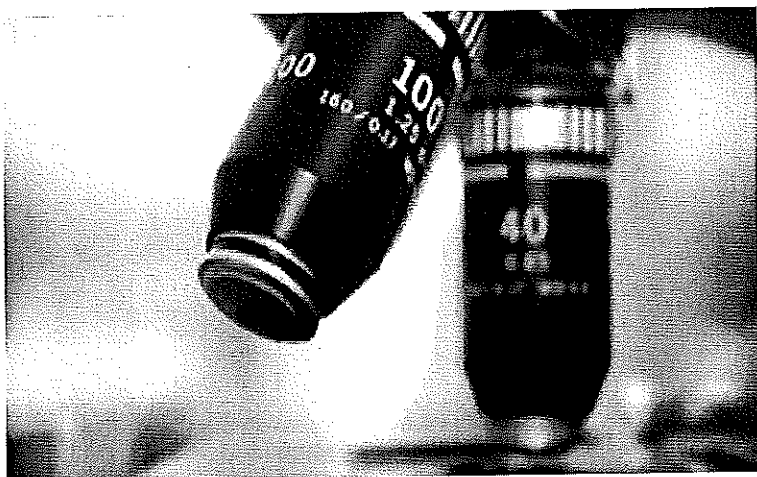


# HOLISTA COLLTECH LIMITED

ABN 24 094 515 992

Annual Financial Report  
30 June 2011



**ALTERNI**  
*Creating health directly...*

**TBSB**

**THC**<sup>™</sup>  
TOTAL HEALTH CONCEPT

 **OVICOLLITIC**

---

| <b>Contents</b>                    | <b>Page</b> |
|------------------------------------|-------------|
| Corporate Information              | 3           |
| Directors' Report                  | 4-18        |
| Corporate Governance Statement     | 19-26       |
| Auditor's Independence Declaration | 27          |
| Statement of Comprehensive Income  | 28          |
| Statement of Financial Position    | 29          |
| Statement of Changes in Equity     | 30          |
| Statement of Cash Flows            | 31          |
| Notes to the Financial Statements  | 32-68       |
| Directors' Declaration             | 69          |
| Independent Auditor's Report       | 70-72       |
| ASX Additional Information         | 73-74       |

## **CORPORATE INFORMATION**

**ABN 24 094 515 992**

### **Directors**

Dato' Dr M Rajendran, Managing Director and Chief Executive Officer  
Dato' Dr Fathil Bin Mohamed, Non-Executive Director  
Dr Stuart Hazell, Non-Executive Director – Appointed 14 October 2010

### **Chief financial officer**

Mr Kong Hon Khien

### **Company secretary**

Mr Ben Donovan

### **Registered office**

Holista CollTech Limited  
ABN 24 094 515 992  
125 Royal Street, East Perth, WA 6004  
Telephone: (+618) 9426 3900  
Facsimile: (+618) 9426 3909

### **Share register**

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

### **Bankers**

National Australia Bank  
100 St Georges Terrace, Perth WA 6000

### **Auditors**

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

### **Stock Exchange Listings**

HCT

## DIRECTORS' REPORT

Your directors submit the annual financial report of Holista CollTech Limited and the entities it controlled during the period (together with "consolidated entity" or "Group") for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act, the directors report as follows:

### Review of operations

#### Group overview

Over the reporting period we streamlined our business and prepared the company for growth and profitability.

Financial Year 2011 was challenging as we digested the reverse takeover, did some housecleaning and cut costs as we refocused the business and worked towards growing it. While we continued to be in the red for the financial year that has just ended, our losses have reduced by 62.5% from A\$1,637,157 to A\$613,812. At this rate, we project to be in the black by the end of the 2012 financial year.

We undertook several initiatives during the year to develop technologies and register products to increase sales.

The key activities during the year were:

#### 1. Cost rationalisation

As we continued to trim our costs, only relevant R&D was funded. We reduced our head count. We also exited projects that did not fit the overall "big picture". We continued to invest in the future with ongoing research into collagen and value added food ingredients.

#### 2. Development of the collagen business

We have done three things this year:

##### a) Rationalised the medical and cosmetic business in our Collie plant in Western Australia.

After a period of hiatus, we are now reactivating the plant in Collie. We have secured a user base in Thailand and are promoting a similar base in Malaysia. We are now re-activating our contacts in China to promote "cosmetic collagen" to the Chinese.

We are also working with contacts in the United States to supply our cosmetic collagen for further development into "medical collagen."

##### b) Development of nano collagen

Working with scientists at the University of Hamdard in India, we filed the world's first nano collagen patent. We are now able to demonstrate that we can indeed produce "true nano" collagen particles that can cross the human skin. We can also, by way of liposome encapsulation, choose the depth of skin that we want to penetrate. More importantly, we have by way of clinical trials with ethical committee approval demonstrated that our nano collagen can increase skin hydration by more than 300%.

We are now talking to a large Asian healthcare chain and an international cosmetic based company about the possibility of introducing our nano collagen into their formulations.

##### c) Developed the "food grade" collagen business in Malaysia

We have successfully completed all our R&D to develop an all "halal" food grade collagen by using a plant based enzymatic protocol to "digest" intact collagen from sheep skins to develop molecules that are the size of 3 kilo Daltons.

**DIRECTORS' REPORT (continued)**

However, as we were evolving this research and developing our business plans, the price of sheepskins rose from A\$4 to A\$25 due to the demand from China for sheepskins for car seats. The tremendous leaps in prices, several times, squeezed our margins. So we took a decision to put the factory building on hold.

In the interim, we considered fish collagen. With minor tweaks in our processes and protocols, we believe that we can effectively have two lines of products – a sheep collagen line and a fish collagen line.

We would then position ourselves as a "halal collagen company" with two halal products. Our sales people could sell two products – a higher end "sheep collagen" and a lower end "fish collagen" to tap into marketing opportunities in China and North Asia. This would also allow us to better manage adverse movements in sheep skin prices.

We are also forming a joint venture company and discussing with one of Malaysia's leading private equity firms with the set up of the extraction facility on a plot of land in a biotech hub just outside Kuala Lumpur, Malaysia.

**3. Development of the food ingredient business**

This project is the crown jewel of the company as the world is witnessing an epidemic of obesity, heart disease and diabetes. The fast food industry is increasingly being blamed for unleashing what is called the 4S Tsunami – Starch, Sugar, Salt and Saturated Fat. Although this segment of the food industry is low cost and offers convenience it is increasingly being seen as "unhealthy". There is even talk of regulation and "sin taxes".

We have developed a proprietary range of solutions that comprises of natural and low cost ingredients. These products can easily be added to the food manufacturing process to create healthier outcomes that do not impact the taste or the look and feel of the ingredients. Our patented ingredients provide a healthier alternative that does not sacrifice taste.

- Low Glycemic Index Bread (NexBread™) – a patented mix of two common Asian foods in a unique ratio at very low concentrations that reduces the glycemic index of bread and other baked flour based products by 40% without changing the taste, texture and mouth feel.

- Low Fat Chips (NexChip™) – a patented "pre-soak" that causes a 40% reduction in the "fat pull" into the chips during the frying process. We have repeatedly demonstrated that the chips are crispier, less oily and have a lower calorie content.

Low Sodium Salt (NexSalt™) – replaces 40 – 60% of the sodium with potassium via patented natural ingredients that avoid the usual "metallic" or "bitter" aftertaste. The ingredient can be used in both aqueous and oil based foods, and is not heat sensitive.

All the basic research and development was done in collaboration with the Functional Food Laboratory at Oxford Brookes – Europe's largest food testing centre. We are now collaborating with the University of Western Australia and have applied for an Australian government grant.

We improved our in-house testing capabilities and continue to test, revalidate and innovate our food ingredients. We have also improved our proprietary capabilities and are moving to strengthen our patents. The value proposition of the food ingredient business is based on the following features:

**The Benefits – Healthier Foods Without Sacrificing Taste**

- All Natural - There are no synthetic or genetically modified ingredients
- Proven and Tested - All ingredients have been tested and validated at the laboratories of the University of Oxford.
- Market Ready - All the ingredients are labelled as Generally Regarded As Safe (GRAS) by the United States Food & Drug Administration and are easily sourced..

**DIRECTORS' REPORT (continued)**

- A Low Cost Solution - The ingredients are readily available and are added at very low percentages resulting in little impact on the end price.
- No Compromise in Taste - The taste, texture and feel are imperceptible to consumers in the reformulated foods.
- No Modifications to Processes or Equipment - The ingredients can be easily added to the manufacturing process without need for upgrades or changes to the equipment or processing modifications.

Our market development plan is to engage with the fast and processed food industries. To this end we are now engaging a large Australian fast food chain and a global conglomerate of fast food chains. We are also talking to two global processed food companies – one based in the United States and the other in Europe.

In the meantime, we continue to develop technologies in the following areas:

- All natural taste enhancer
- All natural common additive that would reduce cholesterol
- A natural blend that when added to food just before eating would reduce the Glycemic Index profile
- Low Glycemic Index noodle (Fact: the most common way that wheat is consumed worldwide is as noodles)

**4. Development of the supplement business**

This division remains our “bread and butter” business for the time being. We have further improved our position in Malaysia and moved into the nearby ASEAN nations of Singapore, Brunei and the Philippines. We have also added on a new line extension to our range. Our fish oil – PRISTIN – continues to be the Malaysian market leader.

We have taken initiatives to achieve better profit outcomes for this business. We also addressed the trade with a more focused approach.

**1. Development of the Indian joint venture**

In January this year, we entered into a joint venture with an Indian company that specialises in the extraction of tropical herbs. The company is based in Pune, at the heart of India's biotech hub. Our partner takes a 60% stake but we hold the chairmanship and have a 50:50 profit sharing arrangement.

With this joint venture, we are now positioned to tap into the growth of the Indian market and also capitalise upon the unique process of herbal extraction that Hi Tech Biosciences has developed that is energy efficient and hence, would give us a pricing advantage for the herbal extractions.

This cooperation means we can now also micro extract some of Malaysia's herbs and utilise our patents in this area.

A European based multinational company has expressed interest in some of the products of this joint venture.

**DIRECTORS' REPORT (continued)****2. Development of our "Click Cap" business**

As an offshoot our own research on Malaysian herbs, we stumbled on a mechanism for delivering the active ingredient of a herbal drink in the cap. This was novel and patented as "Click Cap". As this is not our core capability, we entered into a company that specialises in mechanical plastic design called Halo Plus. Here we have a 51:49 joint venture with Halo Plus holding the majority and HCT holding the chairmanship.

As this is a Malaysian majority joint venture, we are in the midst of obtaining government grants and soft loans which are available.

**3. Development of the mosquito larvae control business**

Trypsin Modulating Oostatic Factor (TMOF) is used against mosquito larvae in aquatic environments. TMOF is a small protein that interferes with digestion in mosquito larvae, leading to their starvation. No harm to humans or the environment is expected from use of TMOF as a pesticide active ingredient. When combined with crystals from a bacterial crystal called *Bacillus thuringiensis israelensis*, we achieve death of mosquito larvae within one month. This gives us a cost saving of up to 8 times on existing mosquito bio-control solutions.

We work with Entogenex – a Malaysian company which holds the global rights for this technology from the University of Florida, USA and has rights to Malaysia and several countries in the region.

In May 2011, Malaysia registered this product. Several registrations are now pending in the region setting the stage for sales in the 2012 financial year.

**Overall Outlook**

With the reverse takeover and the all that indigestion that followed now firmly behind us, the several initiative behind this now position us for good growth in the coming 12 months and beyond. We need to invest in the areas of growth, margins and profits – namely the food ingredients and continue to create new consumers and new products to propel the company forward.

As for the collagen business need to need to refocus as a "halal collagen company" and move from relying on sheep skins to also access fish skins and allow us to sell to a wider collagen market. There are possibilities in the North Asian market.

For the mosquito larvae control business, we now are engaging with the Ministry of Health of Malaysia to negotiate the tender. We are also now waiting for registrations for other nations.

Both our joint ventures – in Malaysia for the "click cap" and in India for the herbs – are off the runway and should bear fruit this year.

**Operating results for the year**

The Group reported a net loss after income tax for the reporting year ended 30 June 2011 of \$613,812, down on the previous year loss of \$1,637,157. Revenues from ordinary activities were \$6,021,000, down 3.4% on the previous year of \$6,235,000. For further detail, refer to the Review of Operations on pages 4 to 7.

**Review of financial conditions**

The likely developments in the Group's operations, to the extent that such matters can be commented upon, are covered in the Review of Operations on pages 4 to 7 of the Annual Report. In the opinion of the Directors, disclosure of information regarding the expected results of those operations in financial years after the current financial year is not predictable at this stage, or may prejudice the interests of Holista CollTech Ltd. Accordingly this information has not been included in this report.

**DIRECTORS' REPORT (continued)****Directors**

It is with great sadness that the company learned of the passing away of Paul Rengel on 29 September 2011. Paul made a significant contribution to the company during his involvement as a Director and our thoughts and best wishes are with his family at this sad time. He will be sorely missed by all.

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

**Names, qualifications, experience and special responsibilities****Dato' Dr M Rajendran - B Ph.(Hons) - Managing Director**

Dato' Dr Rajen 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, Dato' 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 Group Sdn Bhd in January 2004 and has been Managing Director and major shareholder from inception of this group until its merger with Holista CollTech Limited in July 2009. He is a prominent figure in the Malaysian biotech industry, an industry which receives significant support and encouragement from the Malaysian government.

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

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

**Paul Rengel - B.Com - Non-Executive Director-Appointed 1 April 2011, Deceased 29 September 2011.**

Paul had a Bachelor of Commerce Degree from the University of Western Australia; was a Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Australia Institute of Company Directors and an Associate of the Australia Institute of Management.

He had forty years professional experience in International Firms in Corporate Services, Audit and Business consulting, including service as Non Executive Director and as Chairman in a wide cross section of industries.

Having retired from professional practice in 2008, Paul was a Principal and Executive Director of Equity Finance and Securities Pty Ltd, an Australian Financial Services licensed entity, engaged in Corporate Finance, Mergers, acquisitions and public company equities consulting.

Paul held appointments as Non Executive Director of five public and substantial companies, including as Chairman of three.

**Dato' Dr Fathil Bin Mohamed - PhD- Non-Executive Director**

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



**DIRECTORS' REPORT (continued)**

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

Dato' Dr Fathil is a member of the Group's Nomination, Remuneration and Audit Committees.

**Dr Stuart Hazell - BSc PhD MASM GAICD - Non-Executive Director-Appointed 14 October 2010**

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

Dr Hazell is the Managing Director and Principal Consultant of Fusidium Pty Ltd, which provides consulting services, including technology assessment, strategic planning and business development within the medical device and life sciences sector. In 2010 Fusidium won a tender to provide Case Manager services for the Australian Government's Commercialisation Australia Industry support program in Queensland.

Prior to establishing Fusidium Pty Ltd, Dr Hazell was the Chief Executive Officer of the international medical diagnostics company Panbio Ltd, where he was actively engaged in change processes enabling the company to achieve growing profits in financial years 2006 and 2007, following a history of losses. Inverness Medical Innovations Inc. acquired Panbio in January 2008.

Dr. Hazell maintains an active involvement in the broader life sciences community. He sits on the Board of Research Australia Inc, where he chairs the Audit and Risk Committee.

**Chief Financial Officer**

**Mr Kong Hon Khien - ACMA, MIA – Appointed on 1 April 2011**

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

**Company Secretary**

**Mr Ben Donovan - B. Com (Hons), ACIS**

Mr. Donovan holds a Bachelor of Commerce (Honours) in finance and commercial law. He is a director and company secretary of several ASX listed and public unlisted companies. He is a Chartered Secretary and currently provides corporate advisory and consultancy services to a number of companies. Mr Donovan spent three years with the Perth office of ASX, providing ASX listing rule advice as Senior Adviser, to listed companies. Prior to joining the ASX, Mr Donovan worked for a boutique stockbroking institution in Perth focusing on stock broking and corporate advisory areas.

**DIRECTORS' REPORT (continued)**

**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 |
|-----------------------------|--|--------------------------------------|
| Dato' Dr M Rajendran        | -                                      | 77,039,400                           |
| Mr Paul Rengel              | -                                      | -                                    |
| Dr Stuart Hazell            | -                                      | -                                    |
| Dato' Dr Fathil Bin Mohamed | 200,000                                | 4,186,274                            |

All options are exercisable at \$0.40 on or before 23 October 2011.

No share options of Holista CollTech Limited were granted to directors or the five most highly remunerated officers of the company during or since the end of the financial year as part of their remuneration.

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

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry Date | Exercise price | Number of shares |
|-------------|----------------|------------------|
| 23/10/2011  | \$0.40         | 800,000          |
|             |                | 800,000          |

On 30 June 2011, 660,000 employee options exercisable at \$0.40 expired.

On 22 August 2011, 50,000 employee options exercisable at \$0.40 expired.

**Dividends**

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

**Principal Activities**

The principal activities of the entities within the consolidated entity during the year involve the production and sale of high-grade collagen and other biomaterials from animal sources in Australia. Last year, Colltech Australia Limited acquired all of the issued capital of Holista Biotech Sdn Bhd, a group based in Malaysia that is involved in the development, branding, distribution and sale of natural products.

**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 initiate 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 categorized 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.

## **DIRECTORS' REPORT (continued)**

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

**Compliance and Control:** Standard Operating Procedures have been drawn up, circulated and regularly monitored to ensure adherence to company policy. They include the various cash, purchasing, sales, and payment cycles, and payroll. Levels of Authority have been set, divisions of duty are made and multiple signature approvals imposed. Regular checks are made by management to ensure that these controls are indeed in place and complied with.

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

### **Significant changes in the state of affairs**

There have been no significant changes in the state of affairs of the Group during the financial year ended 30 June 2011.

### **Significant events after balance date**

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the 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 consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. 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.

### **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 \$18,206 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. (2010: \$18,071)

**DIRECTORS' REPORT (continued)****Remuneration report (Audited)**

This report outlines the remuneration arrangements in place for the key management personnel of Holista CollTech Limited (the "Group") for the financial year ended 30 June 2011. 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 five executives in the Parent and the Group receiving the highest remuneration.

**Key Management Personnel****(i) Directors**

|                             |  |
|-----------------------------|--|
| Mr Paul Rengel              | - Non-Executive Chairman – Appointed 01 April 2011   |
| Dato' Dr M Rajendran        | - Managing Director and Chief Executive Officer      |
| Dr Stuart Hazell            | - Non-Executive Director - Appointed 14 October 2010 |
| Dato' Dr Fathil Bin Mohamed | - Non-Executive Director                             |
| Mr Michael Pixley           | - Non-Executive Director – Resigned 23 November 2010 |
| Mr Ravindran Govindan       | - Non-Executive Director – Resigned 23 November 2010 |
| Mr Cheek Huat (Mick) Aw     | - Non-Executive Director - Resigned 01 April 2011    |

**(ii) Executives**

|   |
|---|
| Mr Kong Hon Khien (Chief Financial Officer) – Appointed 01 April 2011 |
| Mr David Wilson (Chief Financial Officer) – Resigned 01 March 2011    |
| Mr Bob Lee (General Manager)  |
| Mr Ben Donovan (Company Secretary)                                    |

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

**Remuneration philosophy**

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

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

**Remuneration committee**

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

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

**DIRECTORS' REPORT (continued)****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 year ended 30 June 2011 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 5 most highly remunerated Group and company executives is detailed in Table 2.

**Variable Remuneration**

The aggregate of annual payments available for executives across the Group is subject to the approval of the Remuneration Committee. No annual bonus payments were made during the year (2010: nil).

**DIRECTORS' REPORT (continued)****Employment Contracts**

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

|    |   | Dato' Dr. M Rajendran  |
|----|---|--|
| a) | Commencement date                             | 10 July 2009   |
| b) | Termination date of contract                  | Initial 3 year period.   |
| d) | Period of notice for resignation /termination | 3 months   |
| d) | Remuneration                                  | RM540,000 (A\$190,000)   |
| e) | Termination - with cause                      | The Company may terminate at any time without notice if serious misconduct has occurred. Where termination with cause occurs employees are only entitled to entitlements up to the date of termination and any unvested options will immediately be forfeited. |
| f) | Termination - without cause                   | The Agreements provides for the termination of the agreement by paying a severance payment of up to three months in addition to notice period.   |

**DIRECTORS' REPORT (continued)**

**Table 1**

**Remuneration report (continued)**

|   |      | Short-term Employee benefits |               |                              |                       | Post-employment benefit |                     |             | Equity |         | Performance Related % |
|---|------|------------------------------|---------------|------------------------------|-----------------------|-------------------------|---------------------|-------------|--------|---------|-----------------------|
|   |      | Salary & Fees<br>\$          | Bonuses<br>\$ | Non- Monetary Benefits<br>\$ | Super-annuation<br>\$ | Other<br>\$             | Share options<br>\$ | Total<br>\$ |        |         |                       |
| Mr Michael Pixley<br>(resigned 23/11/2010)          | 2011 | 17,500                       | -             | -                            | -                     | -                       | -                   | -           | -      | 17,500  | -                     |
|   | 2010 | 34,167                       | -             | -                            | 2,400                 | -                       | -                   | -           | -      | 36,567  | -                     |
| Mr Ravidran<br>Govindan (resigned<br>23/11/2010)    | 2011 | 12,083                       | -             | -                            | -                     | -                       | -                   | -           | -      | 12,083  | -                     |
|   | 2010 | 33,000                       | -             | -                            | -                     | -                       | -                   | -           | -      | 33,000  | -                     |
| Dato' Dr Fathil Bin<br>Mohamed                      | 2011 | 34,000                       | -             | -                            | -                     | -                       | -                   | -           | -      | 34,000  | -                     |
|   | 2010 | 32,500                       | -             | -                            | -                     | -                       | -                   | -           | -      | 32,500  | -                     |
| Dr Stuart Hazell<br>(appointed<br>14/10/2010)       | 2011 | 21,417                       | -             | -                            | 1,928                 | -                       | -                   | -           | -      | 23,345  | -                     |
|   | 2010 | -                            | -             | -                            | -                     | -                       | -                   | -           | -      | -       | -                     |
| Mr Cheok Huat (Mick)<br>Aw (resigned<br>01/04/2011) | 2011 | 25,750                       | -             | -                            | -                     | -                       | -                   | -           | -      | 25,750  | -                     |
|   | 2010 | 18,833                       | -             | -                            | -                     | -                       | -                   | -           | -      | 18,833  | -                     |
| Mr Paul Rengel<br>(appointed<br>01/04/2011)         | 2011 | 9,000                        | -             | -                            | -                     | -                       | -                   | -           | -      | 9,000   | -                     |
|   | 2010 | -                            | -             | -                            | -                     | -                       | -                   | -           | -      | -       | -                     |
| Dato' Dr M Rajendran                                | 2011 | 169,420                      | -             | -                            | 30,593                | -                       | -                   | -           | -      | 200,013 | -                     |
|   | 2010 | 180,965                      | -             | -                            | 7,962                 | -                       | -                   | -           | -      | 188,927 | -                     |

Paul Rengel remuneration was paid by way of fees to Orchidberg Pty Ltd.

## DIRECTORS' REPORT (continued)

Table 2

## Remuneration report (continued)

|  |      | Short-term Employee benefits |               |                                 |                           | Post-employment benefit |                        |             | Equity |   | Performance Related % |
|--|------|------------------------------|---------------|---------------------------------|---------------------------|-------------------------|------------------------|-------------|--------|---|-----------------------|
|  |      | Salary & Fees<br>\$          | Bonuses<br>\$ | Non- Monetary<br>Benefits<br>\$ | Super-<br>annuation<br>\$ | Other<br>\$             | Share<br>options<br>\$ | Total<br>\$ |        |   |                       |
| Mr Ben Donovan                                 | 2011 | 60,000                       | -             | -                               | -                         | -                       | -                      | 60,000      | -      | - |                       |
|  | 2010 | 44,000                       | -             | -                               | -                         | -                       | -                      | 44,000      | -      | - |                       |
| Mr Kong Hon Khien<br>(appointed<br>01/04/2011) | 2011 | 12,801                       | -             | -                               | 1,525                     | -                       | -                      | 14,326      | -      | - |                       |
|  | 2010 | -                            | -             | -                               | -                         | -                       | -                      | -           | -      | - |                       |
| Mr David Wilson<br>(resigned 01/03/2011)       | 2011 | 39,546                       | -             | -                               | 5,325                     | -                       | -                      | 44,871      | -      | - |                       |
|  | 2010 | 24,583                       | -             | -                               | 2,895                     | -                       | -                      | 27,478      | -      | - |                       |
| Total  | 2011 | 401,517                      | -             | -                               | 39,371                    | -                       | -                      | 440,888     | -      | - |                       |
|  | 2010 | 368,048                      | -             | -                               | 13,257                    | -                       | -                      | 381,305     | -      | - |                       |



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

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

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

**Bonuses**

No bonuses were granted to the directors during the year.

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

**Directors' Meetings**

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

|   | Directors'<br>Meeting | Audit<br>Committee | Nomination<br>Committee | Remuneration<br>Committee |
|---|-----------------------|--------------------|-------------------------|---------------------------|
| Number of Meetings                              | 14                    | 2                  | 2                       | 2                         |
| Number of Meetings Attended                     |                       |                    |                         |                           |
| Dato'. Dr. M. Rajendran                         | 14                    | 2(i)               | 2(i)                    | 2(i)                      |
| Mr Cheok Huat (Mick)<br>Aw(resigned 01/04/2011) | 9                     | 1                  | 1                       | 1                         |
| Mr Michael Pixley (resigned<br>23/11/2010)      | 7                     | 1                  | 1                       | -                         |
| Mr Ravidran Govindran<br>(resigned 23/11/2010)  | -                     | 1                  | 1                       | -                         |
| Dato' Dr Fathil Bin Mohamed                     | 11                    | 2                  | 2                       | 2                         |
| Mr Paul Rengel (appointed<br>01/04/2011)        | 3                     | -                  | -                       | -                         |
| Dr Stuart Hazell (appointed<br>14/10/2010)      | 9                     | 1                  | 1                       | 1                         |

(i) - indicates they are not a member of the committee, but were invited to attend.

**Proceedings on behalf of the Group**

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

**DIRECTORS' REPORT (continued)**

**Rounding off of amounts**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable and indicated by \$'000's) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

**Auditor Independence and Non-Audit Services**

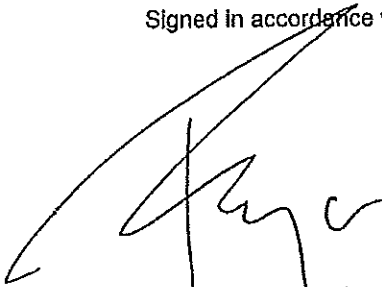
Section 307C of the Corporations Act 2001 requires our auditors, Grant Thornton Audit Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 27 and forms part of this directors' report for the year ended 30 June 2011.

**Non-Audit Services**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 22 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.



Dato' Dr. M Rajendran  
Director  
Selangor, Malaysia  
30 September 2011

**CORPORATE GOVERNANCE STATEMENT**

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

**Disclosure of Corporate Governance Practices  
Summary Statement**

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

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

**Website Disclosures**

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

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

#### **Disclosure – Principles & Recommendations**

The Group reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year ("Reporting Period").

#### **Principle 1 – Lay solid foundations for management and oversight**

**Recommendation 1.1:** Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

##### **Disclosure:**

The Group has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Group through its key functions of overseeing the management of the Group, providing overall corporate governance of the Group, monitoring the financial performance of the Group, engaging appropriate management commensurate with the Group's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

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

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

**Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.

##### **Disclosure:**

The Chair is responsible for evaluating the senior executives. The Chair evaluates the senior executives by holding informal discussions with the senior executives on an ongoing basis, as required.

**Recommendation 1.2 (continued):**

It is envisaged that in the coming period, a more formal process for evaluation will be implemented.

**Recommendation 1.3:** Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

**Disclosure:**

During the Reporting Period a review of senior executives occurred with the Managing Director reporting to the board via informal evaluations.

**Principle 2 – Structure the board to add value**

**Recommendation 2.1:** A majority of the Board should be independent directors. As at 30 June 2011 the following directors were appointed to the Board of the Group:

| Name                        | Position               | Independent |
|-----------------------------|------------------------|-------------|
| Mr Paul Rengel              | Non-Executive Director | Yes         |
| Dato' Dr M Rajendran        | Executive Director     | No          |
| Dato' Dr Fathil Bin Mohamed | Non-executive Director | Yes         |
| Dr Stuart Hazell            | Non-executive Director | Yes         |

An independent director is a non-executive director and;

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

**Disclosure:**

The majority of the board are independent directors.

**Recommendation 2.2:** The Chair should be an independent director.

**Disclosure:**

The independent Chair of the Board is Mr Paul Rengel.

**Recommendation 2.3:** The roles of the Chair and Chief Executive Officer (or equivalent) should not be exercised by the same individual.

**Disclosure:**

During the Reporting Period the Chief Executive Officer, Dato' Dr M Rajendran, was not Chair of the Board.

**Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

**Disclosure:**

The Chair evaluates the Board, individual directors, any applicable committees and the Managing Director / Chief Executive Officer by holding informal discussions with these parties on an ongoing basis, as required. Each new director is required to complete an induction process.

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

**Disclosure:**

**Skills, Experience, Expertise and term of office of each Director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

**Identification of Independent Directors**

The independent directors of the Company are Mr Rengel, Dato' Dr Fathil and Dr Hazell. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

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

**Group's Materiality Thresholds**

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Group's Board Charter:

- Statement of Financial Position items are material if they have a value of more than 10% of net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Group, involve a breach of legislation, are outside the ordinary course of business, they could affect the Group's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

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

**Statement concerning availability of Independent Professional Advice**

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

**Nomination Matters**

The Nomination Committee met during the Reporting Period to discuss the appointment of Mr Rengel and Dr Hazell.

**Principle 3 – Promote ethical and responsible decision-making**

**Recommendation 3.1:** Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

**Disclosure:**

The Group has established a Code of Conduct as to the practices necessary to maintain confidence in the Group's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### Trading Policy

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

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

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

**Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

**Disclosure:**

The Company has established a diversity policy, which encourages and fosters an environment where individual differences of employees are recognised. The Company's policy recognises the need for women to be employed in the business and actively sets targets for the number of women employed in different roles, the comparative remuneration and seeks to establish a workforce free of harassment arising out of gender, race or age.

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

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

**Disclosure:**

As above.

**Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

**Disclosure:** The Company employs the following ratio of women and men throughout the organization:

Women (57%)

Men (43%)

**Recommendation 3.5:** Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

**Disclosure:**

Please refer to the section above marked Website Disclosures.

### Principle 4 – Safeguard integrity in financial reporting

**Recommendation 4.1 and Recommendation 4.2:**

The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

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

**Disclosure:**

The Board has established an Audit committee that is structured in accordance with Recommendation 4.2 with the exception of Mr Rengel who is chair of both the board and the committee. This is due to Mr Rengel's experience in audits. The committee members consist of Mr Rengel as chairman, together with Dato' Dr Fathil and Dr Hazell.

**Recommendation 4.3:** The Audit Committee should have a formal charter.

**Disclosure:**

The Group has adopted an Audit Committee Charter which sets out the responsibilities and role of the Committee and how it reports to the board.

**Recommendation 4.4:** Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

**Disclosure:**

The Audit Committee, held 2 meetings during the Reporting Period. The Audit Committee has adopted an Audit Committee Charter.

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

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

**Principle 5 – Make timely and balanced disclosure**

**Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

**Disclosure:**

The Group has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. The policies also include examples of disclosure requirements and who can communicate with media outlets.

**Recommendation 5.2:** Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

**Disclosure:**

Please refer to the section above marked Website Disclosures.

**Principle 6 – Respect the rights of shareholders**

**Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

**Disclosure:**

The Group has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This includes all relevant information being disclosed on the Group's website.



**Recommendation 6.2:** Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

**Disclosure:**

Please refer to the section above marked Website Disclosures.

**Principle 7 – Recognise and manage risk**

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

**Disclosure:**

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

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

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

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

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

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

**Disclosure:**

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

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

**Disclosure:**

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

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

**Disclosure:**

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

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

**Principle 8 – Remunerate fairly and responsibly**

**Recommendation 8.1 and 8.2:** The Board should establish a Remuneration Committee, and it should be structured such that the majority of members are independent.

**Disclosure:**

The Group has established a Remuneration Committee. The Committee has adopted a formal charter setting out the responsibilities and considerations in determining remuneration of executives and non-executives. The Committee consists of Dato' Dr Fathil as Chairman, Mr Rengel and Dr Hazell. All of whom are independent directors.

**Recommendation 8.3:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

**Disclosure:**

Non-executive directors are remunerated at a fixed fee for time, meetings attended and their responsibilities to various committees. Remuneration for non-executive directors is not linked to the performance of the Group. Non-executive directors may be issued options, to minimise the cash outgoings of the Group and to better align the interests of the company and its stakeholders. The grant of any options will be subject to prior shareholder approval.

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

**Recommendation 8.4:** Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

**Disclosure:**

Details of remuneration, including the Group's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The Remuneration Committee met 2 times during the Reporting Period to amongst other items, discuss the appointment of Mr Paul Rengel and Dr Stuart Hazell to the positions of non-executive directors.

To assist the Remuneration Committee, it has adopted a Remuneration Committee Charter.

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

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



Grant Thornton

10 Kings Park Road  
West Perth WA 6005  
PO BOX 570  
West Perth WA 6872

T +61 8 9480 2000  
F +61 8 9322 7787  
E [admin.wa@au.gt.com](mailto:admin.wa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Holista CollTech Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

*J W Vibert*

J W Vibert  
Director – Audit & Assurance

Perth, 30 September 2011

Grant Thornton Audit Pty Ltd ACN 130 913 594, a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.  
Liability limited by a scheme approved under Professional Standards Legislation.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011**

|  | Notes | Consolidated   |                |
|--|-------|----------------|----------------|
|  |       | 2011<br>\$'000 | 2010<br>\$'000 |
| Revenue from continuing operations                           | 2     | 6,021          | 6,235          |
| Other income   | 2     | 57             | 495            |
| Change in inventories of finished goods and work in progress | 2     | (58)           | 199            |
| Raw materials and consumables used                           | 2     | (2,113)        | (2,456)        |
| Employee benefits expense                                    |       | (1,596)        | (1,958)        |
| Depreciation and amortisation expense                        | 10    | (247)          | (255)          |
| Impairment of plant & equipment                              | 10    | -              | (21)           |
| Impairment of goodwill                                       | 11    | -              | (920)          |
| Borrowing cost expense                                       |       | (307)          | (337)          |
| Other expenses   | 2     | (2,371)        | (2,614)        |
| <b>Profit (loss) before income tax expense</b>               |       | <b>(614)</b>   | <b>(1,632)</b> |
| Income tax expense   | 3     | -              | (6)            |
| <b>Profit (loss) after tax from continuing operations</b>    |       | <b>(614)</b>   | <b>(1,638)</b> |
| <b>Loss for the year</b>                                     |       | <b>(614)</b>   | <b>(1,638)</b> |
| <b>Other comprehensive Income</b>                            |       |                |                |
| Exchange differences on translation of foreign operations    |       | (363)          | 260            |
| <b>Total comprehensive loss for the year</b>                 |       | <b>(977)</b>   | <b>(1,378)</b> |
| <br>   |       |                |                |
| Basic earnings (loss) per share (cents per share)            | 5     | (0.47)         | (1.36)         |
| Diluted loss per share                                       | 5     | (0.47)         | (1.36)         |

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

|                                      | Notes | Consolidated   |                |
|--------------------------------------|-------|----------------|----------------|
|                                      |       | 2011<br>\$'000 | 2010<br>\$'000 |
| <b>Current Assets</b>                |       |                |                |
| Cash and cash equivalents            | 6     | 1,082          | 2,468          |
| Trade and other receivables          | 7     | 1,361          | 1,477          |
| Inventories                          | 9     | 982            | 1,420          |
| Other financial assets               | 8     | 27             | 33             |
| Current tax assets                   |       | 17             | -              |
| <b>Total Current Assets</b>          |       | <b>3,469</b>   | <b>5,398</b>   |
| <b>Non-Current Assets</b>            |       |                |                |
| Fixed deposits                       |       | 639            | 726            |
| Property, plant and equipment        | 10    | 4,018          | 4,553          |
| Intangible assets                    | 11    | 203            | 22             |
| <b>Total Non-Current Assets</b>      |       | <b>4,860</b>   | <b>5,301</b>   |
| <b>Total Assets</b>                  |       | <b>8,329</b>   | <b>10,699</b>  |
| <b>Current Liabilities</b>           |       |                |                |
| Trade and other payables             | 12    | 760            | 759            |
| Borrowings                           | 13    | 2,501          | 2,576          |
| Current tax liabilities              | 3     | 34             | 39             |
| Other Liabilities                    | 12    | 289            | 938            |
| <b>Total Current Liabilities</b>     |       | <b>3,584</b>   | <b>4,312</b>   |
| <b>Non-Current Liabilities</b>       |       |                |                |
| Borrowings                           | 13    | 914            | 1,579          |
| <b>Total Non-Current Liabilities</b> |       | <b>914</b>     | <b>1,579</b>   |
| <b>Total Liabilities</b>             |       | <b>4,498</b>   | <b>5,891</b>   |
| <b>Net Assets</b>                    |       | <b>3,831</b>   | <b>4,808</b>   |
| <b>Equity</b>                        |       |                |                |
| Issued capital                       | 14    | 7,554          | 7,554          |
| Reserves                             | 15    | (75)           | 288            |
| Accumulated losses                   | 15    | (3,648)        | (3,034)        |
| <b>Total Equity</b>                  |       | <b>3,831</b>   | <b>4,808</b>   |

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

| Consolidated  | Notes              | Issued Capital<br>\$000 | Accumulated<br>Losses<br>\$000 | Reserves<br>\$000 | Total<br>\$000 |
|---|--------------------|-------------------------|--------------------------------|-------------------|----------------|
| <b>Balance as at 1 July 2009</b>                                  |                    | <b>2,572</b>            | <b>(1,396)</b>                 | <b>28</b>         | <b>1,204</b>   |
| Profit (loss) for the year  |                    | -                       | (1,638)                        | -                 | (1,638)        |
| Exchange differences arising on translation of foreign operations |                    | -                       | -                              | 260               | 260            |
| <b>Total comprehensive income for the year</b>                    |                    | <b>-</b>                | <b>(1,638)</b>                 | <b>260</b>        | <b>(1,378)</b> |
| Shares issued during the year                                     |                    | 4,982                   | -                              | -                 | 4,982          |
| <b>Balance at 30 June 2010</b>                                    | <b>14 &amp; 15</b> | <b>7,554</b>            | <b>(3,034)</b>                 | <b>288</b>        | <b>4,808</b>   |
| <b>Balance as at 1 July 2010</b>                                  |                    | <b>7,554</b>            | <b>(3,034)</b>                 | <b>288</b>        | <b>4,808</b>   |
| Profit (loss) for the year  |                    | -                       | (614)                          | -                 | (614)          |
| Exchange differences arising on translation of foreign operations |                    | -                       | -                              | (363)             | (363)          |
| <b>Total comprehensive income for the year</b>                    |                    | <b>-</b>                | <b>(614)</b>                   | <b>(363)</b>      | <b>(977)</b>   |
| <b>Balance at 30 June 2011</b>                                    | <b>14 &amp; 15</b> | <b>7,554</b>            | <b>(3,648)</b>                 | <b>(75)</b>       | <b>3,831</b>   |

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011**

| Notes   | Consolidated              |                |
|---|---------------------------|----------------|
|   | 2011<br>\$'000            | 2010<br>\$'000 |
|   | <u>Inflows/(Outflows)</u> |                |
| <b>Cash flows from operating activities</b>                 |                           |                |
| Receipts from customers                                     | 5,884                     | 6,292          |
| Payments to suppliers and employees                         | (6,301)                   | (8,122)        |
| Other receipts  | -                         | 157            |
| Interest received   | 56                        | 50             |
| Finance costs   | (307)                     | (337)          |
| Income tax paid   | (16)                      | (21)           |
| <b>Net cash used in operating activities</b>                | <b>6(ii) (684)</b>        | <b>(1,981)</b> |
| <b>Cash flows from investing activities</b>                 |                           |                |
| Purchase of non-current assets                              | (275)                     | (10)           |
| Cash acquired on acquisition of subsidiary                  | -                         | 408            |
| <b>Net cash provided by/(used in) investing activities</b>  | <b>(275)</b>              | <b>398</b>     |
| <b>Cash flows from financing activities</b>                 |                           |                |
| Proceeds from issue of shares                               | 464                       | 2,975          |
| Placement to fixed deposits                                 | (18)                      | -              |
| Payments for redeemable shares                              | (617)                     | -              |
| Payment of finance lease liabilities                        | (16)                      | -              |
| Proceeds from borrowings                                    | 179                       | 309            |
| Repayment of borrowings                                     | (242)                     | (1,080)        |
| <b>Net cash provided by/(used in) financing activities</b>  | <b>(250)</b>              | <b>2204</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(1,209)</b>            | <b>621</b>     |
| Cash and cash equivalents at beginning of period            | 2,409                     | 1755           |
| Effect of exchange rate fluctuations on cash held           | (171)                     | 33             |
| <b>Cash and cash equivalents at end of period</b>           | <b>6(i) 1,029</b>         | <b>2,409</b>   |

The accompanying notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

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

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

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

**(b) Adoption of new and revised standards**

**Changes in accounting policies on Initial application of Accounting Standards**

In the year ended 30 June 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

**(c) Statement of compliance**

The financial report was authorised for issue on 30 September 2011.

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

**(d) Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Holista CollTech Limited ('company' or 'parent entity') as at 30 June 2011 and the results of all subsidiaries for the year then ended. Holista CollTech Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity.

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

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

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

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

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Basis of consolidation (continued)

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Holista CollTech Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (e) Critical accounting estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Impairment of goodwill and intangibles with indefinite useful lives:*

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

##### *Share-based payment transactions:*

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

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

##### *Recovery of deferred tax assets*

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

##### *Impairment of available-for-sale financial assets*

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Going concern

The Group has reported a net loss for the period of \$614,000 and a cash outflow from operating activities of \$684,000. Current liabilities of \$3,584,000 exceed current assets of \$3,469,000. Current assets also include restricted cash assets of \$1,047,000 which are not available for day-to-day working capital needs.

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the 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 adequate positive cash flows through its existing business and/or the raising of further equity.

The Group also intends to launch two new businesses through its Malaysian subsidiary – Tropical Botanics Sdn Bhd however the working capital requirements of these new ventures have not been fully established.

The Group is also currently working towards securing grant money in Australia and is also in discussions with a potential Joint Venture partner to invest in the Group's collagen business although at the date of this report none of these matters have been finalized.

In addition, the group has a piece of 3.5 acre unencumbered land in a prime area of Biotechnology Hub in Malaysia which is free from all debt encumbrance. It was purchased in 2009 at \$515,000 (cash) and can be used to raise further financing to support the group's new business or capital needs if required.

The directors are confident that the Group will be able to continue its operations as a going concern, however, the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

#### (g) Segment reporting

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

It is noted that all non-current assets of the Group are owned and held in Malaysia through its Malaysian subsidiaries with the exception of property, plant and equipment of \$1,838,391 and intangible assets of \$48,008 owned and held by the parent company in Perth.

#### (h) Foreign currency translation

Both the functional and presentation currency of Holista CollTech Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operations of the Malaysia Subsidiaries is Malaysia Ringgit.

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Holista CollTech Limited at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(i) Revenue recognition**

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

*(iv) Dividends*

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

*(v) Rental income*

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

**(j) 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.

**(k) 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.

**(l) Leases**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(l) Leases (continued)**

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

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

**(m) Income tax**

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

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

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

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

Deferred income tax liabilities are 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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(m) Income tax (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.

**(n) Other taxes**

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 balance sheet.

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

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

**(o) Business combinations**

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

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

**(p) Reverse Acquisition Accounting**

As a result of the acquisition of Holista Biotech Sdn Bhd by Holista CollTech Limited on 10 July 2009 being a reverse acquisition, the comparative figures used in the financial statements presented in this report represent a continuation of financial statements of Holista Biotech Sdn Bhd. and comprise the following:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Reverse Acquisition Accounting (continued)

- Statement of Financial Position:
  - Comparative figures in the Statement of Financial Position – Holista CollTech Limited and its controlled entities as at 30 June 2010, including the reverse acquisition of Holista Biotech Sdn Bhd which comprises:
    - The historical Statement of Financial Position of Holista Biotech Sdn Bhd
    - The Statement of Financial Position of Holista CollTech Limited based on fair value at acquisition date (10 July 2009) and transactions since that date at historical cost.
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity:
  - Comparative figures - Holista Biotech Sdn Bhd and its controlled entities for the period from 1<sup>st</sup> July 2009 to 30<sup>th</sup> June 2010, and Holista CollTech Limited for the period from 10 July 2009 to 30 June 2010.

The legal structure of the Holista CollTech Limited subsequent to the acquisition of Holista Biotech Sdn Bhd will be that Holista Colltech Limited will remain as the parent entity.

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

#### (q) Impairment of non-financial assets

The Group assesses at each balance date whether there is an indication that a non-financial 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 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.

#### (r) Cash and cash equivalents

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(r) Cash and cash equivalents (continued)**

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.

**(s) 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.

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

**(s) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition 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.

**(t) Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) Financial assets

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

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

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

#### *(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at 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.

#### *(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at 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.

#### *(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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (v) Derecognition of financial assets and financial liabilities

##### (i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is 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 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 derecognition 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.

#### (w) Impairment of financial assets

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

##### (i) Financial assets carried at 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (x) Impairment of financial assets (continued)

##### *(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.

#### (y) Investment in associated entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in an associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The balance dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

#### (z) Interest in a jointly controlled operation

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation. Up to balance date the Group has not injected any funds into the joint ventures.

#### (aa) 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.

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 20 years

Plant and equipment – over 5 to 15 years

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (aa) Property, plant and equipment (continued)

##### *(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.

An 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) Revaluations*

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance date.

##### *(iii) Derecognition and disposal*

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

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

#### (ab) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ab) Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

#### (ac) Intangible assets

##### *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.

##### *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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ac) Intangible assets (continued)

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.

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

|                         |          |
|-------------------------|----------|
| Capitalised development | 5 years  |
| Licences                | 10 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.

#### (ad) 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.

#### (ae) 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 balance sheet 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.

#### (af) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ag) 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.

##### *(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.

#### (ah) Share-based payment transactions

##### *(i) Equity settled transactions:*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently in place an Employee Share Loan Plan (ESLP), which provides benefits to all employees, excluding senior executives and directors.

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

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Holista CollTech Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

##### *(ii) Cash settled transactions:*

The Group also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Holista CollTech Limited.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ah) Share-based payment transactions (continued)

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

#### (ai) 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.

#### (aj) Dividends

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

#### (ak) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

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

#### (al) Parent entity financial information

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

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

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Holista CollTech Limited. Dividends received from associates are 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 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.

#### (am) Prior Period Adjustment/Variations from Preliminary Final Report (Appendix 4E)

In the course of preparing and auditing the consolidated financial report for the year ended 30 June 2011, it was noted that certain items in the financial reports of the foreign subsidiaries had been reclassified and/or translated for consolidation purposes using incorrect exchange rates and/or translation/elimination practices in both the current and prior financial years.

The correction to the exchange rates and/or translation practices has impacted both the results announced in the preliminary final report for 30 June 2011 as released to the Australian Securities Exchange on 30 August 2011 and the prior year comparative figures in the financial report.

Loss for the year ended 30 June 2011 has increased by \$124,746 as compared to the preliminary financial report and other affected financial statement items have also been restated as compared to the preliminary final report.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(am) Prior Period Adjustment/Variations from Preliminary Final Report (Appendix 4E) (continued)**

The comparative figures for the 30 June 2010 year have also been restated. The effects of the prior year restatement are summarised as follows:

|                         | 2010<br>(as previously<br>reported) | 2010<br>(as restated) | Difference<br>increase/(decrease) |
|-------------------------|-------------------------------------|-----------------------|-----------------------------------|
|                         | \$'000                              | \$'000                | \$'000                            |
| Loss after tax          | (1,540)                             | (1,378)               | 162                               |
| Current assets          | 6,124                               | 5,398                 | (726)                             |
| Non-current assets      | 4,467                               | 5,301                 | 834                               |
| Current liabilities     | 4,366                               | 4,312                 | (54)                              |
| Non-current liabilities | 1,579                               | 1,579                 | -                                 |
| Total equity            | 4,646                               | 4,808                 | 162                               |
| Loss per share (cents)  | (1.30)                              | (1.36)                | 0.06                              |



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2: REVENUE AND EXPENSES**

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2011<br>\$'000 | 2010<br>\$'000 |
| <b>(a) Revenue</b>                                   |                |                |
| <i>Sales revenue</i>                                 |                |                |
| Sale of goods  | 6,021          | 6,235          |
| <i>Other revenue</i>                                 |                |                |
| Income – government assistance                       | -              | 430            |
| Bank interest  | 57             | 50             |
|  | <u>6,078</u>   | <u>6,715</u>   |
| <b>(b) Other income</b>                              |                |                |
| Other  | -              | 15             |
|  | <u>-</u>       | <u>15</u>      |
| <b>(c) Expenses</b>                                  |                |                |
| Net increase (decrease) in finished goods            | 58             | (199)          |
| Raw materials and consumables used during production | 2,113          | 2,456          |
|  | <u>337</u>     | <u>348</u>     |
| Distribution costs                                   | 337            | 348            |
| Advertising and promotion                            | 873            | 654            |
| Office expenses and maintenance                      | 161            | 411            |
| Collie factory maintenance costs                     | 32             | 117            |
| Research & development – current year expense        | 46             | 305            |
| Consultancy & professional services                  | 261            | 322            |
| Audit fee  | 74             | 77             |
| Operating lease rental expense                       | 165            | 173            |
| Other expenses                                       | 422            | 207            |
|  | <u>2,371</u>   | <u>2,614</u>   |

**NOTE 3: INCOME TAX**

**Income tax recognised in profit or loss**

The major components of tax expense are:

|                              |          |            |
|------------------------------|----------|------------|
| Current tax expense/(income) | -        | (6)        |
| Total tax expense/(income)   | <u>-</u> | <u>(6)</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 3: INCOME TAX (continued)

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2011<br>\$'000 | 2010<br>\$'000 |
| The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows: |                |                |
| Accounting profit (loss) before tax from continuing operations   | (614)          | (1,632)        |
| Income tax expense calculated at 30%   | (184)          | (489)          |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:  |                |                |
| Impairment expense   | -              | 276            |
| Unrecognised tax losses  | 182            | 196            |
| Difference in overseas tax rates   | 2              | 11             |
| Income tax expense reported in the consolidated statement of comprehensive income  | -              | (6)            |

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

The Group has accumulated tax losses of \$1,905,805 (2010: \$1,288,010) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2011, there is no recognised or unrecognised deferred income tax liability (none in 2010) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

### NOTE 4: SEGMENT REPORTING

#### Description of segments

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

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

All non-current assets of the Group are owned and held in Malaysia through the Malaysian subsidiaries with the exception of Property, Plant and Equipment of \$1,838,391 and Intangible Assets of \$48,008 owned and held by the parent company in Perth.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 5: EARNINGS PER SHARE

|  | Consolidated    |                 |
|--|-----------------|-----------------|
|  | 2011            | 2010            |
|  | Cents per share | Cents per share |
| <i>Basic earnings (loss) per share:</i>  |                 |                 |
| Continuing operations  | (0.47)          | (1.36)          |
| Total basic earnings (loss) per share  | (0.47)          | (1.36)          |
| Net profit (Loss)  | (613,812)       | (1,637,157)     |
| Diluted loss per share   | (0.47)          | (1.36)          |
| Earnings (loss) from continuing operations (refer (i))   | (613,812)       | (1,637,157)     |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share (refer (ii), (iii) and (iv))   | 129,613,821     | 120,602,915     |
| Effect of dilutive securities  |                 |                 |
| Share options – it is not considered that the 850,000 post consolidation (2010: 1,523,000 pre consolidation) unlisted option on issue have a dilutive effect on earnings per share as the Group incurred a loss for the year |                 |                 |

### NOTE 6: CASH AND CASH EQUIVALENTS

#### Current

|   |       |       |
|---|-------|-------|
| Cash at bank and on hand                | 35    | 373   |
| Short-term deposits & security deposits | 1,047 | 2,095 |
|   | 1,082 | 2,468 |

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

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

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2011, the Group had available \$ 124,000 (2010: \$1,082,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

#### (i) Reconciliation to the Statement of Cash Flows:

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

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

|  |       |       |
|--|-------|-------|
| Cash and cash equivalents                                | 1,082 | 2,468 |
| Bank overdraft   | (692) | (785) |
| Fixed deposits   | 639   | 726   |
| Cash and cash equivalents as per statement of cash flows | 1029  | 2,409 |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 6: CASH AND CASH EQUIVALENTS (continued)**

|   | Consolidated |         |
|---|--------------|---------|
|   | 2011         | 2010    |
|   | \$'000       | \$'000  |
| <b>(ii) Reconciliation of profit/(loss) for the year to net cash flows used in operating activities</b> |              |         |
| Profit (loss) for the year after tax  | (614)        | (1,638) |
| Depreciation and amortisation   | 247          | 255     |
| Impairment losses   | -            | 920     |
| Bad debts   | 30           | -       |
| Property, plant and equipment written off   | -            | 21      |
| Receivables   | (155)        | (211)   |
| Inventories   | 248          | (526)   |
| Payables  | (410)        | (287)   |
| Director's loan   | (30)         | (515)   |
| Net cash used in operating activities   | (684)        | (1,981) |

**NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES**

|                   |       |       |
|-------------------|-------|-------|
| Trade receivables | 940   | 1,091 |
| Other receivables | 421   | 380   |
| GST recoverable   | -     | 6     |
|                   | 1,361 | 1,477 |

(i) the average credit period on sales of goods and rendering of services is 55 days. Interest is not charged. No allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

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

Aging of past due but not impaired

|               |     |       |
|---------------|-----|-------|
| 30 – 60 days  | 926 | 804   |
| 60 – 90 days  | -   | 253   |
| 90 – 120 days | 14  | 34    |
| Total         | 940 | 1,091 |

**NOTE 8: OTHER FINANCIAL ASSETS**

Current

|              |    |    |
|--------------|----|----|
| Prepayments: | 27 | 33 |
|--------------|----|----|

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 9: INVENTORIES**

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2011<br>\$'000 | 2010<br>\$'000 |
| Raw materials – at cost                  | 576            | 1,172          |
| Finished goods – at Net Realisable Value | 406            | 248            |
|  | <u>982</u>     | <u>1,420</u>   |

**NOTE 10: PROPERTY, PLANT AND EQUIPMENT**

|   | Consolidated                             |                                  |                 |
|---|--|----------------------------------|-----------------|
|   | Freehold land<br>and buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 | Total<br>\$'000 |
| <b>Year ended 30 June 2011</b>                                  |  |                                  |                 |
| At 1 July 2010, net of accumulated depreciation and impairment  | 2,721                                    | 1,832                            | 4,553           |
| Additions   | 30                                       | 51                               | 81              |
| Depreciation charge for the year                                | (79)                                     | (168)                            | (247)           |
| Foreign currency exchange differences                           | (225)                                    | (144)                            | (369)           |
| At 30 June 2011, net of accumulated depreciation and impairment | <u>2,447</u>                             | <u>1,571</u>                     | <u>4,018</u>    |
| <b>At 30 June 2011</b>  |  |                                  |                 |
| Cost or fair value  | 2,886                                    | 2,897                            | 5,783           |
| Accumulated depreciation and impairment                         | (439)                                    | (1,326)                          | (1,765)         |
| Net carrying amount   | <u>2,447</u>                             | <u>1,571</u>                     | <u>4,018</u>    |

The useful life of the assets was estimated as follows for both 2010 and 2011:

|                     |               |
|---------------------|---------------|
| Buildings           | 20 years      |
| Plant and equipment | 5 to 15 years |

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is \$23,990 (2010 \$ 48,000). There were no additions during the year (2010: \$ nil) of plant and equipment held under finance leases and hire purchase contracts

The carrying value of property, plant and equipment temporarily idle is \$1,838,392 (2010 \$1,973,524). The property, plant and equipment is located at the Western Australian factory. The directors believe this phase is temporary and the factory should recommence production in the coming future and no impairment is necessary.

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Land and buildings with a carrying amount of \$842,355 (2010: \$1,005,000) are subject to a first charge to secure a loan from RHB Bank, Malaysia.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**
**NOTE 10: PROPERTY, PLANT AND EQUIPMENT (continued)**

|   | Consolidated                             |                                  | Total<br>\$'000 |
|---|--|----------------------------------|-----------------|
|   | Freehold land and<br>buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 |                 |
| <b>Year ended 30 June 2010</b>                                  |  |                                  |                 |
| At 1 July 2009, net of accumulated depreciation and impairment  | 997                                      | 1,012                            | 2,009           |
| Additions   | 515                                      | 70                               | 585             |
| Disposals   | -  | (3)                              | (3)             |
| Acquired through business combination                           | 1,223                                    | 907                              | 2,130           |
| Impairment  | -  | (21)                             | (21)            |
| Depreciation charge for the year                                | (79)                                     | (176)                            | (255)           |
| Foreign currency exchange differences                           | 65                                       | 43                               | 108             |
| At 30 June 2010, net of accumulated depreciation and impairment | 2,721                                    | 1,832                            | 4,553           |
| <b>At 30 June 2010</b>  |  |                                  |                 |
| Cost or fair value  | 3,091                                    | 3,066                            | 6,157           |
| Accumulated depreciation and impairment                         | (370)                                    | (1,234)                          | (1,604)         |
| Net carrying amount   | 2,721                                    | 1,832                            | 4,553           |

*Impairment of property, plant and equipment:*

During the year, the recoverable amount was estimated for certain items of property, plant and equipment. An impairment loss of \$21,000 in total was recognised to reduce the carrying amount of certain of those assets to recoverable amount. The recoverable amount estimated was based on fair value less costs to sell and was determined at the cash-generating unit level being Alterni (M) Sdn. Bhd.

**NOTE 11: INTANGIBLE ASSETS AND GOODWILL**

|  | Consolidated                          |                                   |                    |                                      | Total<br>\$'000 |
|--|---------------------------------------|-----------------------------------|--------------------|--------------------------------------|-----------------|
|  | Research and<br>development<br>\$'000 | Patents and<br>licenses<br>\$'000 | Goodwill<br>\$'000 | Foreign<br>exchange effect<br>\$'000 |                 |
| <b>Gross carrying amount</b>               |                                       |                                   |                    |                                      |                 |
| <b>Balance at 1 July 2009</b>              | -                                     | -                                 | -                  | -                                    | -               |
| Additions                                  | -                                     | 23                                | -                  | -                                    | 23              |
| Acquisitions through business combinations | -                                     | -                                 | 920                | -                                    | 920             |
| Impairment                                 | -                                     | -                                 | (920)              | -                                    | (920)           |
| <b>Balance at 1 July 2010</b>              | -                                     | 23                                | -                  | -                                    | 23              |
| Additions - internally developed           | 72                                    | 66                                | -                  | (4)                                  | 134             |
| - acquired separately                      | 52                                    | -                                 | -                  | (4)                                  | 48              |
| <b>Balance at 30 June 2011</b>             | 124                                   | 89                                | -                  | (8)                                  | 205             |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 11: INTANGIBLE ASSETS AND GOODWILL (continued)**

|   | Consolidated             |                      |          |                         | Total  |
|---|--------------------------|----------------------|----------|-------------------------|--------|
|   | Research and development | Patents and licenses | Goodwill | Foreign exchange effect |        |
| Accumulated amortisation and impairment | \$'000                   | \$'000               | \$'000   | \$'000                  | \$'000 |
| Balance at 1 July 2009                  | -                        | 1                    | -        | -                       | 1      |
| Balance at 1 July 2010                  | -                        | 1                    | -        | -                       | 1      |
| Amortisation expense                    | -                        | 1                    | -        | -                       | 1      |
| Balance at 30 June 2011                 | -                        | 2                    | -        | -                       | 2      |
| <b>Net book value</b>                   |                          |                      |          |                         |        |
| As at 30 June 2010                      | -                        | 22                   | -        | -                       | 22     |
| As at 30 June 2011                      | 124                      | 87                   | -        | (8)                     | 203    |

**NOTE 12: TRADE AND OTHER PAYABLES**

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2011<br>\$'000 | 2010<br>\$'000 |
| Trade payables (i)  | 221            | 269            |
| Non-trade creditors   | 539            | 490            |
|   | <b>760</b>     | <b>759</b>     |
| Related party payables (iii):   |                |                |
| Due to director for working capital – interest free                                   | 289            | 371            |
| Due to land acquisition   | -              | 567            |
|   | <b>289</b>     | <b>938</b>     |
| (i) Trade payables are non-interest bearing and are normally settled on 30-day terms. |                |                |
| <b>Secured</b>  |                |                |
| Bank overdrafts   | 692            | 785            |
| Total secured borrowings  | <b>692</b>     | <b>785</b>     |

**NOTE 13: INTEREST-BEARING LOANS AND BORROWINGS**

Financing facilities available

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

Total facilities:

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| • bank overdraft                    | 679          | 1,009        |
| • bank loans                        | 1,059        | 1,323        |
| • trade facilities                  | 1,450        | 2,306        |
| • redeemable preference shares loan | 327          | 550          |
| • financial lease                   | 25           | 49           |
|                                     | <b>3,540</b> | <b>5,237</b> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

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

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2011           | 2010           |
|  | \$'000         | \$'000         |
| Facilities used at balance date  |                |                |
| • bank overdraft   | 692            | 785            |
| • bank loans   | 1,059          | 1,321          |
| • trade facilities   | 1,312          | 1,450          |
| • redeemable preference shares loan  | 327            | 550            |
| • financial lease  | 25             | 49             |
|  | <u>3,415</u>   | <u>4,155</u>   |
| Facilities unused at balance date  |                |                |
| • bank overdraft   | (13)           | 224            |
| • bank loans   | -              | 2              |
| • trade facilities   | 138            | 856            |
|  | <u>125</u>     | <u>1,082</u>   |
| Total facilities   | 3,540          | 5,237          |
| Facilities used at balance date  | <u>(3,415)</u> | <u>(4,155)</u> |
| Facilities unused at balance date  | <u>125</u>     | <u>1,082</u>   |
| Assets pledged as security   |                |                |
| The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are: |                |                |
| <b>Current</b>   |                |                |
| Floating charge  |                |                |
| Cash and cash equivalents  | 1,082          | 2,468          |
| Total current assets pledged as security   | <u>1,082</u>   | <u>2,468</u>   |
| <b>Non-Current</b>   |                |                |
| First mortgage   |                |                |
| Freehold land and buildings  | 1,406          | 1,005          |
| Floating charge  |                |                |
| Inventories  | 982            | 1,420          |
| Fixed deposits   | 639            | 726            |
| Total non-current assets pledged as security   | <u>3,027</u>   | <u>3,151</u>   |
| Total assets pledged as security   | <u>4,109</u>   | <u>5,619</u>   |



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

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

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

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2011<br>\$'000 | 2010<br>\$'000 |
| <b>Current</b>                          |                |                |
| <u>Secured</u>                          |                |                |
| Bankers acceptance                      | 695            | 796            |
| Revolving credit                        | 617            | 653            |
| Bank overdraft                          | 692            | 785            |
| Financial leases                        | 12             | 18             |
| Term loan: (1)                          | 29             | 73             |
| (2)                                     | 16             | 29             |
| (3)                                     | 222            | 222            |
| Redeemable preference shares loan       | 218            | -              |
|   | <u>2,501</u>   | <u>2,576</u>   |
| <b>Non-Current</b>                      |                |                |
| <u>Secured</u>                          |                |                |
| After 1 year but not later than 5 years |                |                |
| Term loan: (1)                          | 114            | 291            |
| (2)                                     | 58             | 115            |
| (3)                                     | 12             | 94             |
| Financial leases                        | 14             | 31             |
|   | <u>198</u>     | <u>531</u>     |
| After 5 years                           |                |                |
| Term loan: (1)                          | 548            | 470            |
| (2)                                     | 61             | 28             |
|   | <u>609</u>     | <u>498</u>     |
| Redeemable preference share loan        | 107            | 550            |
|   | <u>914</u>     | <u>1,579</u>   |

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

**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 a subsidiary company for \$771,105; and
- 4) Personal Guarantees for \$771,105 by a Director of the Subsidiary Company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

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

Term Loan (2) and revolving credit:

- 1) As principal Instrument, a Facilities Agreement for the sum of \$771,105;
- 2) A registered open all monies 3rd party 1st legal charge stamped nominally over a freehold double storey corner residential property.
- 3) Memorandum of Deposit of Fixed Deposit totalling \$771,105;
- 4) Personal Guarantee by Director of the Subsidiary Company; and
- 5) Fixed and floating debenture of a subsidiary company.

Term Loan (3):

- 1) Personal Guarantee for the whole amount under Project Line 1 from a Director of the company;
- 2) First rank debenture incorporating fixed and floating charges over all present and future assets and undertakings of the Subsidiary Company;
- 3) Third party first rank debenture incorporating fixed and floating charges over all present and future assets and undertakings of a subsidiary company;
- 4) Corporate Guarantees from two subsidiary companies;
- 5) Third Party Deed of Assignment between Subsidiary Company's banker and a subsidiary company of all sales proceeds to be received/receivable from a distributor.

Bankers Acceptance and bank overdraft:

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

The bankers acceptance and bank overdraft bear interest of 4.76% to 8.40% (2010: 4.48% to 7.55%).

The revolving credit bears interest rates of 6.83% to 7.11% (2010 6.43% to 6.83%).

The term Loan (1) is repayable over 240 monthly instalments (principal plus interest) of \$5,196 which commenced on 1<sup>st</sup> of July 2008. The term loan bears interest rates ranging from 4.85% to 6.85% (2010 4.05% to 4.55%) per annum.

The term Loan (2) is repayable over 96 monthly instalments (principal plus interest) of \$2,049 which commenced on 12<sup>th</sup> February 2010. The term loan bears interest rates ranging from 7.05% to 7.35% (2010 6.55% to 6.80%) per annum.

The term Loan (3) is repayable over 36 monthly instalments from the date of first disbursement (principal plus interest) of \$7,711 (months 5-12), \$18,507 (months 13-24) and \$27,760 (months 25-36) which commenced in February 2010. The term loan bears interest rates ranging from 7% (2010 7%) per annum.

The following terms and conditions relate to the redeemable preferred shares (RPS):

- 1) The RPS were issued at a par value of RM1.00 and with a premium of RM999.00;
- 2) The RPS were entitled to preferential cumulative dividends at the rate of 8% per annum of the aggregate amount of the issuance price of the RPS;
- 3) The PRS shall be non-voting;
- 4) The RPS shall be redeemable on or before the expiry of the maturity date at the discretion of the PRS holders; and
- 5) The RPS holders shall have the right to the repayment of their capital in full in priority to the ordinary shareholders in the event of a winding-up.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 14: ISSUED CAPITAL**

|   | Consolidated |        |
|---|--------------|--------|
|   | 2011         | 2010   |
|   | \$'000       | \$'000 |
| 129,603,281 Ordinary shares issued and fully paid | 7,554        | 7,554  |

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.

|   | 2011        |            | 2010        |            |
|---|-------------|------------|-------------|------------|
|   | No.<br>'000 | \$<br>'000 | No.<br>'000 | \$<br>'000 |
| <i>Movement in ordinary shares on issue</i> |             |            |             |            |
| Balance at beginning of financial year      | 129,603     | 7,554      | 107,875     | 5,659      |
| -placement on (6 August 2009)               | -           | -          | 5,000       | 500        |
| -placement on (14 October 2009)             | -           | -          | 9,833       | 1,475      |
| Exercise Options (6 November 2009)          | -           | -          | 2           | 1          |
| -placement on (19 November 2009)            | -           | -          | 6,893       | 1,034      |
| Share issue costs                           | -           | -          | -           | (34)       |
| Redemption of preference shares             | -           | -          | -           | (1,081)    |
| Balance at end of financial year            | 129,603     | 7,554      | 129,603     | 7,554      |

Additional shares were issued by the subsidiary company Holista Biotech Sdn. Bhd. to the parent company. Details being: 1,100,000 Ordinary Shares @ RM1.00 each.

*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 (2010: nil).

**NOTE 15: RETAINED EARNINGS AND RESERVES**

**Retained Earnings (Accumulated Losses)**

Movements in accumulated losses were as follows:

|  | Consolidated |         |
|--|--------------|---------|
|  | 2011         | 2010    |
|  | \$'000       | \$'000  |
| Balance at beginning of financial year | (3,034)      | (1,396) |
| Net profit (loss) for the year         | (614)        | (1,638) |
| Balance at end of financial year       | (3,648)      | (3,034) |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 15: RETAINED EARNINGS AND RESERVES (CONTINUED)

#### Reserves

Movements in reserves were as follows:

| Reserves                         | Foreign currency<br>translation reserve | Total  |
|----------------------------------|---|--------|
|                                  | \$'000                                  | \$'000 |
| At 30 June 2010                  | 288                                     | 28     |
| Currency translation differences | (363)                                   | 260    |
| At 30 June 2011                  | (75)                                    | 288    |

#### Nature and purpose of reserves

##### *Foreign currency translation reserve*

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

### NOTE 16: FINANCIAL INSTRUMENTS

#### (a) Capital risk management

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

The Group's overall strategy remains unchanged from 2010.

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

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

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

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

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2011<br>\$'000 | 2010<br>\$'000 |
| <b>(b) Categories of financial instruments</b>   |                |                |
| <b>Financial assets</b>                          |                |                |
| Cash and cash equivalents                        | 1,082          | 2,468          |
| Trade and other receivables                      | 1,361          | 1,477          |
| <b>Financial liabilities (at amortised cost)</b> |                |                |
| Trade and other payables                         | 760            | 759            |
| Borrowings                                       | 3,415          | 4,155          |
| Other financial liabilities                      | 289            | 938            |

#### (c) Financial risk management objectives

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 16: FINANCIAL INSTRUMENTS (continued)

#### (d) Market risk

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

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

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

#### (l) 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.

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         |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | 2011<br>\$'000 | 2010<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 |
| Malaysian ringgit | 4,393          | 5,773          | 4,060          | 5,762          |

#### Foreign currency sensitivity analysis

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

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

|                    | RM impact      |                |                |                |
|--------------------|----------------|----------------|----------------|----------------|
|                    | Consolidated   |                | Company        |                |
|                    | 2011<br>\$'000 | 2010<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 |
| Profit or loss (i) | 725            | 245            | -              | -              |
| Other equity (ii)  | 391            | 427            | -              | -              |

(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.

#### (li) 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 and by entering into interest rate swaps against the hedged item.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 16: FINANCIAL INSTRUMENTS (continued)

#### (iii) Interest rate risk sensitivity analysis (continued)

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

At balance date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net profit would increase by \$ 15,000 and decrease by \$ 15,000 (2010: \$18,000 ). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

#### (e) Credit risk management

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

#### (e) Credit risk management (continued)

and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

#### (f) Liquidity risk management

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

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

Consolidated

|                                    | Less than 1<br>month<br>\$'000 | 1 – 3<br>Months<br>\$'000 | 3 months –<br>1 year<br>\$'000 | 1 – 5 years<br>\$'000 | 5+ years<br>\$'000 |
|------------------------------------|--------------------------------|---------------------------|--------------------------------|-----------------------|--------------------|
| <b>2011</b>                        |                                |                           |                                |                       |                    |
| Non-interest bearing               | 6                              | 12                        | 56                             | 215                   | -                  |
| Finance lease liabilities          | 1                              | 2                         | 12                             | 10                    | -                  |
| Variable interest rate instruments | 182                            | 349                       | 1,325                          | 2,327                 | 678                |
| Fixed interest rate instruments    | 47                             | 94                        | 434                            | 474                   | 390                |
|                                    | 236                            | 457                       | 1,827                          | 3,026                 | 1,068              |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 16: FINANCIAL INSTRUMENTS (continued)**

**(f) Liquidity risk management (continued)**

Consolidated

|                                    | Less than 1<br>month<br>\$'000 | 1 – 3<br>Months<br>\$'000 | 3 months –<br>1 year<br>\$'000 | 1 – 5 years<br>\$'000 | 5+ years<br>\$'000 |
|------------------------------------|--------------------------------|---------------------------|--------------------------------|-----------------------|--------------------|
| <b>2010</b>                        |                                |                           |                                |                       |                    |
| Non-interest bearing               | 378                            | 14                        | 687                            | -                     | -                  |
| Finance lease liabilities          | 2                              | 3                         | 15                             | 33                    | -                  |
| Variable interest rate instruments | 229                            | 470                       | 468                            | 829                   | 721                |
| Fixed interest rate instruments    | 62                             | 125                       | 685                            | 1003                  | 1033               |
|                                    | <u>671</u>                     | <u>612</u>                | <u>1,855</u>                   | <u>1,865</u>          | <u>1,754</u>       |

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

**Operating lease commitments – Group as lessee**

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

The Group has a 20 year lease entered into in June 2004 for a site in Collie, Western Australia. The rent for this site is \$ 2,666 increased by CPI per hectare per annum.

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

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2011<br>\$'000 | 2010<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 |
| Within one year                             | 55             | 87             | 9              | 45             |
| After one year but not more than five years | 90             | 45             | 39             | 39             |
| After five years                            | 79             | 88             | 79             | 88             |
|   | <u>224</u>     | <u>220</u>     | <u>127</u>     | <u>172</u>     |

**Finance lease and hire purchase commitments - Group as lessee**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 17: COMMITMENTS AND CONTINGENCIES (continued)**

|   | 2011                             |   | 2010                             |   |
|---|----------------------------------|---|----------------------------------|---|
|   | Minimum lease payments<br>\$'000 | Present value of lease payments<br>\$'000 | Minimum lease payments<br>\$'000 | Present value of lease payments<br>\$'000 |
| Consolidated                                |                                  |   |                                  |   |
| Within one year                             | 15                               | 14  | 20                               | 18  |
| After one year but not more than five years | 13                               | 11  | 34                               | 31  |
| Total minimum lease payments                | 28                               | 25  | 54                               | 49  |
| Less amounts representing finance charges   | (3)                              | -   | (5)                              | -   |
| Present value of minimum lease payments     | 25                               | 25  | 49                               | 49  |

**Capital commitments**

At 30 June 2011 the Group has no commitments that have not otherwise been booked as a liability. (2010 \$ Nil)

**NOTE 18: RELATED PARTY DISCLOSURE**

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

| Name                         | Country of Incorporation | % Equity Interest |      | Investment (\$'000) |           |
|------------------------------|--------------------------|-------------------|------|---------------------|-----------|
|                              |                          | 2011              | 2010 | 2011                | 2010      |
| Holista Biotech Sdn Bhd      | Malaysia                 | 100               | 100  | 1,952,516           | 1,600,302 |
| Total Health Concept Sdn Bhd | Malaysia                 | 100               | 100  | -                   | -         |
| Alterni (M)Sdn Bhd           | Malaysia                 | 100               | -    | -                   | -         |
| Tropical Botanics Sdn Bhd    | Malaysia                 | 100               | -    | -                   | -         |

**NOTE 19: ACQUISITION OF HOLISTA BIOTECH SDN BHD.**

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

Due to the nature of the acquisition, the acquisition of Holista Biotech Sdn Bhd in the 2010 year, was considered a reverse acquisition for accounting purposes. Refer to Note 1 (r) the following represents the net assets and consideration paid by Holista Biotech Sdn Bhd for CollTech Australia Limited.

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

|                               |           |
|-------------------------------|-----------|
|                               | \$        |
| Cash and cash equivalents     | 408,340   |
| Trade and other receivables   | 16,297    |
| Property, plant and equipment | 2,129,378 |
| Other assets                  | 23,133    |
| Intangible assets             | 919,470   |
| Trade and other payables      | (119,044) |



|                     |                  |
|---------------------|------------------|
| Borrowings          | <u>(290,051)</u> |
| Net assets acquired | <u>3,087,523</u> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 20: PARENT ENTITY DISCLOSURES (continued)**

|                    |                  |
|--------------------|------------------|
| Consideration paid |                  |
| - ordinary shares  | <u>3,087,523</u> |

Acquisition related costs are included in other expenses in the statement of comprehensive income. Directly attributable costs of raising equity have been included as a deduction from equity.

**NOTE 20: PARENT ENTITY DISCLOSURES**

Holista CollTech Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Holista CollTech Limited did not enter into any trading transactions with any related party during the year.

***Financial position***

|                          | 30 June 2011<br>\$'000 | 30 June 2010<br>\$'000 |
|--------------------------|------------------------|------------------------|
| <b>Assets</b>            |                        |                        |
| Current assets           | 48                     | 746                    |
| Non-current assets       | 3,839                  | 3,596                  |
| <b>Total assets</b>      | <u>3,887</u>           | <u>4,342</u>           |
| <b>Liabilities</b>       |                        |                        |
| Current liabilities      | 280                    | 73                     |
| Non-current liabilities  | -                      | -                      |
| <b>Total liabilities</b> | <u>280</u>             | <u>73</u>              |
| <b>Net assets</b>        | <u>3,607</u>           | <u>4,269</u>           |
| <b>Equity</b>            |                        |                        |
| Issued capital           | 6,063                  | 16,044                 |
| Accumulated losses       | (2,456)                | (12,686)               |
| Reserves                 | -                      | 911                    |
| <b>Total Equity</b>      | <u>3,607</u>           | <u>4,269</u>           |

***Financial performance***

|  | Year ended<br>30 June 2011<br>\$'000 | Year ended<br>30 June 2010<br>\$'000 |
|--|--------------------------------------|--------------------------------------|
| Profit (loss) for the year               | (662)                                | (1,795)                              |
| Other comprehensive income               | -                                    | -                                    |
| <b>Total comprehensive income (loss)</b> | <u>(662)</u>                         | <u>(1,795)</u>                       |

**NOTE 21: EVENTS AFTER THE REPORTING PERIOD**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 22: AUDITOR'S REMUNERATION (continued)

The auditor of Holista CollTech Limited for the 2011 year is Grant Thornton Audit Pty Ltd. The 2010 auditor of Holista Colltech Limited was HLB Mann Judd.

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2011<br>\$'000 | 2010<br>\$'000 |
| Amounts received or due and receivable by parent entity auditors for:                      |                |                |
| An audit or review of the financial report of the entity and any other entity in the Group | 50             | 60             |
| Amounts received or due and receivable by Grant Thornton Malaysia for                      |                |                |
| - an audit or review of the financial report of subsidiaries                               | 39             | 20             |
| Amounts received or due and receivable by auditors of group entities                       | 89             | 80             |

### NOTE 23: DIRECTORS' AND EXECUTIVES' DISCLOSURES

#### (a) Details of Key Management Personnel

|                             |   |
|-----------------------------|---|
| (i) Directors               |   |
| Mr Paul Rengel              | Chairman (non-executive)                      |
| Dato' Dr M Rajendran        | Managing Director and Chief Executive Officer |
| Dato' Dr Fathil bin Mohamed | Director (non-executive)                      |
| Dr Stuart Hazell            | Director (non-executive)                      |
| (ii) Executives             |   |
| Mr Bob Lee                  | General Manager                               |
| Mr Ben Donovan              | Company Secretary                             |
| Mr Kong Hon Khien           | Chief Financial Officer                       |

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

#### (b) Shareholdings of Key Management Personnel

Ordinary shares held in Holista CollTech Limited (number)

| 30 June 2011                | Balance at beginning of period | Granted as remuneration | On Exercise of Options | Net Change Other | Balance at end of period |
|-----------------------------|--------------------------------|-------------------------|------------------------|------------------|--------------------------|
| <b>Directors</b>            |                                |                         |                        |                  |                          |
| Mr Paul Rengel              | -                              | -                       | -                      | -                | -                        |
| Dato' Dr M Rajendran        | 77,000,000                     | -                       | -                      | 39,400           | 77,039,400               |
| Dato' Dr Fathil bin Mohamed | 4,426,274                      | -                       | -                      | -                | 4,426,274                |
| Dr Stuart Hazell            | -                              | -                       | -                      | -                | -                        |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 23: DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)**

**(b) Shareholdings of Key Management Personnel (continued)**

| 30 June 2011      | Balance at beginning of period | Granted as remuneration | On Exercise of Options | Net Change Other | Balance at end of period |
|-------------------|--------------------------------|-------------------------|------------------------|------------------|--------------------------|
| <b>Executives</b> |                                |                         |                        |                  |                          |
| Mr Bob Lee        | -                              | -                       | -                      | -                | -                        |
| Mr Ben Donovan    | -                              | -                       | -                      | -                | -                        |
| Mr Kong Hon Kien  | -                              | -                       | -                      | -                | -                        |
|                   | 81,426,274                     | -                       | -                      | 39,400           | 81,456,674               |

*Ordinary shares held in Holista CollTech Limited (number)*

| 30 June 2010                | Balance at beginning of period | Granted as remuneration | On Exercise of Options | Net Change Other | Balance at end of period |
|-----------------------------|--------------------------------|-------------------------|------------------------|------------------|--------------------------|
| <b>Directors</b>            |                                |                         |                        |                  |                          |
| Mr Michael Pixley           | 793,333                        | -                       | -                      | -                | 793,333                  |
| Mr Ravindran Govindran      | 2,061,119                      | -                       | -                      | -                | 2,061,119                |
| Dato' Dr Fathil Bin Mohamed | 3,926,274                      | -                       | -                      | 500,000          | 4,426,274                |
| Mr Cheok huat (Mick) Aw     | -                              | -                       | -                      | 4,000,000        | 4,000,000                |
| Dato' Dr M Rajendran        | -                              | -                       | -                      | 77,000,000       | 77,000,000               |
| <b>Executives</b>           |                                |                         |                        |                  |                          |
| Mr Alan Boys                | -                              | -                       | -                      | -                | -                        |
| Mr Ben Donovan              | -                              | -                       | -                      | -                | -                        |
| Mr David Wilson             | -                              | -                       | -                      | -                | -                        |
|                             | 6,780,726                      | -                       | -                      | 81,500,000       | 88,280,726               |

No options were issued during 2011, however Dato' Dr Fathil Bin Mohamed currently holds 200,000 options exercisable at \$0.40 which were issued under an incentive plan at an earlier date.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

**(c) Loans to Key Management Personnel**

There are no loans to directors or executives.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 23: DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)**

**(d) Other transactions and balances with Key Management Personnel**

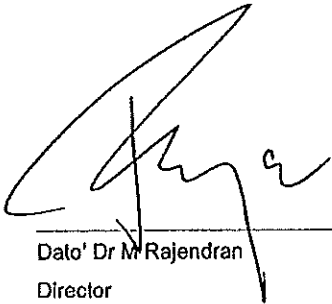
|                                   | Balance at<br>beginning<br>of period | Addition<br>during the<br>year | Repayment    | Interest<br>charged | Exchange<br>difference | Balance at<br>end of period |
|-----------------------------------|--------------------------------------|--------------------------------|--------------|---------------------|------------------------|-----------------------------|
|                                   | \$'000                               | \$'000                         | \$'000       | \$'000              | \$'000                 | \$'000                      |
| For working<br>capital            | 371                                  | -                              | (30)         | -                   | 52                     | 289                         |
| For repayment of<br>external loan | 550                                  | -                              | (501)        | -                   | 49                     | -                           |
| <b>Total</b>                      | <b>921</b>                           | <b>-</b>                       | <b>(531)</b> | <b>-</b>            | <b>101</b>             | <b>289</b>                  |

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

**DIRECTORS' DECLARATION**

1. In the opinion of the directors of Holista CollTech Limited (the 'Company'):
  - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year then ended; and
    - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

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



\_\_\_\_\_

Dato' Dr M Rajendran  
Director

Dated 30th day of September 2011



# Grant Thornton

10 Kings Park Road  
West Perth WA 6005  
PO BOX 570  
West Perth WA 6872

T +61 8 9480 2000  
F +61 8 9322 7787  
E [admin.wa@au.gt.com](mailto:admin.wa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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

### **Report on the financial report**

We have audited the accompanying financial report of Holista CollTech Limited (the "Company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

Grant Thornton Audit Pty Ltd ACN 130 913 594, a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of Holista CollTech Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Material uncertainty regarding continuation as a going concern**

Without qualifying our opinion, we draw attention to Note 1(f) in the financial report which indicates that the consolidated entity incurred a net loss of \$614,000 during the year ended 30 June 2011 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$115,000. These conditions, along with other matters as set forth in Note 1(f), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 12 to 17 of the directors' report for the year ended 30 June 2011. 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.

Grant Thornton Audit Pty Ltd ABN 94 269 609 023, a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.  
Liability limited by a scheme approved under Professional Standards Legislation.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Holista CollTech Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J W Vibert  
Director - Audit & Assurance

Perth, 30 September 2011

Grant Thornton Audit Pty Ltd ABN 94 269 609 023, a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.



## 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 12 September 2011.

### 1. Shareholdings

#### Substantial shareholders of Holista CollTech Limited:

| Name of shareholder               | Shares held |
|-----------------------------------|-------------|
| Dr. Rajendran Marickavasagar      | 77,039,400  |
| Franjack Pty Ltd + Aurjoe Pty Ltd | 6,726,665   |

#### Distribution of equity – Listed securities:

| Size of holding    | Number of Shareholders |
|--------------------|------------------------|
| 1 – 1,000          | 241                    |
| 1,001 – 5,000      | 264                    |
| 5,001 – 10,000     | 126                    |
| 10,001 – 100,000   | 204                    |
| 100,001 – and over | 55                     |
| <b>Total</b>       | <b>890</b>             |

At the date of this report there were 437 shareholders who held less than a marketable parcel of shares holding 525,211 shares.

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

The Company has ordinary shares subject to escrow

#### Twenty Largest Security Holders: Issued Shares

|     |   |            |        |
|-----|---|------------|--------|
| 1.  | DR. RAJENDRAN MARNICKAVASAGAR                               | 77,039,400 | 63.88% |
| 2.  | FRANJACK PTY LTD + AURJOE PTY LTD                           | 6,726,665  | 5.58%  |
| 3.  | DR FATHIL MOHAMED   | 4,186,274  | 3.47%  |
| 4.  | MR CHEOK HUAT AW  | 4,000,000  | 3.32%  |
| 5.  | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                   | 3,438,333  | 2.85%  |
| 6.  | CHANDRA SEKARAN P PERUMAL                                   | 3,333,333  | 2.76%  |
| 7.  | MR RAVINDRAN GOVINDAN                                       | 2,061,119  | 1.71%  |
| 8.  | MR KOK WAH ONG  | 1,942,746  | 1.61%  |
| 9.  | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT> | 1,915,000  | 1.59%  |
| 10. | FAIRVIEW HOLDINGS PTY LTD <THE MANJULE SUPER A/C>           | 1,350,000  | 1.12%  |

**Twenty Largest Security Holders: Issued Shares (continued)**

|     |   |                    |               |
|-----|---|--------------------|---------------|
| 11. | MR CHRIS CUFFE + MRS NATASHA CUFFE <C&N CUFFE FAMILY SUPER A/C> | 1,245,019          | 1.03%         |
| 12. | BOND STREET CUSTODIANS LIMITED <PV218 - V11478 A/C>             | 893,334            | 0.74%         |
| 13. | MR HARPAL SINGH   | 850,000            | 0.70%         |
| 14. | BAKERSFIELD HOLDINGS PTY LTD <THE SEPAROVIC FAMILY A/C>         | 786,666            | 0.65%         |
| 15. | TRISTESSE PTY LTD <THE BANKS-SMITH FAMILY A/C>                  | 765,053            | 0.63%         |
| 16. | CITICORP NOMINEES PTY LIMITED                                   | 704,666            | 0.58%         |
| 17. | ZAILAN BIN RAMLI  | 666,666            | 0.55%         |
| 18. | IRSS NOMINEES (21) LIMITED                                      | 660,000            | 0.55%         |
| 19. | MS KIAN BEE KUOK  | 634,468            | 0.53%         |
| 20. | LIFESCIENCE SECURITIES LTD                                      | 600,000            | 0.50%         |
|     | <b>Total Top 20 holders</b>                                     | <b>113,798,742</b> | <b>94.36%</b> |
|     | <b>Remaining shareholders</b>                                   | <b>15,843,939</b>  | <b>5.64%</b>  |