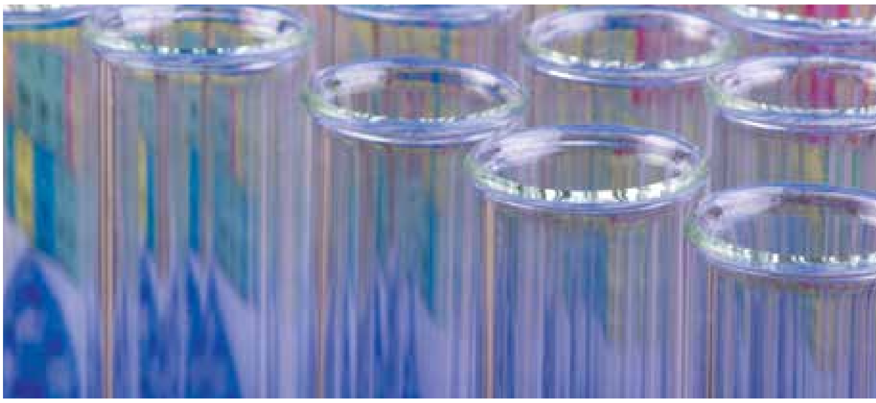
Probiotec

ANNUAL REPORT 2015



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PROBIOTEC LIMITED
AND ITS CONTROLLED ENTITIES
A.C.N. 075 170 151

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

On behalf of the Board of Directors, we are pleased to present this year's annual report to you. The 2015 year was another difficult one and it would be fair to say that we underestimated the difficulty and time it would take to execute the restructuring and re-alignment of the business that we embarked upon some 3 years ago in our strategic review. The positive news is that our restructuring (apart from some small property and brand assets and the finalisation of our outstanding sale of ADP) is now complete. All of our operating units with the exception of Impromy are delivering profit and positive cash and our Impromy programme, still in the investment phase, is showing great promise.

In reviewing the last financial year it is worth noting what went well, what with the benefit of hindsight could have been better and what lies ahead of us during the forthcoming year.

- The sales and distribution alliance we entered into last year with Valeant post the sale of Lomotil and Vermox for our legacy branded pharmaceuticals has exceeded our expectations. Our remaining branded pharmaceuticals business has continued to increase its distribution and sales reach and the reduced margin to Probiotec has been more than offset by the reduced costs by streamlining our sales, marketing and distribution model. This provides us with a robust route to market for an increasing stream of innovative products which we have capability in developing without the inherent risks of increased investment in sales and marketing resource. Valeant have also during this period increased their contract manufacturing relationship with Probiotec further benefiting the partnership.
- Our contract manufacturing revenue has continued to build on last year's growth of 32% by a further 12% whilst also improving profitability by exiting some $3 million of unprofitable commodity manufacturing. Our ongoing contract manufacturing now represents some $35 million of our revenue with over 32% of this using intellectual property either developed or licensed exclusively by Probiotec. During the year the group released 26 registered pharmaceutical product clones and 8 new listed products. Our contract manufacturing continues to be built on this unique owned intellectual property and long term contracts which allows us to invest in best in class operations and provides surety to our employees and underpins our financial health.
- Impromy our health management programme relating to health issues connected to overweight and obesity, is now in its second year and showing great promise. This programme, the first of its kind and developed in conjunction with the CSIRO, is now distributed through 290 pharmacies throughout Australia with in excess of 19,000 patients enrolled to date. A study conducted by Griffith University showed this programme to be the most effective in achieving health outcomes with a weight loss of 7% of total body mass resulting from its use compared to 4.6% to 6.1% for a variety of other major diet and health programs. Impromy is now being embraced by the General Practitioner community as an effective health management programme for weight related health issues and has been granted partial health reimbursement by the Bupa health fund with ongoing discussions with further health funds occurring. Although still in its investment phase and not contributing to earnings, we are encouraged by the very real health outcomes we are seeing in our patient population and the positive reception of the programme by healthcare professionals and we will continue to invest behind further research into weight related health issues and new clinically proven products. We expect to achieve profitability in FY 2018.

- Our ADP protein fractionation plant continued to prove problematic during 2015. After the initial set back of delayed commissioning post the move from Queensland to South Australia, our partner UDP after a change of ownership became unviable and ceased operations and was subsequently sold to Beston Global foods. This was most disappointing and after 15 years and some $22 million of investment the board took the decision to write down the plant to a component only recovery value and seek to exit the manufacturing of dairy fractions and instead seek to secure third party supply and sell the existing plant. The basis of this decision was the combination of large investment and inherent risk where you do not control the source of supply of the whey stream. After 3 unsuccessful partnerships and 2 separate site commissionings it was decided that for any further investment we would need to control the upstream whey production, something we believe is beyond our operational and financial capabilities. As a result we have entered into an agreement to sell the plant to Beston Global Foods for $7 million and we have obtained an undertaking to supply us our requirements of dairy fractions. We expect to finalise the terms of this agreement and complete this transaction during September 2015. The proceeds from the sale will be largely used to further reduce debt and complete the upgrade and consolidation of manufacturing at Laverton.
- All overseas operations with the exception of a small sales and marketing presence in the UK have now been exited the last being our manufacturing operations in Ireland. The UK business is small and profitable and provides no distraction from our core ongoing operations. We underestimated the time, cost and complexity of exiting China, Germany and Ireland (our three biggest operations overseas). Although we established a significant presence and those markets provided an attractive target in the under developed weight loss category, maintaining and moving to profitability we assessed as being beyond our capabilities and again with the benefits of hindsight it was an ambitious move when we made it in 2009.

As we enter FY2016 we are in a much better position, having completed the company's restructuring, significantly reduced debt, returned all traditional business units to profitability and with good upside prospects. Impromy, our development of unique intellectual property and our research collaborations hold enormous promise for our future within healthcare.

The board once again thanks all of the staff of Probiotec along with the management team for their continued diligent efforts in developing the business towards its ultimate potential. We would especially like to acknowledge Wayne who retired at June 30th for the enormous amount of work he has put in seeing through the restructuring and the establishment of Impromy and providing the solid foundations on which to move forward.

We would also like to thank our fellow shareholders; we understand your frustrations with recent performance and thank you for your continued patience and support and hope you share our confidence in the future.

Max Johnston
Chairman
Probiotec Limited

2015 PERFORMANCE

Review of Results

For the year ended 30 June 2015, the Group generated sales revenue from continuing operations of $65,679,685, a decrease of 3.7% on the previous financial year. The Group's net profit from continuing activities attributable to members (excluding impairment expenses) for the financial year was $26,719, compared to the previous financial year profit of $947,668.

The Group reported a statutory net loss of $24.7 million. The Group's statutory net loss for the year was largely a result of four issues:

- Firstly, the level of uncertainty surrounding the Group's ADP Protein Plant ("ADP") has resulted in significant non-cash impairment charge of $18.8 million being brought to account. Further details on this impairment charge are set out later in this report.
- Secondly, as part of the Group's ongoing review of its operations and market conditions, a decision has been made to rationalise several brands, primarily comprising the Group's sports nutrition, Slimmm, Arthroflex and Biggest Loser brands. This decision has resulted in non-cash impairment charges of $4.4 million. In addition to this, a decision has been made to scale back the operation of its European manufacturing assets and this has resulted in an impairment charge of $1.0 million.
- Thirdly, as announced on 31 October 2014, the Group sold its production facility and associated items of plant and equipment located in South Nowra, New South Wales. This resulted in a loss of approximately $1.1 million. The rationale for this sale was to allow the Group to consolidate its weight loss and sports nutrition manufacturing activities into our main pharmaceutical production facility in Laverton North, Victoria, which is expected to generate meaningful cost savings to the Group in future periods.
- Lastly, the Group launched its IMPROMY™ program ("Impromy") in May 2014 as part of its 20 year research agreement with the Commonwealth Scientific and Industrial Research Organisation ("CSIRO") to collaborate in the field of weight management and related health issues. Since launch, the program has grown significantly with over 290 pharmacies now contracted and providing the program. During the year, the Group has invested significant funds to launch and establish Impromy and this resulted in a net loss of $0.7 million for the period. Further details on Impromy are set out below.

The result for the year is disappointing. However, the Group continues to pursue its stated strategy of transitioning its business towards a model that the directors believe will be both more secure and better able to deliver improving returns to shareholders. The Group has also made progress on its previously stated objective of reducing overhead costs and the resulting savings are expected to be realised in the 2016 financial year.

Significant improvement in second half performance

The second half of the 2015 financial year showed significant improvement as illustrated below:

MEASURE	1HY2015 ($'000)	2HY2015 ($'000)	CHANGE
Sales revenue	31,451	34,654	↑ 10%
Operating EBITDA[1]	1,986	3,221	↑ 286%
Operating NPAT[2]	(951)	1,041	↑ 209%

Whilst the business remains somewhat seasonally weighted towards the second half of the financial year, a significant number of improvements across the Group were achieved over this period.

[1] *Calculated as EBITDA excluding impairment costs and loss on sale of plant & equipment*
[2] *Calculated as NPAT excluding impairment costs and loss on sale of plant & equipment*

SEGMENT OVERVIEW

Contract Manufacturing

The Group's contract manufacturing segment generated $36.8 million in sales, an increase of 11.6% from the prior corresponding period. The Group is continuing to experience solid demand in contract manufacturing and has a strong order book for the start of the 2016 financial year.

The Group's capabilities are becoming increasing well recognised in the market and the company is experiencing an increased number of sales inquiries and leads, which are likely to contribute to further growth in this division.

Branded Pharmaceuticals

The Group's branded pharmaceuticals segment generated $7.7 million in sales, a decrease of 36.5% over the prior corresponding period. This comparative result has been impacted by the sale of the Vermox and Lomotil brands during the prior year (sold on 30 October 2013), together with the transfer of distribution rights for the Group's Gold Cross, David Craig and Skin Basics brands to the Valeant Group.

Under the distribution agreement with the Valeant Group, the Group's established product ranges were stable in a challenging pharmacy environment.

Weight Loss and Sports Nutrition

Sales of the Group's weight management business grew by 3.3% over the prior corresponding period. Growth was driven primarily by sales from the recently launched Impromy which were offset by reduced sales of the Group's Biggest Loser and Slimmm branded products, together with a decline in the Group's sports nutrition products following the decision to rationalise these brands. Pleasingly, the Group is forecasting sales and earnings growth for this segment in the 2016 financial year due to increasing demand for the Celebrity Slim product range together with the continued development of the IMPROMY brand.

Europe

As set out earlier in this report, the Group has decided to scale back its manufacturing operations in Europe to focus on the sales, marketing and distribution of its established weight loss ranges. The poor performance of the Group's manufacturing assets resulted in a loss for this division of $0.4 million for the half year. More pleasingly, the Group has reached agreement to divest its European manufacturing assets and entered into a manufacturing agreement for the buyer to contiue to manufacture the weight loss products for the Group for Europe. This enables the Group to continue to grow its Celebrity Slim sales in the United Kingdom and Ireland whilst operating under a significantly reduced cost base.

Specialty products

As set out earlier in this report, the Group has experienced a number of challenges in this segment, primarily related to its ADP Protein Plant.

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Financials

CORPORATE GOVERNANCE

Probiotec Limited (Probiotec) is committed to best practice in corporate governance, compliance and ethical behaviour. The Board's approach has been to be guided by the principles and practices that are in its stakeholders' best interests while ensuring full compliance with legal requirements.

A summary of Probiotec's corporate governance practices and compliance with the Corporate Governance Principles and Recommendations (Third Edition) is set out below. Probiotec is in compliance with all principles and recommendations.

The policies and charters referred to in this summary are accessible at Probiotec's website.

These corporate governance statements were approved by the Board on 19 August 2015.

1 Lay solid foundations for management and oversight

1.1 Responsibilities and Evaluation of the Board and Management

The Board has adopted a Board Charter which sets out the roles and responsibilities of the Board as well as the roles and responsibilities that have been delegated to the Chief Executive Officer and other senior management.

The Board's responsibilities include:

- protecting and enhancing the value of the assets of the Company;
- setting strategies, directions and monitoring and reviewing against these strategic objectives;
- reviewing and ratifying internal controls, codes of conduct and legal compliance;
- reviewing the Company' s accounts;
- approval and review of the operating budget and strategic plan for the Company;
- evaluating performance and determining the remuneration of the Chief Executive Officer and Senior Management;
- ensuring the significant risks facing the Company have been identified and adequate control monitoring and reporting mechanisms are in place;
- approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits;
- approval of financial and dividend policy; and
- appointment of the Chief Executive Officer.

The Board reviews the performance, composition and terms of reference of the Boards and the Board's committees using the Process for Evaluation of Performance Policy on an annual basis. The Board has evaluated the Board, the Remuneration and Nomination Committee and Audit and Risk Management Committee during the reporting period.

The Board has delegated responsibility for the day-to-day leadership and management of Probiotec to the Chief Executive Officer. The Board evaluates the performance of the Chief Executive Officer with facilitation by the Chair on an annual basis using its Process for Evaluation of Performance Policy. As the Chief Executive Officer was appointed on 1 July 2015, the Board will evaluate him during the next reporting period.

Senior management has been given certain responsibilities, which include:

- developing strategies to deliver a strong market presence and build shareholder wealth over the long term;
- recommending appropriate strategic and operating plans;
- maintaining effective control of operations;
- measuring performance against peers;
- being strong, principled and providing ethical leadership;
- assuring sound succession planning and management development; and
- providing a sound organisational structure.

The Board evaluates the performance of senior management using its Process for Evaluation of Performance Policy, with the assistance of the Chief Executive Officer, on an annual basis. The Board evaluated the performance of senior management during the reporting period.

1.2 Appointment and evaluation of directors

The Remuneration and Nomination Committee is responsible for developing criteria for Board membership and identifying suitably skilled, qualified and experienced individuals to recommend to the Board. Probiotec undertakes appropriate checks before appointing or putting forward any director for election by shareholders and provides shareholders with all information relevant to their decision whether to elect the director.

Each director and senior executive of Probiotec has in place a letter of appointment or employment agreement which sets out the terms and conditions of their appointment.

The Board has adopted a Process for Evaluation of Performance Policy. Under the Policy, the Chair, in consultation with the Board, determines the process by which the performance of individual directors is assessed. This may include mechanisms such as interviews, self-assessment and peer review.

1.3 Company Secretary

As set out in the Board Charter, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

1.4 Diversity Policy

The Board has adopted a Diversity Policy to promote an inclusive culture where all people are encouraged to succeed to the best of their ability. The Remuneration and Nomination Committee is responsible for developing and monitoring a long term plan to address diversity initiatives and measures.

As at 30 June 2015, the Probiotec Group had the following female participation (%) rates:

Probiotec Limited non-executive directors	0
Senior executive positions	33
Other management and professional roles	43
Total workforce	46

For the purposes of the reporting above, senior executive positions are defined as those positions whereby the executive has both multiple direct reports and control over significant decisions within their department.

The Board has set the overall objective of a 50% participation rate across all levels of the Group. However, this objective is governed by the overriding principle of merit based selection and advancement.

2. Structure the board to add value

2.1 Composition of the Board

There are currently five members on the Board, of which the majority are independent, non-executive directors. The Chair of the Board is Robert (Max) Johnston, an independent and non-executive director. The Chief Executive Officer is Wesley Stringer. Probiotec supports the separation of the roles of Chair of the Board and Chief Executive Officer.

Profiles of each board member, including terms in office, are on pages 13 to 14 of the *2015 Annual Report*.

The Board has established a Remuneration and Nomination Committee and an Audit and Risk Management Committee. The responsibilities of these Committees are set out in more detail below. The number of Committee meetings held during the reporting period and attendance at those meetings, is on page 13 of the *2015 Annual Report*.

2.2 Skills and competency of the Board

The Board has not adopted a Board Skills Matrix. The Board considers that it is aware of the mix of skills held by the Board and is conscious of which skills may be beneficial to add to the Board. The Remuneration and Nomination Committee assists the Board in this respect. The duties and responsibilities of the Remuneration and Nomination Committee, as set out in its Charter, include reviewing the size, structure and composition of the Board and the effectiveness of the Board as a whole, and identifying suitable candidates to fill Board vacancies. The Committee make recommendations to the Board accordingly.

The Remuneration and Nomination Committee is also responsible for establishing and overseeing induction and continuing professional development programs for directors to develop and maintain the skills and knowledge needed to perform the role effectively.

2.3 Independence of directors

In determining the independence of directors, the Board applies the definition of independent directors as contained in the Corporate Governance Principles and Recommendations (Third Edition). An independent director is a director who is independent of management and free of any interest, position, association or relationship that might materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement.

The Board considers that each of its Non-executive directors, Graham Buckeridge, Robert (Max) Johnston, Richard Kuo and Robin Tedder is independent. Although the Board acknowledges that Robin Tedder is considered a 'substantial shareholder', the Board does not consider his shareholding to interfere with the exercise of his independent judgement.

2.4 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is made up of Graham Harry Buckeridge, Robert (Max) Johnston and Wesley Stringer with Max Johnson holding the role of Chairman. The Board considers a majority of the committee members, including the Chair, to be independent directors. Profiles of each committee member, including their qualifications, are on pages 13 to 14 of the *2015 Annual Report*.

The Remuneration and Nomination Committee Charter sets out the responsibilities of the Committee as well as membership requirements and procedures for Committee meetings. The Committee is responsible for developing criteria for Board membership, to identify suitably skilled, qualified and experienced individuals for nomination and to establish processes for the review of the performance of directors. The Charter is reviewed annually.

3 Act ethically and responsibly

The Board has adopted a Code of Conduct which applies to all Probiotec employees. The Code of Conduct emphasises the fundamental principles of Probiotec, including ethical behaviour, honesty, integrity and respect.

Probiotec also has in place:

- Whistleblowing Policy, to support employees reporting the conduct of other employees; and
- Security Trading Policy, to ensure its Key Management Personnel (as that term is defined in the ASX Listing Rules) comply with the ASX Listing Rules and the *Corporations Act 2001 (Cth)*.

4 Safeguard integrity in corporate reporting

4.1 Audit and Risk Management Committee

The Audit and Risk Management Committee is made up of Richard David Kuo (Chair), Graham Harry Buckeridge and Robert (Max) Johnston. Each of the committee members are non-executive directors and the Board considers each of the committee members to be independent directors. Profiles of each committee member, including their qualifications, are on pages 13 to 14 of the *2015 Annual Report*.

The Audit and Risk Management Committee Charter sets out the responsibilities of the Committee as well as membership requirements and procedure for Committee meetings. The Committee's responsibilities include reviewing the financial statements released to shareholders, recommending the appointment and remuneration of the external auditor and the terms of their engagement and assessing the independence of the external auditor. The Charter is reviewed annually.

4.2 Assurance from Chief Executive Officer and Chief Financial Officer

Prior to the approval of the financial statements for any financial period, the Board Charter and the *Corporations Act 2001* (Cth) requires that the Chief Executive Officer and Chief Financial Officer declare that:

- the financial records of Probiotec have been properly maintained;
- the financial statement comply with the appropriate accounting standards and give a true and fair view of Probiotec's financial position and performance; and
- that opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 Auditors attendance at general meetings

Under Probiotec's Constitution, Probiotec's auditor is entitled to attend any general meeting and has the right to be heard.

5 Make timely and balanced disclosure

The Board of Probiotec has adopted a Continuous Disclosure Policy to ensure compliance with Probiotec's obligations under the Corporations Act 2001 (Cth) and the ASX Listing Rules. A Compliance Officer has been appointed by the Board to be primarily responsible for deciding what information will be disclosed to the market. The Continuous Disclosure Policy sets out processes for reporting and disclosure and speaking with the media, public and analysts.

6 Respect the rights of security holders

The Board of Probiotec has adopted a Shareholder Communication Policy which outlines its commitment to ensuring that shareholders, regulators and the wider investment community are informed of all major developments affecting Probiotec in a timely and effective manner.

As part of this commitment, Probiotec has available on its website its Constitution, board and committee charters, and the policies referred to in this summary. Information in relation to Probiotec's directors, copies of all media and ASX releases and the details of Probiotec's share registry are also accessible on the website.

Shareholders are encouraged to attend and participate at general meetings. To facilitate this, meetings will be held during normal business hours and at a place convenient for the greatest possible number of shareholders to attend.

The full text of notices and accompanying materials will appear on Probiotec's website.

7 Recognise and manage risk

The Board is responsible for ensuring that the significant risks facing Probiotec have been identified and adequate control monitoring and reporting mechanisms are in place.

The Audit and Risk Management Committee (whose members have been summarised in section 4.1 above) assist the Board in executing its responsibilities in relation to risk. The majority of the Committee's members, including the Chair, are considered by the Board to be independent Directors. The Audit and Risk Committee Charter requires the Committee to oversee Probiotec's risk profile, risk policy and the effectiveness of its risk management framework and supporting risk management systems.

The Board has adopted a Risk Management Policy which identifies key risk areas, sets out policy objectives and outcomes and delineates responsibility and reporting measures across Probiotec. This policy is reviewed annually and was reviewed during the current reporting period.

Probiotec does not currently have material exposure to economic, environmental or social sustainability risks. If such risks do arise, Probiotec will manage those risks in accordance with its internal risk management framework.

8 Remunerate fairly and responsibly

The Remuneration and Nomination Committee (whose members have been summarised in section 2.1 above) is responsible for reviewing and making recommendations to the Board on remuneration packages and policies available to senior management and directors, as set out in its Charter. The Committee may engage independent counsel or advisors with the approval of the Chairman or by resolution of the Board.

The Board has adopted a Security Trading Policy which prohibits Key Management Personnel (as that term is defined in the ASX Listing Rules) from entering into hedging arrangements in relation to Probiotec securities which would have the effect of limiting the exposure of the person to risk relating to an element of their remuneration that has not vested, or has vested but remains subject to a holding lock. Key Management Personnel may enter into margin loans or other security arrangements in relation to Probiotec shares only with the prior written approval of the Designated Officer. Details of the framework and policies in relation to remuneration is set out in the Directors Report on pages 15 to 22 of the *2015 Annual Report*. The remuneration of each director is set out in the Remuneration Report on pages 15 to 22 of the *2015 Annual Report*. Information on the structure of the remuneration of senior management is also set out in the Remuneration Report.

DIRECTOR'S REPORT

The directors submit the financial report of Probiotec Limited and its controlled entities ("the Group") for the financial year ended 30 June 2015.

Directors

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

Robert Maxwell Johnston	*Non-Executive Director – Chairman (appointed 4 August 2014)*
Maurice Van Ryn	*Non-Executive Chairman (Resigned 4 August 2014)*
Charles Wayne Stringer	*Executive Director*
Wesley Stringer	*Executive Director*
Graham Harry Buckeridge	*Non-Executive Director*
Richard David Kuo	*Non-Executive Director*
Robin Tedder	*Non-Executive Director*

Directors have been in office to the date of this report unless otherwise stated.

Company Secretary

The name of the company secretary in office at any time during or since the end of the year was:

Jared Stringer

The company secretary has been in office to the date of this report unless otherwise stated.

Principal Activities

The Group's principal activities in the course of the financial year were the development, manufacture and sale of pharmaceuticals, foods and nutraceutical products in Australian and international markets.

Operating Results

The consolidated loss of the Group attributable to the shareholders for the financial year was $24,742,302 (2014: profit $903,668).

Dividends

No dividend has been declared or paid in regards to the financial year ended 30 June 2015 (2014: $nil).

Operating and financial review

Overview of results

For the year ended 30 June 2015, the Group generated sales revenue from continuing operations of $65,679,685, a decrease of 3.7% on the previous financial year. The Group's net profit from continuing activities attributable to members (excluding impairment expenses) for the financial year was $26,719,compared to the previous financial year profit of $947,668.

The Group reported a statutory net loss of $24.7 million. The Group's statutory net loss for the year was largely a result of four issues:

- Firstly, the level of uncertainty surrounding the Group's ADP Protein Plant ("ADP") has resulted in significant non-cash impairment charge of $18.8 million being brought to account. Further details on this impairment charge are set out later in this report.
- Secondly, as part of the Group's ongoing review of its operations and market conditions, a decision has been made to rationalise several brands, primarily comprising the Group's sports nutrition, Slimmm, Arthroflex and Biggest Loser brands. This decision has resulted in non-cash impairment charges of $4.4 million. In addition to this, a decision has been made to scale back the operation of its European manufacturing assets and this has resulted in an impairment charge of $1.0 million.
- Thirdly, as announced on 31 October 2014, the Group sold its production facility and associated items of plant and equipment located in South Nowra, New South Wales. This resulted in a loss of approximately $1.1 million. The rationale for this sale was to allow the Group to consolidate its weight loss and sports nutrition manufacturing activities into our main pharmaceutical production facility in Laverton North, Victoria, which is expected to generate meaningful cost savings to the Group in future periods.
- Lastly, the Group launched its IMPROMY™ program ("Impromy") in May 2014 as part of its 20 year research agreement with the Commonwealth Scientific and Industrial Research Organisation ("CSIRO") to collaborate in the field of weight management and related health issues. Since launch, the program has grown significantly with over 290 pharmacies now contracted and providing the program. During the year, the Group has invested significant funds to launch and establish Impromy and this resulted in a net loss of $0.7 million for the period. Further details on Impromy are set out below.

The result for the year is disappointing. However, the Group continues to pursue its stated strategy of transitioning its business towards a model that the directors believe will be both more secure and better able to deliver improving returns to shareholders. The Group has also made progress on its previously stated objective of reducing overhead costs and the resulting savings are expected to be realised in the 2016 financial year.

The Group is continuing to focus on the three pillars of its business: Contract manufacturing, branded products and intellectual property development, details of which are set out below.

ADP Protein Plant

The Group's ADP Protein Plant ("ADP") operated under a long term agreement in place with United Dairy Power ("UDP"), whereby UDP supplied whey (the primary input for the production of Lactoferrin) in exchange for a supply fee. During the half year, the holding company of UDP was placed in receivership with the receivers subsequently completing the sale of selected UDP assets to the Beston Global Food Company ("BGFC") in July 2015. As announcement via the Australian Stock Exchange ("ASX") on 24 June 2015, the Group has entered into a conditional binding agreement with BGFC for the proposed sale of ADP. This agreement is subject to a number of conditions including the completion of due diligence by BGFC and the successful listing of BCFC on the ASX which, at the date of this report are still incomplete. If successful, this transaction would yield gross consideration of $7 million in cash, with the majority being received on completion. This agreement also contains provisions regarding the ongoing supply of Immunoglobulins to the Group, which are being utilised as part of the Group ongoing research and development program.

In the half year financial report, the Group took the prudent decision to significantly impair the ADP assets with a reduction in carrying value from $21.7 million to $3.0 million, being an estimate of the recoverable value of the assets if not in use for their prescribed purpose. This resulted in the recognition of an impairment expense in the amount of $18,767,793.

In making an assessment on the carrying value of the ADP assets, a significant level of judgement has been used given the ongoing level of uncertainty and the lack of verifiable information available to the Group. At the time of this report, ADP is not in operation as BGFC has not yet begun to operate the former UDP sites. Whilst the Group believes there is a reasonable possibility that the proposed sale of the ADP assets to BGFC will proceed, given the fact that several conditions remain unsatisfied at the date of this report, no adjustment to the carrying value has been made since the half year report.

The board will continue to provide updates when further material information becomes available.

Launch of Impromy in conjunction with CSIRO

As advised in the financial report for the year ended 30 June 2014, the Group had signed a 20 year agreement with the CSIRO to collaborate in the field of weight management and related health issues. In conjunction with this agreement the Group launched a health and weight management program under the brand name IMPROMYTM in May 2014. This program has been developed in collaboration with the CSIRO and is a pharmacy based model, including consultation and mentoring services carried out by pharmacists and pharmacy assistants together with comprehensive point of care testing, a meal replacement program and a range of other ancillary and support services.

The program utilises the Guildcare pharmacy platform, which is the national systemised platform for the delivery of professional health services in Australian pharmacies and is owned by the Pharmacy Guild of Australia. The program is supported by clinical trials undertaken by the CSIRO. Further details can be found at www.impromy.com

Since launch, the program has grown significantly with over 290 pharmacies now contracted and providing the program. During the half year, the Group invested significant funds to launch and establish Impromy and this resulted in a net loss[1] of $0.7 million for the period. The board is confident that this initial investment will grow into a material and long term business for the Group with Impromy forecast to positively contribute to both cash flow and earnings in the 2016 financial year.

Segment Overview

Contract Manufacturing

The Group's contract manufacturing segment generated $36.8 million in sales, an increase of 11.6% from the prior corresponding period. The Group is continuing to experience solid demand in contract manufacturing and has a strong order book for the start of the 2016 financial year.

The Group's capabilities are becoming increasing well recognised in the market and the company is experiencing an increased number of sales inquiries and leads, which are likely to contribute to further growth in this division.

Branded Pharmaceuticals

The Group's branded pharmaceuticals segment generated $7.7 million in sales, a decrease of 36.5% over the prior corresponding period. This comparative result has been impacted by the sale of the Vermox and Lomotil brands during the prior year (sold on 30 October 2013), together with the transfer of distribution rights for the Group's Gold Cross, David Craig and Skin Basics brands to the Valeant Group.

Under the distribution agreement with the Valeant Group, the Group's established product ranges were stable in a challenging pharmacy environment.

Weight Loss and Sports Nutrition

Sales of the Group's weight management business grew by 3.3% over the prior corresponding period. Growth was driven primarily by sales from the recently launched Impromy which were offset by reduced sales of the Group's Biggest Loser and Slimmm branded products, together with a decline in the Group's sports nutrition products following the decision to rationalise these brands. Pleasingly, the Group is forecasting sales and earnings growth for this segment in the 2016 financial year due to increasing demand for the Celebrity Slim product range together with the continued development of the IMPROMY brand.

[1] Calculated as gross margin less operating expenses (including advertising and promotion expenses)

Europe

As set out earlier in this report, the Group has decided to scale back its manufacturing operations in Europe to focus on the sales, marketing and distribution of its established weight loss ranges. The poor performance of the Group's manufacturing assets resulted in a loss for this division of $0.4 million for the half year. More pleasingly, the Group has reached agreement to divest its European manufacturing assets and entered into a manufacturing agreement for the buyer to contiue to manufacture the weight loss products for the Group for Europe. This enables the Group to continue to grow its Celebrity Slim sales in the United Kingdom and Ireland whilst operating under a significantly reduced cost base.

Specialty products

As set out earlier in this report, the Group has experienced a number of challenges in this segment, primarily related to its ADP Protein Plant.

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Group comprised the continued implementation of the Group's strategic review and realignment and associated activities as outlined in the review of operations. There was no other significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto and elsewhere in the financial report of the company and its controlled entities for the year ended 30 June 2015.

Significant After Reporting Date Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future Developments

The Group will continue to operate its business consistent with its stated business strategy of growing both its pharmaceutical and nutritional/nutraceutical business segments. The Board will continue to monitor the progress of the business improvement initiatives and the intended improvement in the Group's operating and financial performance. Should further decisions and actions become necessary, then these will be made and within the framework of growing both profitability and cash flow of the Group.

Environmental Issues

The Group monitors its environmental legal obligations and has its own self imposed policies. We believe that the Group complies with all aspects of the environmental laws.

Occupational Health and Safety

The Group's Occupational Health and Safety Committee meet monthly and monitors the business by conducting regular audits of the premises. Any safety matters raised either by staff, the audits or from an investigation of any workers' compensation claims are reviewed and, where appropriate, changes made to operating procedures. Staff are encouraged to make safety suggestions to their departmental representatives. All committee members are given the necessary training for the position.

Meetings of Directors

Probiotec Limited became a public company on 17th February 2006 and listed on the Australian Stock Exchange on the 14th November 2006. Directors hold meetings every month. The board also comprises the Audit and Risk Management and Remuneration and Nominations Sub-Committees. The number of meetings of the company's board of directors held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

	Board of Directors Meetings		Audit & Risk Management Committee meetings		Remuneration & Nominations Committee meetings	
Director	**No. Held[2]**	**No. Attended**	**No. Held[3]**	**No. Attended**	**No. Held[2]**	**No. Attended**
Maurice Van Ryn	-	-	-	-	-	-
Charles Wayne Stringer	10	9	-	-	1	1
Graham Harry Buckeridge	10	8	3	3	1	1
Richard David Kuo	10	9	3	3	-	-
Robin Tedder	10	8	-	-	-	-
Wesley Stringer	10	8	-	-	-	-
Robert Maxwell Johnston	10	9	3	3	1	1

[2] *Number of board meetings held while director eligible to attend.* [3] *Number of meetings for members of respective board or committee only.*

Information on Directors and Officers

Graham Harry Buckeridge

Role	- Non-Executive Director
Qualifications	- Dip Bus, CPA, FFIN
Experience	- Co-founder and executive director of BG Capital Corp Ltd (BGC) a relationship based firm providing corporate advisory and investment banking services. Previously joint founder and Managing Director of Burdett Buckeridge and Young, a member corporation of ASX. Graham has extensive experience in all aspects of international and domestic financial markets.
Special Responsibilities	- Member of Remuneration and Nominations Committee and Audit and Risk Committee.
Other Directorships	- Executive Director of BG Capital Corp Limited Executive Chairman of Abacus Film Fund

Richard David Kuo

Role	- Non-Executive Director
Qualifications	- B.Com, LLB, FAICD
Experience	- Holds Commerce and Law degrees with post graduate qualifications in applied finance and investment. Brings with him 29 years experience in law, investment banking and corporate strategy. Currently manages Pier Capital, a privately owned investment banking firm which provides corporate and financial advice to corporations, investors and government and has extensive experience in mergers and acquisitions, capital markets and strategic planning.
Special Responsibilities	- Chairman of the Audit and Risk Management Committee
Other Directorships	- Non-Executive Director of Animoca Brands Limited

Robert Maxwell Johnston

Role	- Non-Executive Director
Qualifications	- FCDA, MAICD
Experience	- A former senior executive with Johnson & Johnson, the world's largest Medical, Pharmaceutical and Consumer Healthcare company. Mr. Johnston was president and CEO of Johnson & Johnson Pacific, while also concurrently leading several Asia Pacific Franchise and Functional working group. Brings extensive overseas experience during his career in leading businesses in both Western and Central-Eastern Europe and Africa. Prior to joining Johnston & Johnson, Max's career also included senior roles with Diageo and Unilever.
Special Responsibilities	- Chairman of Remuneration and Nominations Committee
Other Directorships	- Non-Executive Director of Medical Development International Limited - Non-Executive Director of Poly Novo Limited - Non-Executive Director of Enero Group Limited

Charles Wayne Stringer	
Role	- Chief Executive Officer (Executive Director)
Qualifications	- Dip. Bus, ACA
Experience	- CEO of Probiotec since it was founded in 1997. Overseen the development of a series of joint ventures and commercial opportunities and acquisition of Pharmaction in the 2004 financial year and the Biotech Milton Pharmaceutical company in 2005. Wayne also spent several years as a CEO and director of companies involved in manufacturing, retailing, finance, mining and waste management.
Special Responsibilities	- Responsibilities included strategic management, remuneration and operational oversight.
Other Directorships	- Nil
Robin Tedder	
Role	- Non-Executive Director
Qualifications	- FFIN, MW
Experience	- Robin has over 37 years experience in business investment and finance. He is the Chairman of Vintage Capital a private investment company and a director of several public and private companies active in property, retail and investment. Robin was a member of the ASX for over a decade and served as an executive director of two investment banks active in Australia and overseas. He is the Australian Ambassador for Singularity University (founders include Genentech and Google) of Mountain View California, which runs advanced technology healthcare education programs. Robin is a Fellow of the Financial Services Institute of Australia.
Special Responsibilities	- Nil
Other Directorships	- Blackwall Property Funds Ltd Pelorus Private Equity Kirela Pty Ltd
Jared Stringer	
Role	- Company Secretary
Qualifications	- B.Comm (Accounting, Finance), BIT, CPA
Experience	- Began employment with Probiotec in 2002 and accepted role of Financial Accountant in May 2005 before being appointed as Chief Financial Officer in 2011.
Special Responsibilities	- None
Other Directorships	- Nil
Wesley Stringer	
Role	- Chief Executive Officer / Managing Director
Qualifications	- B.Comm (Accounting, Finance), LLB (hons), CPA
Experience	- Prior to joining Probiotec, Wesley was employed by KPMG in Taxation and Finance. He has also worked internationally for Deutsche Bank and BNP Paribas Investment Bank in London. From 1 July 2015, Wesley has taken the role of Chief Executive Officer of Probiotec Limited.
Special Responsibilities	- None
Other Directorships	- Nil

Insurance of Officers

During the financial year, the Company paid insurance premiums for a directors' & Officers' liability insurance contract that provides cover for the current and former directors, alternate directors, secretaries, executive officers and officers of the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

REMUNERATION REPORT (AUDITED)

This report is prepared in accordance with section 300A of the Corporations Act 2001 for the Group for the financial year ended 30 June 2015. This report is audited.

1. REMUNERATION

1.1 Remuneration & Nominations Committee

The primary function of the Board Remuneration and Nominations Committee ("Committee") is to assist the Board of Directors ("Board") in fulfilling its oversight responsibility to shareholders by ensuring that:

- the Board comprises individuals best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance; and
- the Group has coherent remuneration policies and practices that fairly and responsibly reward executives having regard to performance, the law and the highest standards of governance.

The Committee's purpose in relation to remuneration is to:

- review and approve executive remuneration policy;
- make recommendations to the Board in relation to the remuneration of the Chief Executive Officer and Non-executive Directors;
- review and make recommendations to the Board on corporate goals and objectives relevant to the remuneration of the Chief Executive Officer, and the performance of the Chief Executive Officer in light of these objectives;
- approve remuneration packages for Probiotec's executives;
- review and approve all equity based plans;
- approve all merit recognition expenditure; and
- oversee general remuneration practices.

The Committee will primarily fulfill these responsibilities by carrying out the activities outlined in its Charter.

The Committee membership and the Chairman of the Committee will be as determined from time to time by the Board. Each of the members will be independent directors and free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of their independent judgement as a member of the Committee. New Committee members will receive induction training from the Chairman of the Committee, the Chief Financial Officer's and GM – Quality's teams and the Company Secretary. Committee members receive continuous training.

Members of Remuneration and Nominations Committee	Position	Appointed
Robert Maxwell Johnston	Chairman	29 July 2010
Graham Buckeridge	Member	28 July 2006
Wesley Stringer	Member	19 August 2015

1.2 Remuneration Policy – Non-Executive Directors

The level of remuneration for the company's non-executive directors is set to reflect the scope of the director's responsibilities, the size of the company's operations and the workload demanded. Probiotec believes that the current remuneration packages for non-executive directors are appropriate having considered the factors above.

The current annualised total remuneration for the company's non-executive directors is $226,000. The Nomination & Remuneration Committee reviews non-executive remuneration annually and makes recommendations to the Board. The Committee considers current market rates of remuneration for similar sized companies and obtains advice from independent professional firms if required. Shareholders will be periodically asked to approve increases in the fee level of non-executive directors if the size, scope, complexity or demands made on the directors increases.

Non-executive directors do not receive any performance related remuneration and are not entitled to receive performance shares, rights or options.

Remuneration levels for non-executive directors for the 2015 financial year are set out on page 18 of this report.

1.3 Remuneration Policy – Executive Directors and Key Management Personnel

The Remuneration and Nominations Committee has structured the Group's executive remuneration policies to ensure:

- the policy motivates executives to pursue the long term growth and success of Probiotec within an appropriate control framework;
- the policy demonstrates a clear relationship between individual performance and remuneration; and
- the policy involves an appropriate balance between fixed and variable remuneration, reflecting the short and long term performance objectives appropriate to Probiotec's circumstances and goals.

The Group's remuneration framework for executive directors and key management personnel comprises fixed annual remuneration, short-term incentives and long-term incentives. The Group structures remuneration packages to balance between base incomes and "at risk" incomes to ensure that key personnel are retained, whilst still providing strong incentives to maximise the potential long-term growth of the Group. The Group has no formal policy in place for limiting the risk to key management personnel in relation to their remuneration.

Short-term Incentives

Executive directors and key management are eligible to receive short-term incentive payments, in the form of cash bonuses, based on the achievement of set Key Performance Indicators (KPIs). KPIs are based on financial measures targeted at maximising Group performance and returns to shareholders. No specific performance conditions were set for the 2015 financial year and no short-term incentives were paid or payable to key management personnel.

Long-term Incentives

The Group provides long-term incentives to key management personnel to reward sustained performance by the organisation as a whole. Long-term incentives are in the form of options over Probiotec Limited shares issued under the company's Executive Option Plan, which was adopted by a resolution of members on 27 November 2014. The issue of shares and/or options is based on a review of the contributions and value of management personnel undertaken by the Nomination and Remuneration Committee.

At the date of this report, Wesley Stringer is the only executive director of Probiotec Limited. Mr. Wesley Stringer is paid a fixed annual remuneration. Along with his fixed annual remuneration, Mr. Wesley Stringer is also eligible to receive equity-based compensation, in the form of share options, based on the achievement of set milestones stipulated in his contract of employment. Mr. Wesley Stringer had previously received shares under the Probiotec Limited Employee Share Plan prior to being appointed as a director of the company and was also granted options during the 2014 financial year (see page 21 for details).

Termination Arrangements

All key management personnel are employed subject to employment contracts with indefinite durations. These employment contracts specify notice period of between one and three months (unless a greater period is required by law). The Group may choose to make a payment in lieu of the notice period.

1.4 Remuneration Policy - Employees

All salaried positions are evaluated based on the size of the role, the level of accountability and experience required, amongst other factors. Economic and market factors are also taken into consideration when evaluating the remuneration level for a specified role.

2. LINKING REMUNERATION TO PROBIOTEC'S PERFORMANCE

Probiotec has structured its remuneration policies to increase goal congruence between shareholders, directors and executives. The company believes that this will have a positive effect on shareholder wealth.

The company is committed to innovation and growth, whilst continuing to focus on maximising profitability and long-term shareholder value.

There is no formal policy linking remuneration policy and company performance.

3. REVIEW OF REMUNERATION

The Remuneration and Nominations Committee meets one to two times per year in conjunction with the release of the financial results or more frequently as circumstances dictate to review the total remuneration paid to the CEO and senior executives of the company. In addition to the members of the Committee, such Executives and/or external parties as the Chairman and members of that Committee think fit may be invited to attend meetings.

All Directors may attend Committee meetings; however, the Chief Executive Officer and Chief Operating Officer will have no voting rights and must not be present during discussions on their own remuneration.

4. REMUNERATION DETAILS OF KEY MANAGEMENT PERSONNEL

For the purposes of this report, "Key Management Personnel" are defined as those persons that have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Directors

The following persons were directors of Probiotec Limited during the financial year:

Maurice Van Ryn	*Non-executive chairman*	*(Resigned 4 August 2014)*
Richard David Kuo	*Non-executive director*	
Graham Harry Buckeridge	*Non-executive director*	
Robert Maxwell Johnston	*Non-executive director*	
Robin Tedder	*Non-executive director*	
Charles Wayne Stringer	*Executive director*	
Wesley Stringer	*Executive director*	

Other key management personnel

The following persons also had responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Jared Stringer	*Chief Financial Officer*	Probiotec Limited
Dustin Stringer	*GM - Marketing*	Probiotec Limited
Alan Hong	*GM - Accounting*	Probiotec Limited
Craig Lymn	*Operations Manager*	Probiotec Limited
Julie McIntosh	*GM – Supply Chain*	Probiotec Limited

The following persons who were considered Key Management Personnel during the financial year ended 30 June 2014 were no longer considered Key Management Personnel during this financial year.

Name	Position	Employer
Mark Chatfield	*GM – New Business*	Probiotec Limited

The Directors and identified Key Management Personnel received the following amount of compensation for their services as Directors and executives of the company and the group during the year:

		Short-Term Benefits				Post Employment Benefits		Equity Based Benefits		
2015	Position	Salary, Fees & Commissions $	Short Term Incentives $	Non-Cash Benefits $	Annual Leave[4] $	Long Service Leave[1] $	Superannuation Contribution $	Options $	Total $	Proportion of Remuneration that is performance based (options) %
Directors & Secretaries										
Maurice Van Ryn[2]	*Chairman*	6,263	-	-	-	-	595	-	**6,858**	-
Charles Wayne Stringer[5]	*CEO / Managing Director*	616,342	-	-	105,379	178,167	61,114	-	**961,002**	-
Wesley Stringer	*COO / Executive Director*	280,772	-	21,436	-	4,831	18,783	-	**325,822**	-
Richard David Kuo	*Non-Executive Director*	55,000	-	-	-	-	-	-	**55,000**	-
Graham Harry Buckeridge	*Non-Executive Director*	24,000	-	-	-	-	24,000	-	**48,000**	-
Robert Maxwell Johnston[3]	*Non-Executive Director*	66,204	-	-	-	-	6,289	-	**72,493**	-
Robin Tedder	*Non-Executive Director*	48,000	-	-	-	-	-	-	**48,000**	-
Jared Stringer	*CFO / Company Secretary*	210,608	-	-	-	3,506	20,008	-	**234,122**	-
		1,307,189	**-**	**21,436**	**105,379**	**186,504**	**130,789**	**-**	**1,751,297**	**-**
Other Key Management Personnel										
Dustin Stringer	*GM - Marketing*	177,777	-	14,526	-	3,175	16,889	-	**212,367**	-
Craig Lymn	*Operations Manager*	155,651	-	-	-	4,228	14,787	-	**174,666**	-
Julie McIntosh	*GM - Supply Chain*	136,488	-	-	-	353	20,943	-	**157,784**	-
Alan Hong	*GM - Accounting*	145,887	-	4,064	-	875	23,791	-	**174,617**	-
		615,803	**-**	**18,590**	**-**	**8,631**	**76,410**	**-**	**719,434**	**-**

[1] All Long Service Leave amounts relate to accrued balances. No Long Service Leave was taken or paid out during the year other than to Charles Wayne Stringer as part of his termination payment on 30 June 2015

[4] Annual leave amounts relate to the pay out of accrued balances

[2] Resigned as Chairman and director on 4 August 2014

[3] Appointed Chairman on 4 August 2014

[5] Resigned 30 June 2015

2014	Position	Short-Term Benefits Salary, Fees & Commissions $	Short Term Incentives $	Non-Cash Benefits $	Post Employment Benefits Long Service Leave[1] $	Superannuation Contribution $	Equity Based Benefits Options $	Total $	Proportion of Remuneration that is performance based (options) %
Directors & Secretaries									
Maurice Van Ryn[2]	*Chairman*	68,807	-	-	-	6,365	-	**75,172**	-
Charles Wayne Stringer	*CEO / Managing Director*	618,537	-	-	12,681	59,642	29,006	**719,866**	4.0
Wesley Stringer	*COO / Executive Director*	302,238	-	17,772	11,072	17,775	8,050	**356,907**	2.3
Richard David Kuo	*Non-Executive Director*	55,000	-	-	-	-	-	**55,000**	-
Graham Harry Buckeridge	*Non-Executive Director*	-	-	-	-	48,000	-	**48,000**	-
Robert Maxwell Johnston[3]	*Non-Executive Director*	44,036	-	-	-	4,074	-	**48,110**	-
Robin Tedder	*Non-Executive Director*	48,000	-	-	-	-	-	**48,000**	-
Jared Stringer	*CFO / Company Secretary*	217,009	-	-	8,149	19,518	-	**244,676**	-
		1,353,627	**-**	**17,772**	**31,902**	**155,374**	**37,056**	**1,595,731**	**2.3**
Other Key Management Personnel									
Dustin Stringer	*GM - Marketing*	182,068	-	20,677	6,800	16,286	-	**225,831**	-
Craig Lymn	*Operations Manager*	153,214	-	-	2,399	13,811	-	**169,424**	-
Mark Chatfield	*GM – New Business*	175,194	-	-	1,984	25,253	-	**202,431**	-
Alan Hong	*GM - Accounting*	151,476	-	-	6,815	24,909	-	**183,200**	-
		661,952	**-**	**20,677**	**17,998**	**80,259**	**-**	**780,886**	**-**

[1] *All Long Service Leave amounts relate to accrued balances. No Long Service Leave was taken or paid out during the year.*

[2] *Resigned as Chairman and director on 4 August 2014*

[3] *Appointed Chairman on 4 August 2014*

No long-term employee benefits, other than equity-based benefits and accrued long service leave have been provided to Directors, Secretaries or Key Management personnel during the year.

Options issued to Chief Executive Officer (CEO)

On 23 November 2012, the issue of 600,000 options to the CEO was approved at a general meeting on the terms set forth below -

(a) Each option has an exercise price of $0.70 per fully paid ordinary share

(b) The options will lapse 36 months after their date of grant

(c) The options do not vest until 24 months after their date of grant

(d) Each option entitles the holder to 1 fully paid ordinary share

(e) Shares issued upon exercise of option will rank equally with all existing ordinary shares of the company

Full Details of these options can be found on page 21.

No options were exercised during the year ended 30 June 2015.

5. INTEREST IN SHARES & OPTIONS

The number of options held by key management personnel is as follows:

Name	Grant Date	Vesting Date	Expiry Date	Exercise Price	Balance at start of the year number	Option Granted during the year number	Option lapsed/ forfeited during the year number	Option Vested during the year number	Balance vested at end of the year number	Balance unvested at end of the year number	Fair Value per options at grated date
Charles Wayne Stringer	23.11.2012	23.11.2014	23.11.2016	$0.70	1,500,000	-	-	1,500,000	1,500,000	-	$0.04
Wesley Stringer	24.11.2012	23.11.2014	23.11.2015	$0.70	600,000	-	-	600,000	600,000	-	$0.02
Dustin Stringer	01.07.2012	30.06.2014	30.06.2015	$0.70	400,000	-	(400,000)	-	-	-	$0.02
Alan Hong	01.07.2012	30.06.2014	30.06.2015	$0.70	150,000	-	(150,000)	-	-	-	$0.02
Craig Lymn	01.07.2012	30.06.2014	30.06.2015	$0.70	175,000	-	(175,000)	-	-	-	$0.02
Jared Stringer	01.07.2012	30.06.2014	30.06.2015	$0.70	400,000	-	(400,000)	-	-	-	$0.02
					3,225,000	-	(1,125,000)	2,100,000	2,100,000	-	

**The executives have no access to the shares until expiry of 36 months of their employment with the company or an Associated Body Corporate from the date of grant of the shares. All shares are forfeited if the grantee resigns from the company prior to the expiry of 36 months from the date of grant of the shares.*
***All options[1] have been valued using the Black-Scholes option model. The values of the options[1] calculated under this method are allocated evenly over the vesting period.*

The number of shares held by key management personnel is as follow:

Name	No. of fully paid ordinary shares
Richard David Kuo	74,726
Graham Henry Buckeridge	1,448,684
Robin Tedder	5,373,292
Robert Maxwell Johnston	506,198
Charles Wayne Stringer	9,811,325
Wesley Stringer	396,860
Dustin Stringer	70,000
Julie McIntosh	-
Alan Hong	-
Craig Lymn	-
Jared Stringer	191,646
	17,872,731

6. SHARE OPTIONS EXERCISED OR LAPSED DURING THE YEAR

No share options issued to directors or Key Management Personnel were exercised, lapsed or forfeited during the year ended 30 June 2015, other than:

Name	Grant date	Vesting date	Exercise Price ($)	Forfeited during the year Number	Lapsed during the year Number
Dustin Stringer	01.07.2010	30.06.2013	0.70	-	400,000
Alan Hong	01.07.2010	30.06.2013	0.70	-	150,000
Craig Lymn	01.07.2010	30.06.2013	0.70	-	175,000
Jared Stringer	01.07.2010	30.06.2013	0.70	-	400,000

The fair value of the options at the date they lapsed or forfeited was $0.01 per option.

The board has no formal policy in place for limiting the risk to the directors or other key management personnel in relation to the options issued.

7. CONTRACTS OF EMPLOYMENT

All executive staff employed by the Group are subject to employment contracts, which set out the terms and conditions of their employment. These contracts define their level of remuneration, length of contract (if for fixed period) and termination events amongst other areas. The standard notice period for employees of the Group is one month; however, this may be varied to be up to one year in limited instances.

End of remuneration report.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audited services are reviewed and approved by the board prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditors independence as set out in Code of Conduct APES 110 Code of Ethics for professional accountants issued by the Accounting professional & ethical standards board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2015.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23 of this report.

Signed in accordance with a resolution of Board of Directors.

Director
Wesley Stringer

Signed at Laverton this 19th day of August 2015

AUDITOR'S INDEPENDENCE DECLARATION

ShineWing
AUSTRALIA

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Probiotec Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Nick Michael
Partner
19th August 2015

ShineWing Australia ABN 39 533 589 331. Liability limited by a scheme approved under Professional Standards Legislation. ShineWing Australia is an independent member of ShineWing International Limited – members in principal cities throughout the world.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated Group 2015 $	2014 $
Sales revenue from continuing operations	2	65,679,685	68,214,622
Cost of goods sold		(42,342,802)	(43,412,096)
Gross profit		23,336,883	24,802,526
Other income	2	159,136	4,596,330
Warehousing & distribution expenses		(5,100,993)	(5,827,306)
Sales and marketing expenses		(7,050,228)	(7,428,328)
Impairment expenses	8	(4,796,711)	(2,647,549)
Finance costs		(1,211,463)	(1,373,209)
Legal costs		(322,205)	(220,978)
Administration and other expenses	4	(10,392,225)	(11,152,210)
Profit / (loss) from continuing activities before income tax expense		**(5,377,806)**	**749,276**
Income tax expense relating to continuing activities	5	607,814	198,392
Profit / (loss) from continuing activities for the period attributable to owners of the parent entity		**(4,769,992)**	**947,668**
Loss from discontinued operations	6	(19,972,310)	(44,000)
Profit for the period attributable to owners of the parent entity	3	**(24,742,302)**	**903,668**
Other comprehensive income			
Other Comprehensive income / (loss) to be classified to profit and loss when specific conditions are met			
Exchange differences on translating foreign operations		(50,396)	(102,350)
Other comprehensive income that will not be reclassified to profit and loss			
Revaluation gains on land and buildings		103,446	-
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		53,050	(102,350)
Total comprehensive income for the year		**(24,689,252)**	**801,318**
Total comprehensive income for the year attributable to owners of the parent entity		**(24,689,252)**	**801,318**
Earnings per share for profit attributable to owners of the parent entity			
Basic earnings per share (cents)	29	(46.7)	1.7
Diluted earnings per share (cents)	29	(46.7)	1.7
Earnings per share from discontinued operations			
Basic earnings per share (cents)	29	(37.7)	(0.1)
Diluted earnings per share (cents)	29	(37.7)	(0.1)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the attached notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Consolidated Group 2015 $	2014 $
Current Assets			
Cash and cash equivalents	12	120,296	1,116,587
Trade and other receivables	13	8,339,440	9,648,442
Inventories	14	9,881,550	11,684,528
Assets held for sale	16	3,074,173	-
Other current assets	15	246,570	117,538
Total Current Assets		**21,662,029**	**22,567,095**
Non-Current Assets			
Property, plant and equipment	16	27,220,861	51,827,906
Intangible assets	17	18,436,431	24,822,299
Deferred tax assets	18	5,688,083	5,273,377
Total Non-Current Assets		**51,345,375**	**81,923,582**
Total Assets		**73,007,404**	**104,490,677**
Current Liabilities			
Trade & other payables	19	10,672,682	14,077,406
Short-term interest bearing liabilities	20	12,788,766	15,038,972
Short-term provisions	21	797,519	1,034,210
Total Current Liabilities		**24,258,967**	**30,150,588**
Non-Current Liabilities			
Long-term interest bearing liabilities	20	2,274,746	2,535,888
Deferred tax liabilities	22	6,390,007	6,933,512
Long-term provisions	21	452,529	550,282
Total Non-Current Liabilities		**9,117,282**	**10,019,682**
Total Liabilities		**33,376,249**	**40,170,270**
Net Assets		**39,631,155**	**64,320,407**
Equity			
Contributed equity	23	33,686,519	33,686,519
Equity Translation Reserve	24	(363,101)	(312,705)
Asset Revaluation Reserve	24	4,320,595	4,217,149
Retained earnings		1,987,142	26,729,444
Total Equity		**39,631,155**	**64,320,407**

The Consolidated Statement of Financial Position is to be read in conjunction with the attached notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Ordinary Share Capital $	Equity Translation Reserve $	Asset Revaluation Reserve $	Retained Earnings $	Total $
Balance as at 1 July 2013	33,686,519	(210,355)	4,217,149	25,825,776	63,519,089
Total comprehensive income for the year					
Profit for the year	-	-	-	903,668	903,668
Other comprehensive income	-	(102,350)	-	-	(102,350)
Total comprehensive income for the year	**-**	**(102,350)**	**-**	**903,668**	**801,318**
Transactions with owners in their capacity as owners					
Shares (cancelled) / issued during the year	-	-	-	-	-
Dividends paid or provided for	-	-	-	-	-
Balance as at 30 June 2014	**33,686,519**	**(312,705)**	**4,217,149**	**26,729,444**	**64,320,407**
Total comprehensive income for the year					
Profit for the year	-	-	-	(24,742,302)	(24,742,302)
Asset revaluations	-	-	103,446	-	103,446
Other comprehensive income	-	(50,396)	-	-	(50,396)
Total comprehensive income for the year	**-**	**(50,396)**	**103,446**	**(24,742,302)**	**(24,689,252)**
Transactions with owners in their capacity as owners					
Shares (cancelled) issued during the year	-	-	-	-	-
Dividends paid or provided for	-	-	-	-	-
Balance as at 30 June 2015	**33,686,519**	**(363,101)**	**4,320,595**	**1,987,142**	**39,631,155**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the attached notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated Group 2015 $	2014 $
Cash Flows From Operating Activities			
Receipts from customers		66,980,714	69,795,101
Payments to suppliers and employees		(63,445,009)	(63,115,945)
Interest and other costs of finance paid		(1,211,463)	(1,373,209)
Income tax paid		-	-
Net cash provided by operating activities	28 (b)	2,324,242	5,305,947
Cash Flows From Investing Activities			
Payment for property, plant and equipment		(1,803,419)	(2,604,467)
Proceeds from sale of property, plant and equipment		1,923,294	45,364
Proceeds from sale of intangible assets		-	10,000,000
Purchase of intangible assets		(929,059)	(1,682,928)
Net cash used in investing activities		(809,184)	5,757,969
Cash Flows From Financing Activities			
Proceeds from borrowings		2,129,093	4,866,009
Repayment of borrowings		(4,640,442)	(13,431,870)
Net cash provided by / (used in) financing activities		(2,511,349)	(8,565,861)
Net Increase in cash held		(996,291)	2,498,055
Cash at beginning of financial year		**1,116,587**	**(1,381,468)**
Cash at end of financial year	12	**120,296**	**1,116,587**

RECONCILIATION OF CASH AND CASH EQUIVALENT

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	120,296	1,116,587
	120,296	**1,116,587**

The Consolidated Statement of Cash Flows is to be read in conjunction with the attached notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Probiotec Limited ("company") and controlled entities ("group"). Probiotec Limited is a for-profit listed public company, incorporated and domiciled in Australia. The financial report is for the financial year ended 30 June 2015 and is presented in Australian dollars.

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Convention

The financial report has been prepared on an accrual basis and is applied on historical costs modified by the revaluation of selected non-current assets, financial liabilities and derivative financial instruments for which the fair value basis of accounting has been applied.

Compliance with IFRS

Australian Accounting Standards include International Financial Reporting Standards as adopted in Australia. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Probiotec Limited comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of these financial statements have been consistently applied unless stated otherwise.

Authorisation for issue

This financial report was authorized for issue by the board of directors of Probiotec Limited on 19 August 2015.

Working Capital Deficiency

As presented in the statement of financial position, the group has a net working capital deficiency of $2,596,938 (30 June 2014: $7,583,490). This is caused by $11,736,077 worth of liabilities which exist under a facility due to expire on dates subsequent to 30 June 2016 being classified as current due to an annual review clause included in the finance facility which would require the group to repay the debt if the bank was not satisfied with the financial condition of the group. The group has complied with all financial covenants within the finance facility and there have been no indications given by the financier that they intend to recall any portion of the debt prior to the expiry date of the finance facility. Excluding these loans, the group has a net working capital balance of $9,139,139 and believes that it will continue as a going concern for a period of 12 months from the date of the director's declaration.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Probiotec Limited (Listed Public Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

All inter-company balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation.

(b) Income Tax

(i) General

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be recovered from or paid to the taxation authorities. The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate of each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax balances are determined using the balance sheet liability method which calculates temporary differences based on the carrying amounts of an entity's asset and liabilities carried in the financial statements and their associated tax bases. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted on reporting date. Deferred tax is credited in profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets will be recognised only to the extent that it is probable that future income tax profits will be available against which the assets can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and to comply with the conditions of the deductibility imposed by law.

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 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.

(ii) Goods and Services Tax

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

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.

(c) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Foreign Currency Transactions

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

(iii) Translation of group companies functional currency to presentation currency

The results of the New Zealand, British, Chinese, German and Irish subsidiaries are translated into Australian dollars as at the date of the transactions. Assets and liabilities are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in other comprehensive income.

(d) Impairment of assets

The recoverable amount of the Group assets excluding deferred tax assets and goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset is tested for impairment by comparing the recoverable amount (being the higher of the asset's fair value less cost to sell and value in use) to its carrying amount. Goodwill and intangible assets that have an indefinite useful life and assets not ready for use are tested for impairment at least annually. The recoverable amount is estimated for the individual asset or, if it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs is determined. CGUs have been determined as the smallest identifiable group of assets that generate cash inflows largely independent of the cash flow of other assets.

An impairment loss is recognised as an expense when the carrying amount of an asset or the CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss recognised in prior periods for an asset (other than goodwill) is reversed if, and only where there is an indicator that the impairment loss may no longer exist, and there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of an asset due to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised for the asset in prior years.

In calculating the value in use, the cash flow includes projections of cash inflows and outflows from continuing use of the asset and cash flows associated with disposal of the asset. The cash flows are estimated for the assets in their current condition and do not include cash flows and out flows expected to arise from future restructuring which are not yet committed, or from improving or enhancing the asset's performance. In assessing value in use, the estimated cash flows are discounted to their present value effectively using a pre-tax discount rate that reflects the current market assessments of the risk specific to the asset or CGU.

(e) Inventories

Inventories, which include raw materials, work in progress and finished goods, are valued at the lower of cost and net realisable value. Costs comprise all cost of purchase and conversion, including material, labour and appropriate portion of fixed and variable overhead expenses. Costs have been assigned to inventory on hand at reporting date using either the first-in-first-out (F.I.F.O.) basis or the weighted average cost basis, depending on the nature of product being manufactured. Fixed overheads are allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at historical cost or fair value less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

(i) Property

Freehold land and buildings are stated at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, valuations by external valuers, less subsequent depreciation for the building. Any accumulated depreciation at the date of valuation is eliminated against the gross carrying amount of the asset and the net amount is reinstated to the revalued amount of the asset. Independent valuations are carried out every three to five years, with internal reviews performed regularly to ensure that the carrying amounts of land and buildings do not differ materially from the fair value at the reporting date.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. When revalued assets are sold, amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

(ii) Plant and Equipment

Plant and equipment are stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed as the higher of fair value less costs to sell or value in use. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognized either in profit and loss or as a revaluation decrease if the impairment loss relates to a revalued asset.

The cost of fixed assets constructed within the group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial year in which they were incurred.

Depreciation

The depreciable amount of property, plant and equipment, including capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Buildings	4%
Leased Plant, Equipment and Other	5% to 12.5%
Plant, Equipment and Other	5% to 50%

The assets' residual value and useful life are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(g) Leases

Leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the group are classified as finance leases. Finance lease are capitalised at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the current and non-current interest bearing liabilities. Each lease payment is allocated between the liability and the finance charges. The interest element of the lease payment is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life or the lease term, unless it is reasonably certain that ownership will be obtained by the end of the lease term where it is depreciated over the period of the expected use which is the useful life of the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the period of the lease.

(h) Investments in Associates

Associates comprise entities over which the parent entity or the Group have significant influence and hold an ownership interest. Investments in associated companies are recognised in the financial statements by applying the equity method of accounting.

Under the equity method of accounting the carrying amounts of investments in associates are increased or decreased to recognise the Group's share of the post-acquisition profits or losses and other changes in net assets of the associates. The Group's share of the post-acquisition profits or losses of associates is included in the consolidated profit and loss.

The financial statements of the associate are used to apply the equity method. The reporting dates of the associate and the parent are identical and both use consistent accounting policies.

Associates are accounted for in the parent entity financial statements at cost.

(i) Interests in Joint Venture Entities

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to Note 1(n) for a description of the equity method of accounting.

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

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

(j) Intangibles

i) Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity plus the amount of any non-controlling interests in the acquire exceeds the fair value attributed to the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is 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 these units or groups of units. Impairment is determined by assessing the recoverable amount of the cash-generating unit, or group of cash-generating units, to which the goodwill relates. Impairment losses recognised for goodwill are not subsequently reversed. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii) Trademarks, Licenses, product development costs and Product Dossiers

Trademarks, licenses, product development costs and product dossiers ("Developed Products") are initially recognised at cost. Developed Products have an indefinite life and are tested at each reporting date for impairment and carried at cost less accumulated impairment losses. Those with a finite life are carried at cost less any accumulated amortisation and accumulated impairment losses. Those developed products with finite lives are amortised on a straight line basis over a useful life of between 10 and 40 years. Amortisation is included within administration and other expenses in the statement of comprehensive income.

iii) Research and Development – Internally generated

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and directly attributable overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

(k) Employee Benefits

i) Wages, Salaries & Annual Leave

Liabilities for employee benefits such as wages, salaries, annual leave, sick leave and other current employee entitlements represent present obligations resulting from employees' services provided to reporting date, and are measured at the amount expected to be paid when the liabilities are settled.

ii) Long Service Leave

Liabilities relating to Long Service Leave are measured as the present value of the estimated future cash outflows to be made in respect to services provided by employees, up to the reporting date. Consideration is given to expected future wage levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

iii) Superannuation

Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred. The consolidated entity does not maintain any retirement benefit funds.

iv) Employee share based payments

Shares issued pursuant to an employee share plan, which are facilitated by means of a loan with recourse only to the shares, are treated as an option grant. The loan is shown as a reduction in equity until the shares are either cancelled or settled in accordance with the terms of the plan. The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in the share-based payments reserve in equity. The fair value is measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options. The fair value of options granted is measured using the Black Scholes model. The amount recognised as an expense is adjusted to reflect the actual number of options that vest, except where forfeiture is due to market related conditions.

At each subsequent reporting date until vesting, the cumulative change to profit or loss is the product of:

- The grant date fair value.
- The current best estimate of the number of securities that will vest, taking into account factors such as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions not being met.
- The expired portion of the vesting period.

(l) Financial Instruments

Recognition

Financial instruments are initially measured at fair value plus directly attributable transaction costs except for financial instruments that are measured at fair value through profit and loss, which are initially measured at fair value and any directly attributable transaction costs are recognized in profit or loss immediately. Subsequent to initial recognition these instruments are measured as set out below.

Loans and Receivables

Loan and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest method. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost less any allowance for impairment. Trading terms are between 7 days to 60 days. An allowance for impairment is recognised when it becomes probable that the all or part of the loan or receivable will not be recoverable. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the year end and which are unpaid. These amounts are unsecured and have 30 – 90 day payment terms. Trade and other payables are carried at amortised cost, yet due to their short term nature, they are not discounted. Gains or losses are recognized in profit or loss through the amortization process when the financial liability is derecognized.

Interest bearing liabilities

Borrowings are subsequently measured at amortised cost using the effective interest method.

Fair Value

Fair value is determined based on current bid prices of all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired (see note 1(d) for further details).

Derivative financial instruments

The group uses derivative financial instruments such as forward foreign currency contracts and interest rate swaps to hedge its risk associated with interest rate and foreign currency fluctuations. Such derivatives are stated at fair value on the date which the derivative contract is entered into and is subsequently remeasured at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year where they are material.

Non-financial assets

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

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

(m) Government Grants

Grants from government are recognised at the fair value when there is a reasonable assurance that the grant will be received and the consolidated entity has complied with the required conditions. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income and are amortised on a straight line basis over the expected lives of the assets.

(n) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the group and the revenue can be measured reliably. Amounts disclosed as revenue are net of returns, allowances and discounts. Sales revenue comprises revenue earned from the provision of products and services to entities outside the consolidated entity. Sales revenue is recognised when the risks and rewards of ownership have transferred to the customer and can be measured reliably. Risks and rewards are considered passed to the buyer when goods have been delivered to the customer.

Interest income is recognised as it accrues using the effective interest method. This method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included as financial income in profit or loss. Dividends are recognised when the group's right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Financing costs

Financing costs include interest income and expense, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred except when directly attributable to the acquisition, construction or production of a qualifying asset, in which case they form part of the cost of the asset.

(p) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology.

(q) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(r) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current year.

(s) Earnings per share

Basic earnings per share is determined by dividing the net profit attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted earnings per share is determined by dividing the net profit attributable to members of the Company, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus elements

(t) Contributed equity

Issued and paid up capital is recognised based on the consideration received by the Company.

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.

(u) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(v) Fair Value Measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- cash and receivables;
- freehold land and building;
- ADP plant and equipment held for sale trade payables, borrowings and provisions.

The Group subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis. The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

i. Fair Value Hierarchy

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

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

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

Valuation techniques

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

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

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

Further details on fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy can be found in note 33.

(w) New Accounting Standards

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

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

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

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

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).

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

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

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

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

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

	2015 $	2014 $
2. REVENUE AND OTHER INCOME		
(a) Revenue from:		
Sale of goods	65,679,685	68,214,622
Total Revenue	**65,679,685**	**68,214,622**
Government subsidies received / (refunded)	(11,840)	4,032
Profit on disposal of intangible assets	-	4,489,793
Sundry income	170,976	102,505
Total other income	159,136	4,596,330
Total revenue and other income from continuing operations	**65,838,821**	**72,810,952**

3. PROFIT FOR THE YEAR

	2015 $	2014 $
Net profit has been arrived at after including:		
Finance cost - non related parties	1,211,463	1,373,209
Foreign currency translation losses / (gains)	(50,396)	(50,785)
Bad and doubtful debts expense - trade receivables	6,171	76,250
Rental on operating lease expenses - minimum lease payments	518,024	637,222
Inventory write-offs	402,588	30,434
Professional and consulting expenses	567,826	416,128
Employee benefits expenses	18,665,909	20,499,953
Repairs and maintenance expenses	1,146,274	1,179,521
Research and development cost	1,593,331	3,186,661
Depreciation of property, plant and equipment	3,570,774	3,791,388
Amortisation of intangibles	780,000	682,250
Impairment costs - intangibles	6,534,926	-
Impairment costs - current assets	1,114,966	2,567,549
Impairment - investments	-	-
Impairment costs - property, plant and equipment	16,504,839	80,000
Defined contribution superannuation expense	1,222,317	1,361,573

4. ADMINISTRATION & OTHER EXPENSES

	2015 $	2014 $
Administration & other expenses comprises:		
Insurance	565,075	613,359
Office expenses	446,603	486,280
Compliance costs	167,708	212,889
Other expenses	9,212,839	9,839,682
	10,392,225	**11,152,210**

	2015 $	2014 $
5. INCOME TAX EXPENSE		
(a) Components of Tax Expense:		
Current income tax	-	-
Deferred income tax	(920,096)	(198,392)
Over provision for income tax in prior years	-	-
	(920,096)	**(198,392)**
Income tax is attributable to:		
(Loss) / profit from continuing operations	(607,814)	(198,392)
(Loss) / profit from discontinued operations	(312,282)	-
	(920,096)	**(198,392)**
(b) Reconciliation of income tax expense to prima facie tax payable on profit / (loss)		
Profit from continuing operations	(5,377,806)	749,276
Profit / (loss) from discontinued operations	(19,972,310)	(44,000)
	(25,350,116)	**705,276**
Prima facie tax expense on profit/(loss) before income tax at 30% (2014: 30%)	(7,605,035)	211,583
Add Tax effect of:		
Impairment of assets	5,445,417	-
Recoupment of prior losses not yet booked	-	(115,898)
Tax losses not recognised	471,902	-
Research and development tax concession	(30,000)	(390,731)
Other non allowable or assessable items	797,620	96,654
Income tax expense / (benefit)	**(920,096)**	**(198,392)**
Current tax payable	**-**	**-**

6: DISCONTINUED OPERATIONS

As set out in Note 6 of the financial report of Probiotec Limited for the years ended 30 June 2011, 30 June 2012, 30 June 2013 and 30 June 2014, Probiotec Limited undertook a comprehensive strategic and operational review of its business operations, assets and financial position. Full details of each of the operations classifed as discontinued can be found in Note 6 of the 2011, 2012,2013 and 2014 Financial Reports.

The Comprehensive income of the discontinued operations was:	2015 $	2014 $
Revenue	425,784	-
Impairment costs	(19,358,020)	-
Expenses	(1,352,356)	(44,000)
Loss from discontinued operations before income tax	(20,284,592)	(44,000)
Income tax benefit / (expense)	312,282	-
Loss from discontinued operations after income tax	(19,972,310)	(44,000)
The cash flow of the discontinued operations was:		
Net cash flow used in operating actvities	462,608	(44,000)
Net cash flow used in investing actvities	(522,697)	-
Net cash flow used in financing activities	392,317	-
Net increase / (decrease) in cash held	332,228	(44,000)

7: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Value in use calculation assumptions

The recoverable amount of each cash-generating unit used for impairment testing is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period (including a terminal value at the end of the 5 year period) except in cases where the useful life is less than 5 years, in which case this period is used. The discounted cash flows for each cash-generating unit is calculated based on management forecasts for sales, gross profit and resultant earnings. The assumed growth rate beyond the forecast cash flow period and discount rate used in the determination of value in use were 0% and 7.6% respectively. The discount rate used is the Weighted Average Cost of Capital (WACC) of the Group at the reporting date. The assumptions used for the 2015 financial year were the same as those used from the prior year, other than the discount rate, which was re-calculated as at balance date. These value-in-use calculations are sensitive to changes in the key assumptions used. Changes in the nature or quantum of key assumptions would alter the value-in-use calculations and could potentially result in certain cash-generating units being subject to impairment. The value in use calculations are most sensitive to changes in the discount rate and/or changes to the forecast gross profits. See an anlysis of the sensitivity of these value-in-use calculations (based on all other assumptions remaining constant):

	Change in WACC			Change in Gross Profit forecasts		
	+2%	+4%	+6%	(5%)	(10%)	(12.5%)
Impairment expense that would be recognised	-	3,262	58,580	261,318	2,108,800	4,156,184

(ii) Amortisation of intangibles

As detailed in Note 1 (j), the group has a policy of amortising intangible assets with a finite useful life over a period of 10 to 40 years (other than those which are subject to a fixed term license) and the remainder have been determined to have an indefinite useful life. The carrying value of those assets with a finite useful life and those with an indefinite useful life is set out in Note 17. The determination of the useful life of each intangible asset, which comprises capitalised product development costs, is based on the group's knowledge of each major category of intangible assets and the future economic benefits expected to be received from each. The group reassesses the useful life of intangible assets at each reporting date and at any future period may change the useful life of an intangible asset based on information available at that date. The group recognised amortisation of $780,000 relating to assets with a finite useful life during the current year.

(ii) Capitalised Development Costs

As detailed in Note 1 (j), the Group has a policy of capitalising development costs under certain conditions. A degree of judgement is used in assessing the suitability of these costs for capitalisation in regards to technically feasibility, adequate resources being available to complete the project, the probability that future economic benefits will be generated and that the expenditure attributable to the project can be measured reliably.

8: IMPAIRMENT

(i) ADP Plant

As outlined in the financial report for the half year ended 31 December 2014, The Group's ADP Protein Plant ("ADP") operated under a long term agreement in place with United Dairy Power ("UDP"), whereby UDP supplied whey (the primary input for the production of Lactoferrin) in exchange for a supply fee. During the half year, the holding company of UDP was placed in receivership with the receivers subsequently completing a sale process with the Beston Global Food Company ("BGFC") in July 2015. As announcement via the Australian Stock Exchange ("ASX") on 24 June 2015, the Group has entered into a conditional binding agreement with BGFC for the proposed sale of ADP. This agreement is subject to a number of conditions including the completion of due diligence by BGFC and the successful listing of BCFC on the ASX, which at the date of this report are still incomplete. If successful, this transaction would yield gross consideration of $7 million in cash, with the majority being received on completion. This agreement also contains provisions regarding the ongoing supply of Immunoglobulins, which are being utilised as part of the Group ongoing research and development program.

In the half year financial report, the Group took the prudent decision to significantly impair the ADP assets with a reduction in carrying value from $21.7 million to $3.0 million, being an estimate of the recoverable value of the assets if not in use for their prescribed purpose. This resulted in the recognition of an impairment expense in the amount of $18,767,793.

In making an assessment on the carrying value of the ADP assets, a significant level of judgement has been used given the ongoing level of uncertainty and the lack of verifiable information available to the Group. At the time of this report, ADP is not operating as BGFC has not yet begun to operate the former UDP sites. Whilst the Group believes there is a reasonable possibility that the proposed sale transaction for the ADP assets to BGFC will proceed, given the fact that several conditions remain unsatisfied at the date of this report, no adjustment to the carrying value has been made since the half year report.

(ii) Discontinued brands

As part of the Group's ongoing review of its operations and market conditions, it has been decided that several brands will be rationalised, most notably the Group's sports nutrition brands, together with several minor weight loss brands. This decision has resulted in non-cash impairment costs in the amount of $4,285,911 million, primarily related to intangible assets associated with these brands.

(iii) European manufacturing assets

Despite efforts to restructure and refocus our European manufacturing operations to more close mirror our successful Australian contract manufacturing operations, this division has performed below expectations and produced an operating loss for the year. As a result of this, the carrying value of the manufacturing assets in this division has been assessed and reduced by an amount of $930,055, which has been recognised as an impairment loss. The carrying value was assessed on the basis of the recoverable value of the assets based on a review of their saleability or redeployment to other Probiotec business segments. Subsequent to this decision, these assets have been divested, with further details available in Note 16.

(iv) During the year, the following impairment expenses have been incurred:

Impairment Costs - Inventory	685,389
Impairment Costs - Intangibles	6,534,926
Impairment Costs - Other current assets	212,385
Impairment Costs - Trade & other receivables	217,192
Impairment Costs - Plant & Equipment	16,504,839
	24,154,731

9: KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES DISCLOSURES

Full details of Key Management Personnel and their related party disclosures are set out in the Remuneration Report section of the Directors Report.

(a) Key management personnel compensation:

	2015 $	2014 $
Short-term employee benefits	2,068,397	2,054,028
Post-employment benefits	207,199	235,633
Other long term benefits	195,135	49,900
Termination benefits	-	-
Share-based payments	-	37,056
Total compensation	2,470,731	2,376,617

(b) The number of options[1] held by directors and key management personnel for the year ended 30 June 2015 is as follows:

	Balance at start of the year number	Granted as compensation during the year number	Exercised during the year number	Forfeited / Lapsed during the year number	Balance at end of the year number	Balance vested and exercisable at end of the year number	Balance vested and unexercisable at end of the year number	Balance unvested and exercisable at end of the year number	Balance unvested and unexercisable at end of the year number
Maurice Van Ryn	-	-	-	-	-	-	-	-	-
Richard David Kuo	-	-	-	-	-	-	-	-	-
Graham Henry Buckeridge	-	-	-	-	-	-	-	-	-
Robert Maxwell Johnston	-	-	-	-	-	-	-	-	-
Charles Wayne Stringer	1,500,000	-	-	-	1,500,000	-	1,500,000	-	-
Wesley Stringer	600,000	-	-	-	600,000	-	600,000	-	-
Dustin Stringer	400,000	-	-	(400,000)	-	-	-	-	-
Alan Hong	150,000	-	-	(150,000)	-	-	-	-	-
Craig Lymn	175,000	-	-	(175,000)	-	-	-	-	-
Jared Stringer	400,000	-	-	(400,000)	-	-	-	-	-
	3,225,000	**-**	**-**	**(1,125,000)**	**2,100,000**	**-**	**2,100,000**	**-**	**-**

**The executives have no access to the shares until expiry of 36 months of their employment with the company or an Associated Body Corporate from the date of grant of the shares. All shares are forfeited if the grantee resigns from the company prior to the expiry of 36 months from the date of grant of the shares.*

Option[1] Holdings of Key Management Personnel for the year ended 30 June 2014:

	Balance at start of the year number	Granted as compensation during the year number	Exercised during the year number	Forfeited / Lapsed during the year number	Balance at end of the year number	Balance vested and exercisable at end of the year number	Balance vested and unexercisable at end of the year number	Balance unvested and exercisable at end of the year number	Balance unvested and unexerciseable at end of the year number
Maurice Van Ryn	-	-	-	-	-	-	-	-	-
Richard David Kuo	-	-	-	-	-	-	-	-	-
Graham Henry Buckeridge	-	-	-	-	-	-	-	-	-
Robert Maxwell Johnston	-	-	-	-	-	-	-	-	-
Charles Wayne Stringer	1,500,000	-	-	-	1,500,000	-	-	-	1,500,000
Wesley Stringer	660,000	-	-	(60,000)	600,000	-	-	-	600,000
Dustin Stringer	460,000	-	-	(60,000)	400,000	-	400,000	-	-
Mark Chatfield	275,000	-	-	(25,000)	250,000	-	250,000	-	-
Alan Hong	165,000	-	-	(15,000)	150,000	-	150,000	-	-
Craig Lymn	225,000	-	-	(50,000)	175,000	-	175,000	-	-
Jared Stringer	445,000	-	-	(45,000)	400,000	-	400,000	-	-
	3,730,000	**-**	**-**	**(255,000)**	**3,475,000**	**-**	**1,375,000**	**-**	**2,100,000**

[1] The term Option includes unvested fully paid ordinary shares issues and the associated loans with recourse to the shares which are issued under the Probiotec Limited Employee Share Plan (ESP). These shares and loans together have substantially similar financial and economic dynamics to options. Other than the options issued to Wayne Stringer, all other "options" referred to in this table are shares and associated loans issued under the ESP.

Ordinary share holdings of Key Management Personnel

	Balance at 1/07/2013	Share acquisitions through exercise of share options	CEO Options Exercised	Other purchases during the year*	Sold during the year	Balance at 30/06/14	Share acquisitions through exercise of share options	CEO Options Exercised	Other purchases during the year*	Sold during the year	Balance at 30/06/15
Directors											
Maurice Van Ryn[2]	991,122	-	-	50,000	-	1,041,122	-	-	-	-	1,041,122
Charles Wayne Stringer	8,675,786	-	-	275,000	-	8,950,786	-	-	860,539	-	9,811,325
Wes Stringer	337,689	-	-	1,117	(64,878)	273,928	-	-	122,932	-	396,860
Graham Harry Buckeridge	1,448,684	-	-	-	-	1,448,684	-	-	-	-	1,448,684
Robert Maxwell Johnston	307,215	-	-	-	-	307,215	-	-	198,983	-	506,198
Robin Tedder	5,262,334	-	-	-	-	5,262,334	-	-	110,958	-	5,373,292
Richard David Kuo	74,726	-	-	-	-	74,726	-	-	-	-	74,726
Total for Directors	17,097,556	-	-	326,117	(64,878)	17,358,795	-	-	1,293,412	-	18,652,207
Key Executive Personnel											
Alan Hong	-	-	-	-	-	-	-	-	-	-	-
Jared Stringer	141,646	-	-	-	-	141,646	-	-	50,000	-	191,646
Julie McIntosh	-	-	-	-	-	-	-	-	-	-	-
Dustin Stringer	77,000	-	-	-	(7,000)	70,000	-	-	-	-	70,000
Craig Lymn	-	-	-	-	-	-	-	-	-	-	-
Total for Key Executive Personnel	218,646	-	-	-	(7,000)	211,646	-	-	50,000	-	261,646

** Includes on market purchases and dividend reinvestment plan allotments.*

No equity instruments other than options were granted to key management personnel during the 2014 or 2015 financial years as compensation.

[2] Maurice Van Ryn resigned as a director on 4 August 2014. Share balance represents holding as at the date of resignation.

10: REMUNERATION OF AUDITORS

	2015 $	2014 $
Amounts paid/payable to ShineWing Australia for:		
Audit services		
Auditing or reviewing the financial report	89,100	95,000
	89,100	95,000
Amounts paid/payable to related practices of Moore Stephens Melbourne for:		
Audit and taxation services from Moore Stephens Nathan	23,671	24,439
General advice and services from Moore Stephens Nathan	-	6,792
	23,671	31,231

11: DIVIDENDS

No dividend has been declared or paid in relation to the financial years ended 30 June 2014 or 30 June 2015

	2014 $	2013 $
Dividend franking account		
Amount of franking credits available for subsequent years	1,157,405	1,157,405

12: CASH AND CASH EQUIVALENTS

Cash on hand and at bank	120,296	1,116,587

Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 34.

13: TRADE AND OTHER RECEIVABLES

	2015 $	2014 $
CURRENT		
Trade accounts receivable - third parties	8,233,055	9,181,417
Less: allowance for impairment of receivables	(220,925)	(246,929)
Total current trade receivables	8,012,130	8,934,488
GST receivable	-	279,376
Other receivables	327,310	434,578
Total current trade and other receivables	**8,339,440**	**9,648,442**

(a) An analysis of trade receivables that are past due but not impaired at the reporting date:

	2015 Gross $	2015 Allowance $	2014 Gross $	2014 Allowance $
Not past due	7,725,190	-	8,260,089	-
Past due 1 - 30 days	33,028	-	486,476	-
Past due 31 - 60 days	92,127	-	34,849	-
Past 61 days	382,710	(220,925)	400,003	(246,929)
	8,233,055	**(220,925)**	**9,181,417**	**(246,929)**

(b) Impaired trade receivables

Trade debtors are generally extended on credit terms of between 14 days to 60 days. As at 30 June 2015, current trade receivables of the Group with a nominal value of $382,710 (2014 - $246,929) were impaired. The amount of the allowance was $220,925 (2014 - $246,929). The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

Trade receivables that are neither past due or impaired relate to long standing customers with a good payment history.

Other receivables are expected to be recoverable in full and are due from reputable companies.

Movements in the provision for impairment of receivables are as follows:

	2015 $	2014 $
At 1 July	**246,929**	**132,647**
Provision for impairment recognised / (reversed) during the year	138,317	190,532
Receivables written off during the year as uncollectible	(164,321)	(76,250)
At 30 June	**220,925**	**246,929**

Payment terms on receivables past due but not considered impaired have not been renegotiated. The Group has been in direct contact with the relevant customers and are reasonably satisfied that payment will be received in full.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

(d) Foreign exchange and interest rate risk

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 31.

	2015 $	2014 $
14: INVENTORIES		
CURRENT		
Raw material - at cost	6,673,385	7,144,115
Work in progress - at cost	866,308	1,169,947
Finished goods - at cost	2,341,857	3,370,466
	9,881,550	**11,684,528**
15: OTHER CURRENT ASSETS		
Prepayments	**246,570**	**117,538**

16: PROPERTY, PLANT AND EQUIPMENT

	2015 $	2014 $
Freehold land - at valuation	3,800,000	3,910,000
Building - at independent valuation	9,500,000	12,390,000
Less: Accumulated depreciation	(61,000)	(961,190)
	9,439,000	**11,428,810**
Plant & equipment - at cost (i)	19,987,875	46,529,705
Less: Accumulated depreciation	(9,745,232)	(15,065,184)
	10,242,643	**31,464,521**
Leased plant & equipment	5,257,021	6,688,930
Less: Accumulated depreciation	(1,517,803)	(1,664,355)
	3,739,218	5,024,575
TOTAL PROPERTY, PLANT AND EQUIPMENT	**27,220,861**	**51,827,906**

All of the Group's freehold land and buildings were revalued by an independent valuer in June 2015 and resulted in a net revaluation increase of $231,445. Valuations were made on the basis of weighted depreciated values and open market values. The revaluation deficit net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity. As at 30 June 2015, if the cost model had been applied, the carrying value of the Group's freehold land and buildings would have been $3,106,480 and $5,811,926 respectively.

(a) Movements in Carrying Amounts	Freehold land $	Buildings $	Plant, Equipment & Other $	Leased Plant, Equipment & Other $	Total $
Consolidated Group					
Carrying amount at 1 July 2013	3,910,000	11,922,400	30,474,796	6,672,995	52,980,191
Additions	-	-	1,818,238	946,229	2,764,467
Impairment	-	-	(80,000)	-	(80,000)
Revaluation	-	-	-	-	-
Reclassification	-	-	1,583,590	(1,583,590)	-
Disposals	-	-	-	(45,364)	(45,364)
Depreciation and amortisation	-	(493,590)	(2,332,103)	(965,695)	(3,791,388)
Carrying amount at 30 June 2014	3,910,000	11,428,810	31,464,521	5,024,575	51,827,906
Carrying amount at 1 July 2014	3,910,000	11,428,810	31,464,521	5,024,575	51,827,906
Additions	-	889,517	319,038	814,973	2,023,528
Impairment (see Note 8)	-	-	(14,910,220)	(1,594,619)	(16,504,839)
Revaluation	250,000	(146,554)	-	-	103,446
Reclassification	-	-	-	-	-
Disposals*	(360,000)	(2,294,467)	(929,766)	-	(3,584,233)
Transfer to property held for resale	-	-	(3,074,173)	-	(3,074,173)
Depreciation and amortisation	-	(438,306)	(2,626,757)	(505,711)	(3,570,774)
Carrying amount at 30 June 2015	3,800,000	9,439,000	10,242,643	3,739,218	27,220,861

* on 25 June 2015, the Group sold its european manufacturing assets for $305,188, which resulted in a gain on sale of $43,260. These assets were identified as not being aligned with the Group's future strategic direction and as such the decision to divest them was made.

As announced on 31 October 2014, the Group sold its production facility and associated items of plant and equipment located in South Nowra, New South Wales. This sale delivered net proceeds of $2,238,138 and resulted in a loss on the sale of $1,069,628. This loss on sale in included on the loss from discontinued operations in the consolidated statement of comprehensive income. The rationale for this sale was to allow the Group to consolidate its weight loss and sports nutrition manufacturing activities into our main pharmaceutical production facility in Laverton North, Victoria, which is expected to generate meaningful cost savings.

(b) Non-current Assets Held for Sale	2015 $	2014 $
Plant and equipment	3,074,173	-

As announced on 24 June 2015, the Board committed to the sale of its ADP plant and equipment in Jervois, South Australia. The Group has entered into a conditional binding agreement for the proposed sale, which is expected to be finalised by 30 September 2015.

17: INTANGIBLE ASSETS

(a) Intangible summary and reconciliation

	2015 $	2014 $
Acquired intangible assets - indefinite life:		
Goodwill - at cost	-	2,079,000
Developed products - at cost	-	-
	-	**2,079,000**
Acquired intangible assets - finite life:		
Developed products - at cost	11,730,499	14,959,019
Accumulated amortisation	(1,644,301)	(1,221,534)
	10,086,198	**13,737,485**
Capitalised development costs - indefinite life:		
Developed products - at cost	-	-
Products under development - at cost	2,421,006	2,573,118
	2,421,006	**2,573,118**
Capitalised development costs - finite life:		
Developed products - at cost	7,552,230	7,698,465
Accumulated amortisation	(1,623,003)	(1,265,769)
	5,929,227	6,432,696
Total intangible assets	**18,436,431**	**24,822,299**

Probiotec Ltd has both acquired and capitalised trademarks, licenses, product development costs and product dossiers ("Developed Products"). Product dossiers incorporate formulations, registrations, Therapeutic Goods Administration (TGA) listings, stability and validation data, and manufacturing and testing procedures.

Reconciliation of Intangible Assets:

	Goodwill	Developed Products	Products under Development	Total
Opening balance as at 1 July 2013	2,079,000	25,092,111	1,771,151	28,942,262
Acquisitions	-	441,519	1,241,409	1,682,928
Additions	-	439,442	(439,442)	-
Transfer of commercialised product	-	-	-	-
Disposals	-	(5,120,641)	-	(5,120,641)
Impairment	-	-	-	-
Amortisation	-	(682,250)	-	(682,250)
Closing balance as at 30 June 2014	**2,079,000**	**20,170,181**	**2,573,118**	**24,822,299**
Opening balance as at 1 July 2014	2,079,000	20,170,181	2,573,118	24,822,299
Acquisitions	-	-	-	-
Additions	-	929,058	-	929,058
Transfer of commercialised product	-	152,112	(152,112)	-
Disposals	-	-	-	-
Impairment	(2,079,000)	(4,455,926)	-	(6,534,926)
Amortisation	-	(780,000)	-	(780,000)
Closing balance as at 30 June 2015	**-**	**16,015,425**	**2,421,006**	**18,436,431**

Estimated useful life of intangible assets

Intangible assets, comprising Developed Products and goodwill, have indefinite useful lives apart from Developed Products which are subject to a license with a specified term. Developed Products with a finite life have a term of 10 to 40 years. Developed Products with indefinite lives comprise trademarks and product dossiers. Developed Products with finite useful lives are amortised on a straight line basis over their effective life. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the income statement. The directors consider intangibles to have an indefinite life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cashflows for the group.

Goodwill

	2015 $	2014 $
Breakdown of goodwill at year end:		
Australian Dairy Proteins Pty Ltd	-	2,079,000
	-	2,079,000

Impairment of Intangibles

Developed products

As at 30 June 2015, a range of impairment charges were incurred in relation to developed products which are either related to discontinued operations of the group or no longer generate future cash flows sufficient to justify their carrying value. See note 8 for further details.

Impairment Disclosures

Goodwill is tested annually for impairment, based on value-in-use calculations conducted using the assumptions outlined in note 8.

The amount of goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit for the purposes of annual impairment testing are:

	Pharmaceuticals and consumer health	Contract manufacturing	Nutritional products	Export sales	Research and development	Total
Year ended 30 June 2014						
Goodwill	2,079,000	-	-	-	-	2,079,000
Intangibles with indefinite useful lives	2,573,118	-	-	-	-	2,573,118
Year ended 30 June 2015						
Goodwill	-	-	-	-	-	-
Intangibles with indefinite useful lives	2,421,006	-	-	-	-	2,421,006

The discount rates used to determine the value-in-use are:	2015 $	2014 $
Probiotec BLC Pty Ltd	7.6%	10.1%
Australian Dairy Proteins Pty Ltd	7.6%	10.1%
Intangibles with indefinite useful lives	7.6%	10.1%

	2015 $	2014 $
18: DEFERRED TAX ASSETS		
Deferred tax assets is comprised as follows:		
Temporary differences - provisions	375,066	475,465
Temporary differences - Property, plant & equipment	-	144,548
Temporary differences - leases	998,230	1,008,470
Temporary differences - other	532,140	1,169,630
Offset against deferred tax liabilities	-	-
Tax losses	3,782,647	2,475,264
	5,688,083	**5,273,377**
19: TRADE AND OTHER PAYABLES		
Trade accounts payable	8,266,063	11,298,666
Sundry creditors & accruals	1,997,666	1,885,735
GST payable	408,951	893,005
	10,672,680	**14,077,406**

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Foreign exchange risk

Amounts payable in foreign currencies	2015 $	2014 $
Current		
Euro	506,421	480,744
Great British Pounds	51,586	65,051
US Dollars	171,490	61,561
NZD	-	-
	729,497	**607,357**

Detailed information about the Group's and the parent entity's exposure to foreign currency risk in relation to trade and other payables is provided in note 31.

	2015 $	2014 $
20: INTEREST-BEARING LIABILITIES		
Current		
Secured borrowings		
Bank loans	11,736,077	14,213,294
Lease liabilities	1,052,689	825,678
	12,788,766	**15,038,972**
Non-Current		
Secured borrowings		
Lease liabilities	2,274,746	2,535,888
	2,274,746	**2,535,888**
(a) Total current and non-current secured liabilities:		
Bank loans	11,736,076	14,213,294
Lease liabilities	3,327,435	3,361,566
	15,063,511	**17,574,860**
(b) The carrying amount of the assets secured by a first registered mortgage:		
Freehold land and building (Note 16)	13,239,000	15,338,810

(c) The bank loans are provided by Rabo Australia Limited and are secured by a registered first mortgage over all freehold property of the parent entity and the subsidiaries which in total have a carrying amount of $13,239,000 at 30 June 2015.

The bank covenants require tangible net worth to exceed $20 million, an equity ratio of greater than 40%, debt service to EBITDA to exceed 1.25 and the ratio of financial indebtedness to EBITDA of less than 3.75 as at 30 June 2015, where EBITDA excludes extraordinary and/or non-cash events. The Group is in compliance with the bank convenants.

The bank loans provided by Commonwealth Bank and Rabo Australia Limited are secured by cross guarantees between Probiotec Limited and its controlled entities.

(d) Finance lease liabilities:

Weighed average interest rate of 7.16%

Secured by leased plant / assets

Finance leases are entered into with the Commonwealth Bank of Australia and Rabo Australia Limited. The lease terms are from 3 to 5 years. Finance leases may be extended at the expiry of their term by negotiation with the lease finance provider.

(e) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 31.

	2015 $	2014 $
21: PROVISIONS		
Current		
Leave entitlements (a)	797,519	1,034,210
Non-Current		
Leave entitlements (a)	452,529	550,282
Total provisions	**1,250,048**	**1,584,492**

(a) Provision for leave entitlements represents accrued annual leave along with an allowance for long service leave either earned by employees and not yet taken or partly earned. For partly earned long service leave, historical retention rates are used to determine likelihood of achieving fully vested long service leave.

Reconciliation of provisions:	Annual leave	Long Service leave
Opening balance at 1 July 2014	1,034,210	550,282
Amounts used	(453,266)	(335,598)
Additional provisions	216,575	237,845
Amounts unused and reversed	-	-
Balance at 30 June 2015	**797,519**	**452,529**

	2015 $	2014 $
22: DEFERRED TAXES		
Deferred taxes is comprised as follows:		
Deferred tax assets (note 18)	5,688,083	5,273,377
Deferred tax liabilities - temporary differences (a)	(6,390,007)	(6,933,512)
Net deferred tax liabilities	**(701,924)**	**(1,660,135)**
Deferred tax expense debit / (credit) to income tax expense	**(920,096)**	**(198,392)**
Deferred tax expense charged to equity	**38,115**	**296,428**
(a) Deferred tax liabilities comprises:		
Temporary differences - property, plant & equipment	(1,121,765)	(1,847,998)
Temporary differences - capitalised development costs	(3,420,244)	(3,578,141)
Temporary differences - other	(1,847,998)	(1,507,373)
	(6,390,007)	**(6,933,512)**

Reconciliation of net deferred tax liabilities:	$
Opening as at 1 July 2013	(1,758,171)
Less : deferred tax expense charge (credit) to income	(198,392)
Less : deferred tax expense charged to equity	296,428
Closing as at 30 June 2014	(1,660,135)
Less : deferred tax expense	920,096
Less : deferred tax expense charged to equity	38,115
Closing as at 30 June 2015	**(701,924)**

	2015 $	2014 $
23: CONTRIBUTED EQUITY		
52,929,356 (2014: 52,929,356) fully paid ordinary shares	33,686,519	33,686,519
Reconciliation of fully paid ordinary shares		
Balance at beginning of the financial year	33,686,519	33,686,519
Issue of shares	-	-
Cancellation of shares held under Equity Compensation Plan	-	-
Equity raising expenses	-	-
Balance at end of financial year	**33,686,519**	**33,686,519**

	2015 No,	2014 No,
Reconciliation of ordinary shares		
Balance at the beginning of reporting period	52,929,356	52,929,356
Shares issued during the year	-	-
Balance at end of the report date	**52,929,356**	**52,929,356**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the numbers of shares.

At the shareholders meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholders has one vote on a show of hands.

(a) Capital management

The Group's objective is to maintain a strong capital base to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The Group is not subject to externally imposed capital requirements other than those set out in Note 19.

The Group effectively manages the Group's capital by monitoring its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The level of gearing in the Group is periodically reviewed by the Board to ensure that a responsible level of gearing is maintained. The directors consider that the Group is currently operating at a responsible gearing level. The gearing ratios at 30 June 2015 and 30 June 2014 were as follows:

	2015 $	2014 $
Total borrowings	15,063,511	17,574,860
Less cash and cash equivalents	(120,296)	(1,116,587)
Net debt	14,943,215	16,458,273
Total contributed equity	33,686,519	33,686,519
Total capital employed	**48,629,734**	**50,144,792**
Gearing ratio	30.7%	32.8%

There were no changes to the Group's approach to capital management from 2014.

	2015 $	2014 $
24: RESERVES		
Asset revaluation reserve	4,320,595	4,217,149
Equity translation reserve	(363,101)	(312,705)
Reconciliation of asset revaluation reserve		
Balance at beginning of financial year	4,217,149	4,217,149
Revaluation of assets	103,446	-
Balance at end of financial year	**4,320,595**	**4,217,149**
Reconciliation of foreign currency translation reserve		
Balance at beginning of financial year	(312,705)	(210,355)
Translation of net investment in foreign entities	(50,396)	(102,350)
Impairment of net investment in foreign entities	-	-
Balance at end of financial year	**(363,101)**	**(312,705)**

Asset revaluation reserves arise on the revaluation of non-current assets.

Where a revalued asset is sold that portion of the reserve which relates to that asset, and is effectively realised, is transferred to retained earnings.

Foreign currency translation reserves arise upon the translation of net investments in foreign entities at balance date.

	2015 $	2014 $
25: COMMITMENTS		
Lease commitments		
Operating leases		
Non-cancellable operating		
Payable - minimum lease		
Within one year	510,239	544,902
Later than one year but not later than 5 years	937,955	1,014,054
Commitments not recognised in the statement of financial position	1,448,194	1,558,956
Finance leases commitments		
Payable - minimum lease		
Within one year	972,297	1,152,088
Later than one year but not later than 5 years	2,776,196	2,843,298
Minimum lease payments	3,748,493	3,995,386
Less: Future finance charges	(421,059)	(633,820)
	3,327,434	**3,361,566**
Representing lease liabilities (Note 20):		
Current	1,052,688	825,678
Non-current	2,274,746	2,535,888
	3,327,434	**3,361,566**

The weighted average interest rate implicit in the leases is 7.16%. The carrying value of assets purchased via leases is $3,739,218 (2014: $4,906,869).

Leases are entered into with terms between 3 to 5 years. Operating leases are entered into for rental of sites, plant, equipment and vehicles. Finance leases are entered into for the purchase of various items of property, plant and equipment. Leased property is held at all of the group's Australian based manufacturing sites. Leases may be renewed by negotiation. No contingent rents are payable under any lease contract entered into. The group also entered into an operating lease for the rental of its manufacturing site in Dundalk, Ireland. This is a 20 year lease with a right for the group to terminate at any time with 12 months notice without penalty.

26: SHARE BASED PAYMENTS

(a) Incentive Option Scheme

The Group has in place an option incentive scheme to encourage employees to share in the ownership of the company in order to promote the long-term success of the company as a goal shared by the employees. This scheme is designed to attract, motivate and retain eligible employees. These options are governed by the Probiotec Limited Employee Share Plan ("the plan"). Under the plan, participants may be granted options which vest if the participant remains in the employment of the group for a period of three years from the grant date. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed amount of options. For details of options issued to key management personnel refer to the remuneration report.

CEO Employment Options for the year ended 30 June 2015

Grant Date	Vesting date	Expiry date	Exercise price ($)	Balance at start of year number	Options granted number	Options forfeited/ exercised number	Balance at end of year number	Vested and exercisable at end of year
23.11.2012	23.11.2014	23.11.2016	0.70	1,500,000	-	-	1,500,000	-
Weighted average exercise price				$0.70	-	-	$0.70	$-

The weighted average contractual life remaining on CEO options outstanding is 511 days as at balance date.

CEO Employment Options for the year ended 30 June 2014

Grant Date	Vesting date	Expiry date	Exercise price ($)	Balance at start of year number	Options granted number	Options forfeited/ exercised number	Balance at end of year number	Vested and exercisable at end of year
23.11.2012	23.11.2014	23.11.2016	0.70	1,500,000	-	-	1,500,000	-
Weighted average exercise price				$0.70	-	-	$0.70	$-

Employee incentive scheme options for the year ended 30 June 2015

The following incentive scheme options were issued to eligible employees, including key management personnel (excluding the CEO):

Grant Date	Vesting date	Expiry date	Exercise price ($)	Balance at start of year number	Options granted number	Options forfeited/ exercised number	Balance at end of year number	Vested and exercisable at end of year
01.07.2012	30.06.2014	30.06.2015	0.70	2,200,000	-	-	2,200,000	-
Weighted average exercise price				$0.70	-	-	$1.22	$-

Employee incentive scheme options for the year ended 30 June 2014

The following incentive scheme options were issued to eligible employees, including key management personnel (excluding the CEO):

Grant Date	Vesting date	Expiry date	Exercise price ($)	Balance at start of year number	Options granted during the year number	Options exercised/ lapsed during the year number	Balance at end of year number	Vested and exercisable at end of year
01.07.2009	30.06.2012	30.06.2014	2.35	385,000	-	(385,000)	-	-
01.07.2009	30.06.2012	30.06.2014	2.35	10,000	-	(10,000)	-	-
01.07.2009	30.06.2012	30.06.2014	2.35	600,000	-	(600,000)	-	-
01.07.2012	30.06.2014	30.06.2015	0.70	2,275,000	-	(75,000)	2,200,000	-
				3,270,000	-	(1,070,000)	2,200,000	-
Weighted average exercise price				$1.22	-	$2.23	$0.70	$-

The weighted average contractual life remaining on employee incentive scheme options outstanding is 0 days as at balance date.

The fair value at grant date of the options issued as part of the employee incentive scheme were calculated internally using the Black Scholes pricing model that takes into account the term of the option, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

The inputs used in the valuation of these options were:

Exercise price:	as per table above.
Expected volatility of company shares:	48%
Risk-free interest rate:	5%
Vesting period:	2 years
Projected dividend yield:	4%
Share price:	weighted average share price for 5 trading days preceeding grant date.

[1] *The term Option includes unvested fully paid ordinary shares issues and the associated loans with recourse to the shares which are issued under the Probiotec Limited Employee Share Plan (ESP). These shares and loans together have substantially similar financial and economic dynamics to options. Other than the options issued to Wayne Stringer, all other "options" referred to in this note are shares and associated loans issued under the ESP.*

(b) Expenses arising from share-based payments

	2015 $	2014 $
Options issued under incentive option scheme	-	8,050
Options issued to CEO	-	29,006
	-	**37,056**

27: RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between related parties are on normal commercial terms and conditions no favourable than those available to other parties unless otherwise stated. No balances have been written off and no provision for doubtful debts has been made against any balances with related parties.

Associated companies

Payments were made to BG Capital Corp Ltd, an entity associated with Mr Graham Buckeridge (director). These payments were for the provision of financial services and consultancy.	-	22,673

Key Management personnel

There were no transactions between Key Management Personell and Probiotec Limited or any of its subsidiaries during the year ended 30 June 2015 other than as disclosed in note 9.

Identification of Related Parties - Ultimate Parent Entity

The ultimate parent company is Probiotec Limited which is incorporated in Australia.

	2015 $	2014 $
28: NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Financing facilities with banks		
Secured bank overdraft facility:		
Facility balance	1,500,000	1,500,000
Amount used	(560,283)	-
Amount unused	939,717	1,500,000
Secured term loan and working capital facilities with banks:		
Facility balance	12,675,794	14,713,294
Amount used	(11,175,794)	(14,213,294)
Amount unused	1,500,000	500,000
Lease finance facilities:		
Facility balance	12,000,000	12,000,000
Amount used	(3,327,434)	(3,361,566)
Amount unused	8,672,566	8,638,434
Bank bill acceptance facility, reviewed annually:		
Facility balance	-	50,000
Amount used	-	(50,000)
Amount unused	-	-
(b) Reconciliation of Profit from Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities:		
Profit after related income tax	(24,742,302)	903,668
Depreciation and amortisation	4,350,774	4,473,638
Loss / (profit) on sale of plant and equipment	1,059,024	(1,417)
Loss / (profit) on sale of intangible assets	-	(4,487,132)
Impairment and reclassification costs	23,320,784	2,567,549
Equity translation	50,396	102,350
(Decrease)/increase in net deferred taxes	(958,211)	(98,216)
(Increase)/decrease in inventories	1,802,978	(257,332)
(Increase)/decrease in trade and other receivables	1,309,002	1,580,479
(Increase)/decrease in other current assets	(129,032)	118,222
Increase/(decrease) in trade and other payables	(3,404,728)	309,818
Increase/(decrease) in tax liabilities	-	-
Increase/(decrease) in provisions	(334,445)	94,321
Net cash from operating activities	2,324,242	5,305,948

Non-cash financing and investing activities:

During the year the economic entity acquired plant and equipment with an aggregate value of $879,046 (2014: $946,229) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

	2015 $	2014 $
29: EARNINGS PER SHARE		
Profit	(24,742,302)	903,668
Earnings used in the calculation of basic EPS	(24,742,302)	903,668
Earnings used in the calculation of dilutive EPS	(24,742,302)	903,668
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	52,929,356	52,929,356
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	52,929,356	52,929,356
Earnings per share:		
Basic earnings per share (cents)	(46.7)	1.7
Diluted earnings per share (cents)	(46.7)	1.7
Earnings per share from discontinued operations:		
Basic earnings per share (cents)	(37.7)	(0.1)
Diluted earnings per share (cents)	(37.7)	(0.1)

30: COMPANY DETAILS

The registered office of the company is:
Probiotec Limited, 83 Cherry Lane, Laverton North VIC 3026

The principal places of businesses are:
83 Cherry Lane, Laverton VIC
36 Bolong Road, Bomaderry NSW

The ultimate parent company is Probiotec Limited, a company incorporated in Australia.

31: FINANCIAL INSTRUMENTS

Financial Risk Management

The Group's financial instruments consist mainly of receivables, payables, bank loans and overdrafts, finance leases, loans from related parties, cash and short-term deposits.

The Board of Directors has overall responsiblity for establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for approving and reviewing the Group's financial risk management strategy and policy. The Group manages its exposure to key financial risks in accordance with the Group's risk management policy approved by the Board of Directors to enable the risks to be balanced against appropriate rewards for the taking and managing of the risks.

Risk management policies are established to identify, assess and control the risks which affects its business and are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee overseas how management monitors compliance with the Group's risk management policies and procedures including the review of the adequacy of the risk management framework with respect to the risks faced by the Group.

Financial Risks

The main risks the Group is exposed to through its financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures when it undertakes sale and purchase of goods and services in currencies other than the Group's measurement currency, primarily with respect to the British Pound, US dollar and the Euro. The Group seeks to mitigate the effect of its foreign currency exposure by maintaining foreign currency bank accounts that match the cash flows generated from and used by the underlying foreign currency transactions.

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

The Group's exposure to foreign currency risk at the reporting date was as follows:

			Consolidated Group	
2015	GBP $	NZD $	USD $	EUR $
Financial Assets				
Trade and other receivables	1,710,271	75,012	63,460	345,549
Financial Liabilities				
Trade and other payables	51,586	-	171,490	506,421
Net exposure	**1,658,685**	**75,012**	**(108,030)**	**(160,872)**

2014	GBP $	NZD $	USD $	EUR $
Financial Assets				
Trade and other receivables	1,197,069	-	55,589	195,868
Financial Liabilities				
Trade and other payables	65,051	-	61,561	480,744
Net exposure	**1,132,018**	**-**	**(5,972)**	**(284,876**

Sensitivity analysis

Based on the financial instruments held as at 30 June 2015, a 10% strengthening of Australian dollar against GBP, 15% strengthening of Australian dollar against the New Zealand dollar (NZD), 10% strengthening of Australian dollar against US dollar and a 10% strengthening of Australian Dollar against EUR at 30 June would have increased / (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Profit $	Equity $
2015		
GBP	(150,790)	-
NZD	(9,784)	-
US dollars	9,821	-
EUR	14,625	-
2014		
GBP	(102,911)	-
NZD	-	-
US dollars	543	-
EUR	25,898	-

A 10% weakening of Australian dollar against GBP, 15% weakening of Australian dollar against NZD, 10% weakening of Australian dollar against US dollar and a 10% weakening of Australian dollar against EUR at 30 June would have the equal but opposite effect on GBP, US dollar and NZD to the amount shown above on the basis that other variables remain constant.

(ii) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in note 19. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group constantly analyses its interest rate exposure. The Group's current approach is to maintain approximately 10% - 50% of its borrowings at fixed rate using floating-to-fixed interest rate swaps and/or fixed rate leasing to achieve this. Occasionally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. These swaps are designated to hedge the underlying debt obligations. During 2014 and 2015, the Group's borrowings at variable rates were denominated in Australian Dollars.

As at the reporting date, the Group had the following financial assets and liabilities exposed to variable interest rate risk:

2015	Weighted average interest rate %	Floating interest rate maturing 1 year or less $	Over 1 to 5 years $	More than 5 years $	Total $
Financial assets:					
Cash	2.15	120,296	-	-	120,296
Total financial assets		120,296	-	-	120,296
Financial Liabilities:					
Loans and overdraft	7.40	11,736,077	-	-	11,736,077
Total financial liabilities		11,736,077	-	-	11,736,077
Net exposure		**(11,615,781)**	**-**	**-**	**(11,615,781)**

2014	Weighted average interest rate %	Floating interest rate maturing 1 year or less $	Over 1 to 5 years $	More than 5 years $	Total $
Financial assets:					
Cash	2.65	1,116,587	-	-	1,116,587
Total financial assets		1,116,587	-	-	1,116,587
Financial Liabilities:					
Loans and overdraft	6.74	14,213,294	-	-	14,213,294
Total financial liabilities		14,213,294	-	-	14,213,294
Net exposure		**(13,096,707)**	**-**	**-**	**(13,096,707)**

Sensitivity analysis

Based on the financial assets and liabilities held as at 30 June 2014, an increase in interest rates would have the following financial impact on the Group. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

2015	Profit $
1%	(116,158)
2%	(232,316)

2014	
1%	(130,967)
2%	(261,934)

A reduction in interest rates at 30 June would have the equal but opposite effect to the amount shown above on the basis that other variables remain constant.

(b) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties rasing funds to meet commitments associated with financial instruments such as borrowing repayments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of available funding through an adequate amount of committed credit facilities such as bank overdrafts, bank loans and finance leases.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and to have sufficient liquidity to meet its liabilities when due.

In addition, the Group had access to approximately $10.6 million undrawn credit facilities available for use at the reporting date which would further reduce the liquidity risk. For further details see note 28(a).

Maturities of financial liabilities

	Consolidated Group				
2015	Carrying amount $	Total contractual cash flows $	Less than 6 months $	6 - 12 months $	1 - 5 years $
Non-derivatives financial liabilities					
Trade and other payables	10,672,682	10,672,682	10,672,682	-	-
Fixed borrowings (including finance leases)	3,327,434	3,748,494	463,649	463,649	2,821,196
Variable borrowings	11,175,794	11,175,794	214,000	214,000	10,747,794
	25,175,910	25,596,970	11,350,331	677,649	13,568,990
2014					
Non-derivatives financial liabilities					
Trade and other payables	14,077,406	14,077,406	14,077,406	-	-
Fixed borrowings (including finance leases)	3,361,566	3,995,386	576,044	576,044	2,843,298
Variable borrowings	14,213,294	14,213,294	675,000	675,000	12,863,294
	31,652,266	32,286,086	15,328,450	1,251,044	15,706,592

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents as well as credit exposures to customers, including outstanding receivables from subsidiaries and financial guarantees given to entities within the Group. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in Note 12 .

The Group's policy is to trade with recognised and credit-worthy third parties and as such no collateral is required. The Group manages its credit risk by assessing the credit quality and financial position of its customers including past experience and other factors. In addition, receivable balances are monitored on an ongoing basis minimising the exposure to bad debts. The Group has also taken out a credit insurance policy that applies to export based debtors. This policy provides insurance for 90% of the invoiced value outstanding based on pre-defining maximum credit limits agreed between the group and the insurer.

(d) Price risk

The Group is not exposed to any commodity and equity securities price risk. Most of the raw materials are sourced through importing agents and major suppliers in the local milk powder industry and the Group does not actively trade in equity investments.

(e) Fair values

The fair values of loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value. For forward exchange contracts the fair value is the recognised unrealised gain or loss at reporting date determined from the current forward exchange rates for contracts with similar maturities.

For other assets and other liabilities the fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rates swaps. Financial assets where the carrying amount exceeds fair values have not been written down as the economic entity intends to hold these assets to maturity.

There has been no change to the Group's method of calculating fair values of financial assets and financial liabilities since last year.

	2015 Carrying Amount $	2015 Net Fair Value $	2014 Carrying Amount $	2014 Net Fair Value $
Financial Assets				
Trade & other current receivables	8,339,441	8,339,441	9,648,442	9,648,442
Cash	120,296	120,296	1,116,587	1,116,587
	8,459,737	8,459,737	10,765,029	10,765,029
Financial Liabilities				
Trade & others payables	10,672,682	10,672,682	14,077,406	14,077,406
Short term borrowings	11,736,077	11,736,077	14,213,294	14,213,294
Long term borrowings	-	-	-	-
Lease liability	3,327,434	3,327,434	3,361,566	3,361,566
	25,736,193	25,736,193	31,652,266	31,652,266

Fair values are materially in line with carrying values for all financial assets and liabilities.

32: PARENT ENTITY INFORMATION

The following details information related to the parent entity, Probiotec Limited, at 30 June 2015.

The information presented here has been prepared using consistent financial statements.

	2015 $	2014 $
Current assets	39,709,936	51,955,891
Non-current assets	20,866,557	18,774,092
Total Assets	**60,576,493**	**70,729,983**
Current Liabilities	21,066,796	26,059,493
Non-current liabilities	5,747,757	5,891,259
Total Liabilities	**26,814,553**	**31,950,752**
Contributed equity	35,072,269	35,072,269
Retained earnings	(3,957,652)	1,163,085
Equity Compensation Plan	(1,385,750)	(1,385,750)
Other reserve	4,033,072	3,929,626
Total equity	**33,761,939**	**38,779,230**
Profit / (loss) for the year	5,120,738	1,529,284
Other Comprehensive income for the year	-	-
Total comprehensive income for the year	**5,120,738**	**1,529,284**

The parent company has not guaranteed any loans held by its subsidiaries other than as part of the cross guarantees set out in Note 20(c).

The parent entity is subject to contractual obligations in regards to the group's interest bearing liabilities as detailed in note 20. All finance leases held by the group (see note 25) are held by the parent entity.

33: FAIR VALUE MEASUREMENTS

(a) The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value heirarchy:

	Note	Level1 $	Level 2 $	Level 3 $	Total $
			30 June 2015		
Recurring fair value measurements					
Non-financial assets					
Freehold land	16	-	3,800,000	-	3,800,000
Freehold buildings	16	-	9,500,000	-	9,500,000
Total non-financial assets recognised at fair value on a recurring basis		**-**	**13,300,000**	**-**	**13,300,000**
Non-recurring fair value measurements					
ADP Plant held for sale	16	-	-	3,074,173	3,074,173
Total non-financial assets recognised at fair value on a non-recurring basis		-	-	3,074,173	3,074,173
Total non-financial assets recognised at fair value		**-**	**13,300,000**	**3,074,173**	**16,374,173**

	Note	Level1 $	Level 2 $	Level 3 $	Total $
			30 June 2014		
Recurring fair value measurements					
Non-financial assets					
Freehold land	16	-	3,910,000	-	3,910,000
Freehold buildings	16	-	11,428,810	-	11,428,810
Total non-financial assets recognised at fair value on a recurring basis		**-**	**15,338,810**	**-**	**15,338,810**

(b) Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair Value at 30 June 2015	Valuation technique(s)	Inputs used
Non-financial assets			
Freehold land *	3,800,000	Market approach using recent observable market data for similar properties;	Price per square metre ($140 - $160 psm);
Freehold buildings	9,500,000	Market approach using recent observable market data for similar properties;	Price per square metre ($140 - $160 psm);
	13,300,000		

** The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data.*

(c) Reconciliation of recurring Level 3 fair value measurements

	ADP Plant held for sale $
Balance at the beginning of the year	-
Additions during the year	3,074,173
Balance at the end of the year	**3,074,173**

34: SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in financial years after the financial year.

35: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on reports reviewed by the executive management committee for making strategic decision. The executive management committee comprises the chief executive officer, chief financial officer and divisional managers. The committee monitors the business based on product and geographic factors and have identified 5 reportable segments.

A recent review of internal reporting has resulted in a change in the identified segments of the Group and as such the segments have been changed from prior periods. Prior year figures have been restated using the new segments for ease of comparision.

Branded Pharmaceuticals

The branded pharmaceuticals segment involves the sale of branded pharmaceutical products (both owned and licensed brands) predominantly throughout Australia and also to slected South East Asian countries.

Contract manufacture

The contract manufacturing segment involves the contract manufacturing of pharmaceutical, food and animal nutrition products on behalf of domestic and international pharmaceutical and food companies.

Weight Loss and Sports Nutrition

The weight loss and sports nutrition segment is involved in the manufacture and sale of a range of products across a number of channels including FMCG, pharmacy, health food stores and online. The majority of sales of this segment are made domestically with a small portion being sold to New Zealand and several other countries. This segment includes the Celebrity Slim brand along with the Impromy program, which was launched in May 2014.

Europe

The Europe segment is involved in the manufacture and sale of products within Europe. This segment produces products at the Group's Ireland manufacturing facility with the majority of sales revenue generated from the United Kingdom and Ireland.

Specialty products

The specialty products segment is involved in the sale of human and animal nutrition products, incorporating the sale of ingredients and additives for use in the pharmaceutical and food industries. This segment also incorporates the Group's ADP Protein Plant, which produces several specialty dairy proteins, being Lactoferrin and Immunoglobulins.

Business Segments	**Segment name**
Segment 1	Branded Pharmaceuticals
Segment 2	Contract manufacturing
Segment 3	Weight Loss and Sports Nutrition
Segment 4	Europe
Segment 5	Specialty products

	Segment 1 $	Segment 2 $	Segment 3 $	Segment 4 $	Segment 5 $	Consolidated $
Year ended 30 June 2015						
Revenue from discontinued operations	-	-	-	-	426	426
Revenue from external customers	7,694	36,756	16,312	4,703	214	65,679
Total segmental revenue	7,694	36,756	16,312	4,703	640	66,105
Loss from discontinued operations	-	-	(205)	-	-	(205)
Impairment costs	-	-	(4,553)	(834)	(18,768)	(24,155)
Segmental profit / (loss) from continuing operations	1,355	3,623	44	(304)	(209)	4,509
Total segmental profit / (loss)	1,355	3,623	(4,714)	(1,138)	(18,977)	(19,851)
Interest						(1,211)
Unallocated other income						394
Unallocated corporate expenses						(4,994)
Total unallocated income / (expense)						(5,811)
Profit from continuing activities before income tax						(5,378)
Loss from discontinued operations before income tax						(20,285)
						(25,662)
Year ended 30 June 2014						
Revenue from discontinued operations	-	-	-	-	-	-
Revenue from external customers	12,119	32,942	15,788	6,425	380	67,655
Total segmental revenue	12,119	32,942	15,788	6,425	380	67,655
Loss from discontinued operations	-	-	-	-	(44)	(44)
Impairment costs - continuing operations	-	-	-	-	-	-
Segmental profit	1,456	1,524	1,128	(140)	(33)	3,935
Total segmental profit	1,456	1,524	1,128	(140)	(77)	3,891
Interest						(1,373)
Unallocated other income						4,912
Unallocated corporate expenses						(6,681)
Total unallocated income / (expense)						(3,142)
Profit from continuing activities before income tax						749
Loss from discontinued operations before income tax						(44)
						705

	2015 $	2014 $
(b) Reconciliation of segmental revenue to total revenue		
Segmental revenue	66,105,469	68,214,622
Interest received	-	-
Total revenue	66,105,469	68,214,622

(c) Segment revenue

Sales between segments (if they occur) are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the board is measured in a manner consistent with that in the statement of comprehensive income.

Revenues from external customers are derived from the sale of products on both a wholesale and business-to-business basis from each of the business segments outlined earlier in this note. A breakdown of revenue is provided in the tables above.

(d) Segment profit

The board assesses the performance of the operating segments based on a measure of adjusted EBIT. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. This measurement basis also exlcudes the effects of any non-recurring items of revenue or income. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

(e) Entity wide information

The gross revenue in each region where significant export revenue is achieved for the year was:

	Australia $	New Zealand $	European Union $	United States of America $	Other $
Gross Revenue for year ended 30 June 2015	60,478,558	225,589	4,702,698	-	698,624
Gross Revenue for year ended 30 June 2014	60,564,836	627,960	6,376,485	-	645,341

Revenue of approximately $10,620,352 (2014: $7,825,327) were derived from a major external customer included in the contract manufacturing segment.

(f) Segment assets

No disclosure of segment assets has been made as this information is not provided to the chief decision maker on a regular basis.

DIRECTORS' DECLARATION

PROBIOTEC LIMITED AND ITS CONTROLLED ENTITIES

ACN 075 170 151

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the consolidated entity.

2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included in pages 7 to 15 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2015, comply with section 300A of the *Corporations Act 2001*.

5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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

Wesley Stringer
Director

Dated at Laverton this 19th day of August 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PROBIOTEC LIMITED

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
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F +61 3 8102 3400
shinewing.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PROBIOTEC LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of Probiotec Limited and Controlled Entities, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Probiotec Limited would be the same terms if given to the directors as at the time of this auditor's report.

ShineWing AUSTRALIA

Opinion

In our opinion:

a) the consolidated financial report of Probiotec Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the Group's financial position as at 30 June 2015 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 Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Probiotec Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Nick Michael
Partner
Melbourne
19th August 2015

OTHER INFORMATION REQUIRED BY ASX LISTING RULES

The information in this section is current as at the 19th August 2015.

Substantial Holders in the entity, as disclosed in substantial holding notices given to the entity

Charles Wayne Stringer	9,637,690 fully paid ordinary shares
Robin Tedder	5,262,334 fully paid ordinary shares

Holders of each class of equity securities

Security Classes	Holders	Total Units
Fully Paid Ordinary	1,239	52,929,356

Voting rights attached to each class of equity securities

Each fully paid ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Distribution schedule of number of holders of each class of equity securities

Security Classes	Holdings Ranges	Holders	Total Units	%
Fully Paid Ordinary	1-1,000	220	112,956	0.213
	1,001-5,000	469	1,194,814	2.257
	5,001-10,000	184	1,443,561	2.727
	10,001-100,000	291	9,429,447	17.815
	100,001-99,999,999,999	75	40,748,578	76.987
	Totals	**1,239**	**52,929,356**	**100.000**

Holders with less than a marketable parcel of the main class of securities

At the date of this report, a marketable parcel of fully paid ordinary shares was 2,174 or more shares.

Security Classes	Holdings Ranges	Holders	Total Units	%
Fully Paid Ordinary	0 – 2,174	466	500,191	0.945
	2,174 – 99,999,999,999	773	52,429,165	99.055
	Totals	**1,239**	**52,929,356**	**100.000**

Company secretaries

The secretary of Probiotec Limited is:

Mr. Jared Stringer

Full details and qualifications for the secretary can be found in the Directors' Report.

20 largest holders of each class of quoted equity securities

At the date of this report, there is only one class of quoted equity securities, being fully paid ordinary shares. The 20 largest holders of this class at the date of this report were:

Holder Name	Holding	%
INSTON PTY LTD (STRINGER FAMILY A/C)	4,866,676	9.195
VINTAGE CAPITAL PTY LTD	4,500,000	8.502
MR CHARLES WAYNE STRINGER	2,438,574	4.607
INSTON PTY LTD (STRINGER SUPER FUND A/C)	2,069,724	3.910
GANTER CORPORATION PTY LTD (GANTER FAMILY A/C)	1,993,015	3.765
BNP PARIBAS NOMS (NZ) LTD (DRP)	1,807,382	3.415
BRAZIL FARMING PTY LTD	1,317,164	2.489
VBS INVESTMENTS PTY LTD	1,192,043	2.252
TRIFERN PTY LTD (SUPER FUND ACCOUNT)	1,171,589	2.213
MR SCOTT JOHNSTON (JOHNSTON FAMILY S/F A/C)	1,018,255	1.924
KOONTA PTY LTD (KOONTA SUPER FUND ACCOUNT)	873,292	1.650
HOLTEX PTY LIMITED (BUCKERIDGE SUPER FUND A/C)	754,924	1.426
INVESTMENT CUSTODIAL SERVICES LIMITED (R A/C)	734,800	1.388
HOLTEX PTY LTD (BUCKERIDGE S/F A/C)	693,761	1.311
G J P INVESTMENTS PTY LTD (THE LANGHAM A/C)	637,508	1.204
TAYLOR CO PTY LTD (PETER TAYLOR SUPER FUND A/C)	636,883	1.203
HACAR PTY LTD (EATON NO 2 A/C)	506,277	0.957
JONDOL PTY LTD (JONDOL ESTATES S/F A/C)	506,198	0.956
THC PTY LTD (WONGABEL SUPER FUND A/C)	500,000	0.945
CVC LIMITED (CVC LIMITED A/C)	454,813	0.859
	28,672,878	**54.172**

Registered Office and principal administrative office

The registered office and principal administrative office for Probiotec Limited is:

83 Cherry Lane
Laverton North
Victoria 3026
Ph: (03) 9278 7555

Register of securities, register of depositary receipts and other facilities for registration or transfer

All registers of securities, registers of depositary receipts and other facilities for registration or transfer are kept at:

Boardroom Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Ph: (02) 9290 9600
Fax: (02) 9279 0664

Other stock Exchanges on which entity's securities are quoted

Securities in Probiotec Limited are not quoted on any other stock exchange other than the Australian Stock Exchange (ASX).

Restricted and Escrowed Securities

At the date of this report no securities were subject to escrow.

Unquoted Equity Securities

Security Classes	Holders	Total Units
Fully Paid Ordinary – issued under Employee incentive schemes	10	3,900,000

On market buy-back

As at the date of this report, there is no current on market buy-back.

PROBIOTEC
Annual Report 2015

Head office
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83 Cherry Lane, North Laverton,
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www.probiotec.com.au