Amounts received or due and receivable by Russell Bedford LC & Company for</i>		
- an audit or review of the financial report of subsidiaries	18,093	28,037
Amounts received or due and receivable by auditors of group entities	<u>46,093</u>	<u>75,037</u>

NOTE 26: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i)	Directors	
	Dr Rajen Manicka	Chief Executive
	Mr. Daniel O'Connor	Non Executive Director
	Mr. Chan Heng Fai	Non Executive Director
(ii)	Executives	
	Mr Jay Stephenson	Company Secretary

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

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

	31 December 2016 \$	30 June 2016 \$
Short-term employee benefits	154,761	426,425
Post-employment benefits	21,350	64,770
Total key management personnel compensation	<u>176,111</u>	<u>491,195</u>

(b) Loans to Key Management Personnel

There are no loans to directors or executives.

(c) Loans from key Management Personnel

The company enter into a loan agreement with Global eHealth Limited, which a director have interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

NOTE 27: SHARE BASED PAYMENTS

The company made a share based payment with a fair value of \$6,943 during the year ended 31 December 2016 (2016: \$22,737). The options were issued to a consultant for his contribution during the capital raising and valued at the agreed service price.

Reconciliation of outstanding share options to Directors, employees and consultants.

The number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	Number of options 31 Dec 2016	WAEP 2016	Number of options 30 Jun 2016	WAEP 2016
Outstanding at 1 July	31,829,282	\$0.06	25,333,333	\$0.06
Granted during the year	1,000,000	\$0.25	11,862,616	\$0.25
Forfeited during the year	-	-	-	-
Exercised during the year	(2,136,500)	(\$0.06)	(5,366,667)	(\$0.06)
Outstanding at 31 Dec/30 Jun	30,692,782	\$0.11	31,829,282	\$0.06
Exercisable at 31 Dec/30 Jun	30,692,782	\$0.11	31,829,282	\$0.06

The options outstanding at 31 December 2016 have an exercise price in the range of \$0.06 to \$0.30 (2016: \$0.06 to \$0.30) and weighted average remaining contractual life of 2 years (2016: 2 years). The weighted average share price at the date of exercise for share options exercised in 2016 was \$0.06 (2016: \$0.06).

NOTE 28: CONTINGENT LIABILITIES

The Company has no contingent liabilities at 31 December 2016.

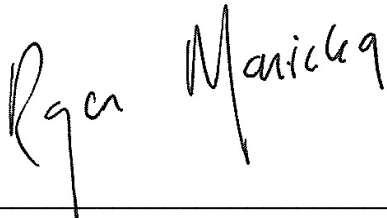
NOTE 29: PROVISION FOR EMPLOYEE BENEFITS

	31 December 2016 \$	30 June 2016 \$
Provision for accrued annual leave	6,516	-

DIRECTORS' DECLARATION

1. In the opinion of the directors of Holista CollTech Limited (the 'Company'):
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - iii. The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.
 - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the period ended 31 December 2016.

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



Dr Rajen Manicka
Director

Dated this 31 day of March 2017

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

Report on the Audit of the Financial Report

Our Opinion

We have audited the financial report of Holista Colltech Limited (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the period then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Emphasis of Matter Regarding Going Concern and The Carrying Value of Investment and Receivables

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

Going Concern

As referred to in Note 2 (d) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 31 December 2016 the Group had cash and cash equivalents totalling \$58,105 working capital of \$1,181,394 and has incurred a profit before tax for the period of \$227,246. The ability of the Company and the Group to continue as going concerns is subject to the future profitability and realisation of receivables and investments of the Group. In the event that the Group is not successful in maintaining profitability and realisation of the receivables and investments, the Company and its subsidiaries may not be able to meet their liabilities as and when they fall due and the realisable value of the Company's and its subsidiaries assets may be significantly less than book values.

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Key Audit Matters

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

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

Key Audit Matters

How the matter was addressed in the audit

Carrying value of receivables

At 31 December 2016, the Group has a receivable of \$417,941 (inclusive of accrued interest). This loan has been advanced with maturity being two years from date of the agreement and attracts 5% interest receivable.

The Group has advanced funds to one of its customer in order for selling the "Emulin Plus" brand in North America. The recoverability of the receivable is a key audit matter, due to the size of the balance (being 6.91% of the total assets) and the level of judgement required by us in evaluating managements' assessment of its recoverability.

- i. We obtained external confirmation of the receivable as at 31 December 2016;
- ii. Discussions held with key management personnel of the Group on the terms of the loan and its recoverability;
- iii. Perform company search in order to ascertain the financial position of the borrower; and
- iv. Obtained from management the sales forecast from the launch of the products in North America by the borrower;

Carrying value of investment assets

The recoverability of the unlisted investment is a key audit matter, due to the size of the balance (being 5.869% of the total assets) and the level of judgement required by us in evaluating managements' assessment of its recoverability.

The judgements included the determination as to whether the investment amount will be recovered in full at the end of the three period.

- i. We obtained unit-holders confirmation of the unlisted investment as at 31 December 2016;
- ii. A review of the investment term sheet to ascertain the type of investment and when the investment was due to be realised;
- iii. Discussions held with key management personnel of the Group on the terms of the investment and their view as to its realisation;
- iv. Obtained the investments objectives, strategies and overview and considered the business in which the investment company operates in; and
- v. Obtained the recent set of unaudited financials.

Carrying value of intangible assets

At 31 December 2016, the Group has intangibles \$321,986.

Under AIFRSs, the Group is required to annually test the amount of intangible for impairment. This annual impairment test was significant to our audit because the balance of 321,986 (being 5.32% of the total assets) as of 31 December 2016 is

- i. On behalf of the lead auditors, the component auditors obtained confirmation from the external party for the total payments made as at 31 December 2016;
- ii. We have classified in this period as an intangible asset from other assets based on the fact that further and full payments have been

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Carrying value of intangible assets (cont'd)

material to the financial statements.

In addition, management's assessment process is complex and highly judgmental and is based on assumptions, specifically in respect of the term sheet signed in relation to the intangible (intellectual property) amounting to \$248,756 (US\$180,000) relating to the use of brand "Emulin Plus" as per the term sheet since December 2015.

made according to the term sheet which mentioned that the executed agreement will be finalized within 6 months from the date of the term sheet. As at 31 December 2016, an executed agreement was not finalized and subsequently was finalized on 9 February 2017; and

- iii. Discussion held with key management personnel to ascertain as to whether there are any indicators that would give rise to an impairment and the feedback from management in respect of the intangible (intellectual property) was that it will be put into commercialization use during the year ending 31 December 2017

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

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

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

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

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

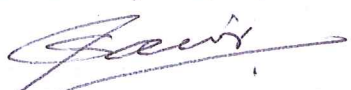
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 25 of the directors' report for the year ended 31 December 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion the Remuneration Report of Holista CollTech Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International


Samir Tirodkar
Director

West Perth, Western Australia
31 March 2017

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Additional Information for Listed Public Companies

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Limited.
The information is current as at 8 March 2017.

1. Shareholdings

a) Substantial shareholders of Holista CollTech Limited:

Name of shareholder	Shares held
Dr Rajen Manicka	73,914,400
Mr Chan Heng Fai	32,814,935
Ms Sarinderjit Kaur	8,461,500

b) Distribution of equity – Listed securities:

Size of holding	Number of Shareholders
1 – 1,000	229
1,001 – 5,000	298
5,001 – 10,000	188
10,001 – 100,000	301
100,001 – and over	68
	1,084

At the date of this report there were 458 shareholders who held less than a marketable parcel of shares holding 648,886 shares.

Additional Information for Listed Public Companies

a) 20 Largest Shareholders – Ordinary Shares:

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
DR RAJENDRAN MARNICKAVASAGAR	73,875,000	43.02
GLOBAL EHEALTH LIMITED	32,814,935	19.11
MS SARINDERJIT KAUR	8,461,500	4.93
HSBC CUSTODY NOMINEES	6,893,547	4.01
FAIRVIEW HOLDINGS PTY LTD	4,750,000	2.77
DR FATHIL MOHAMED	4,211,274	2.45
CHANDRA SEKARAN P PERUMAL	3,333,333	1.94
FRANJACK PTY LTD &	3,300,000	1.92
BNP PARIBAS NOMS PTY LTD	2,314,884	1.35
MR RAVINDRAN GOVINDAN	2,061,119	1.20
MR KOK WAH ONG	1,696,220	0.99
THANK KEATING PTY LTD	1,300,000	0.76
FAIRVIEW HOLDINGS PTY LTD	1,020,000	0.59
CATL PTY LTD	900,000	0.52
MRS SHIVANI KAMALANATHAN	738,089	0.43
IRSS NOMINEES (21) LIMITED	660,000	0.38
LIFESCIENCE SECURITIES LTD	600,000	0.35
MR RAVINDRAN GOVINDAN	534,468	0.31
DR JOHN MCKINNON SNOWDEN &	533,683	0.31
BERNE NO 132 NOMINEES PTY LTD	530,645	0.31
	150,528,697	87.67

b) Stock Exchange Listing

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