2021

PROBIOTEC

ANNUAL REPORT

Contents

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Probiotec Limited
ABN 91 075 170 151

Probiotec Limited
and its controlled entities
ACN 075 170 151

Annual Report
for the year ended 30 June 2021

Chairman's Letter to Shareholders

Dear Shareholders,

On behalf of your board of directors, it gives me great pleasure to present to you the 2021 Annual Report for Probiotec Limited (PBP).

2021 has been an unprecedented year, immediately following an unprecedented 2020 - and COVID-19 continues to challenge us across the globe, nationally, as a community, and as a company. In the face of this, I am proud of the strength and commitment which our people have demonstrated to deliver outstanding outcomes for all of our stakeholders.

The strong operational performance driven by our team, together with the transformative acquisition of the Multipack-LJM business, has seen the Group report record sales, earnings and operating cash flows.

In a year of significant financial disruption across all fronts, these results demonstrate the health and robust position of the Group. We have a number of exciting opportunities in front of us, and also expect to benefit from tailwinds with the unwinding of Covid restrictions.

Strong financial and operational performance

It was another transformational year for the business with the acquisition of Multipack-LJM, the recent acquisition of the H&H Packaging business and a range of exciting new contract wins that will continue to drive organic growth in the coming years. The fact that this was delivered during a period of such business disruption caused by Covid-19 only makes it more pleasing.

Record revenues of $121 million were accompanied by Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $21.6 million. These results, at the upper end of guidance, demonstrate the robust and defensive nature of the PBP business. The results are a testament to the leadership of the PBP management team and the dedication and skills of our employees.

Management were proactive in developing and refining Covid safe work plans and all PBP sites operated without closure throughout the entire 2021 financial year. The health and safety of PBP's employees is paramount – a guiding principle which is reflected in, and reinforced by those Covid safe work plans.

Over the past two years, global supply chains have experienced unprecedented disruption, which in turn places significant pressure on our businesses. Through the ongoing refinement of work practices, the flexibility of our work force, customer and supplier co-operation and nimbleness in execution we have come through this period strongly. The pressures and responsibilities placed upon management and the wider Probiotec team have been immense and I wish to convey my sincerest thanks to the entire PBP team who showed tremendous commitment and compliance to the strict protocols that were put in place. Their professionalism has prioritised safety, whilst we have seen delivery performance to our customers remain at the highest levels.

Board Renewal

As you will know, Sandy Beard recently retired from the board of Probiotec. On behalf of our board, staff and shareholders, I would like to thank Sandy for his leadership and significant contribution to the company over the past four years. During this time, PBP has undergone a period of significant growth both organically and via strategic acquisitions, including the recent transformative acquisition of the Multipack-LJM group.

We are sad to see Sandy leave and the board wishes him the best and sincerely thanks him for his service and dedication.

I am both honoured and excited to fulfil the role as Chairman and I look forward to working with the board and executive team to lead PBP through the next phase of its journey. I wish to thank the Board for welcoming me into the fold and express my gratitude for the contributions of each of the Directors during this period and the constructive and diverse perspectives they have contributed.

The Board also welcomed Mr Simon Gray as a Non-Executive Director, on 1 July 2021. Whilst his tenure has only been short, Mr Gray has already shown himself to be considered, practical and resourceful and I look forward to his continued contributions to the board and the wider business.

Looking to the future

COVID-19 continues to impact the industry and operating environment, largely related to timing and execution. Given this, we have not provided guidance for FY22 and will provide further information in this regard when appropriate.

Whilst uncertainty remains, the scale of the business has grown significantly following the successful acquisitions and integrations, creating greater resilience, scale and business opportunity. We see significant opportunities for both organic and inorganic growth as we continue to unlock synergies from our recent acquisitions.

Over the longer term, it continues to be our objective to become Australia's leading manufacturer and packer of pharmaceutical, consumer health and FMCG products. We will continue to pursue value-accretive acquisitions; to invest in customer and site capabilities; to invest in and develop our people; to expand our relationships with Tier 1 pharmaceutical customers; and to maximise opportunities that arise from the onshoring of domestic manufacturing (which continues to gain momentum). The achievement of this goal will require the continued support of all our stakeholders - customers, suppliers, employees and shareholders - and we are grateful for the opportunity to work with all of you and for your support.

Conclusion

As I enter my first year as Chairman, I am excited about the opportunities in front of us and look forward to contributing to the ongoing growth of the business.

The results achieved would not have been possible without the leadership, vision and dedication of our CEO Wes Stringer, along with his entire executive team and all the staff at Probiotec. I would like to particularly thank our operating teams on the ground in both New South Wales and Victoria, who have shown great character under very trying and disrupted conditions. The entire team's focus on excellence has been demonstrated in this year's result and the positioning of the Company for the future.

We are delighted to bring this result to you and look forward to our continuing journey.

Yours Sincerely,

Jonathan Wenig
Chairman of the board

CEO Update

“A transformational year setting an exciting runway for the future.”

Dear Shareholders,

In what has been an unbelievably challenging year I am so proud with what we have been able to achieve, and the resilience shown by every valued employee of the Group. Record revenue, earnings and operating cash flows along with the completion of a material acquisition during the year have made it one to remember.

Key Achievements

- ✓ Record revenue: pro-forma[1] over $160m
- ✓ Record EBITDA: pro-forma[1] over $29m
- ✓ Net Debt / EBITDA < 1 times[2]
- ✓ Successful completion of the material Multipack-LJM acquisition
- ✓ Business shown to be highly resilient with exciting platform in place

The commitment, effort and steadfast nature of our management team has delivered an outstanding set of results for FY21:

- ✓ Covid management with all sites operating throughout the entire year
- ✓ Cost out and margin improvement
- ✓ Our 5th successful acquisition integration within 3 years
- ✓ Strong new business secured

Operational Summary

As the pandemic continued to throw challenges our way, our core operational teams responded exceptionally. Against the backdrop of Covid safe operating procedures, extensive PPE and modified processes we managed to continue our operations largely uninterrupted. Most importantly, we were able to meet the needs of our customers.

With a further two new sites acquired during the year, the challenge to manage our diverse operations amidst lockdowns and travel bans was not easy. Our head office and site in Laverton performed strongly in what was a credit to the senior leadership team. Our remaining operations in Victoria and NSW saw our site leads stand up during the year and I could not be more pleased with their development and respective performance. The result of this has been the considerable strengthening of our leadership structure over the last 12 months.

Further positives for the year included, the addition of extensive equipment, continued automation improvements and numerous other continuous improvement initiatives. We have set up and established a world class operational platform underpinning our current and future growth aspirations. With significant capacity available, we are very well positioned to deliver upon our growth objectives.

Sales and New Business Development

The Group is now one of the largest Australian owned pharmaceutical manufacturers and diversified packaging companies with significant capability, expertise, capacity and footprint.

Over the year, our focus was on what we as an executive team could control. This saw us invest heavily in additional sales resources with a focus on filling the future funnel with as much organic growth as possible for the business to realise, as we move into the foreseeable future. We have also invested in a stand-alone resource to further accelerate the Companies ESG objectives. We are very excited about furthering our efforts in this space, and ensuring our operations continue to grow with these considerations at the forefront of our minds.

Stemming from our existing network and acquisitions, we now have incredible access to the majority of global and local players with the goal now to grow our overall business with this broader customer base. This brings a real opportunity for us to capitalise upon. This cross fertilisation as we refer to it internally, has already began to reap rewards for the Group as we offer our extensive capabilities and services to our full customer base. We expect this to continue and look forward to sharing these successes with our shareholders.

The year has seen unheralded disruption to global supply chains. Whilst Probiotec has navigated this backdrop

[1] Excluding non-recurring transaction costs and adding back 1HY21 results for Multipack-LJM.
[2] Based on proforma EBITDA per above.

without material issue, it has caused a shift in sourcing and supply chain planning with many of our customers. The onshoring thematic is a key focal point for our team and our customers, where we expect to see continued interest from our clients looking at securing their supply lines and localising more of their supply within Australia.

Cost Out and Consolidation

With a focus on those items that were within our control during the last 12 months, cost out, automation and efficiency programs were prioritised. During the year, we undertook a lot of work reviewing and looking at future optimisation of our operations, including the acquired sites.

This identified significant duplication in operating costs, especially across NSW, with five operating sites. We remain committed to site and operational consolidation in the future and look forward to updating you on our plans soon. In addition to this, we expect to see continued margin and efficiency improvements from sharing and implementing the best systems and processes from each of the sites.

Outlook

Whilst a level of uncertainty exists as we emerge from the events of the past year, we remain very confident in delivering upon our strategy.

We believe we are well positioned for the future with a focus on our key strategic pillars:

- ✓ Organic growth
- ✓ Maximizing opportunities from onshoring and domestic manufacturing tailwinds
- ✓ Cost out and site consolidation synergies
- ✓ Acquisitions

In addition to this, we see a progressive return of our cough, cold and flu revenues.

As a result, we remain excited that our short, mid and long term prospects will deliver above expectations.

Closing

I would like to extend my sincere thanks to our shareholders again for your ongoing support.

On behalf of the executive, I once again would like to extend my gratitude to each and every staff member of the now even wider Probiotec Group. Your dedication, efforts and focus on the task at hand over the past 12 months is the reason the business is in the position of strength it is today.

In closing I would also like to thank the Board of Probiotec whose guidance, leadership, support and level-headed approach during a tumultuous year have been greatly appreciated.

Wesley Stringer
CEO

FY21 Results Summary

FY21 Results Snapshot ($m)

	FY21 Underlying	FY20 Underlying	Underlying vs PCP
Sales Revenue	120.5	107.2	⬆ 12%
EBITDA	21.6	16.9	⬆ 28%
EBIT	15.2	12.6	⬆ 21%
Net Profit After Tax	9.1	7.8	⬆ 17%
Earnings per Share	11.9c	11.1c	⬆ 8%

	FY21 Pro Forma	FY20 Pro Forma	Pro Forma vs PCP
Sales Revenue	160.5	107.2	⬆ 50%
EBITDA	29.6	16.9	⬆ 76%
EBIT	20.8	12.6	⬆ 66%
Net Profit After Tax	13.7	7.8	⬆ 76%
Earnings per Share	17.9c	11.1c	⬆ 62%

Results Reconciliation

FY21 Results Reconciliation ($m)

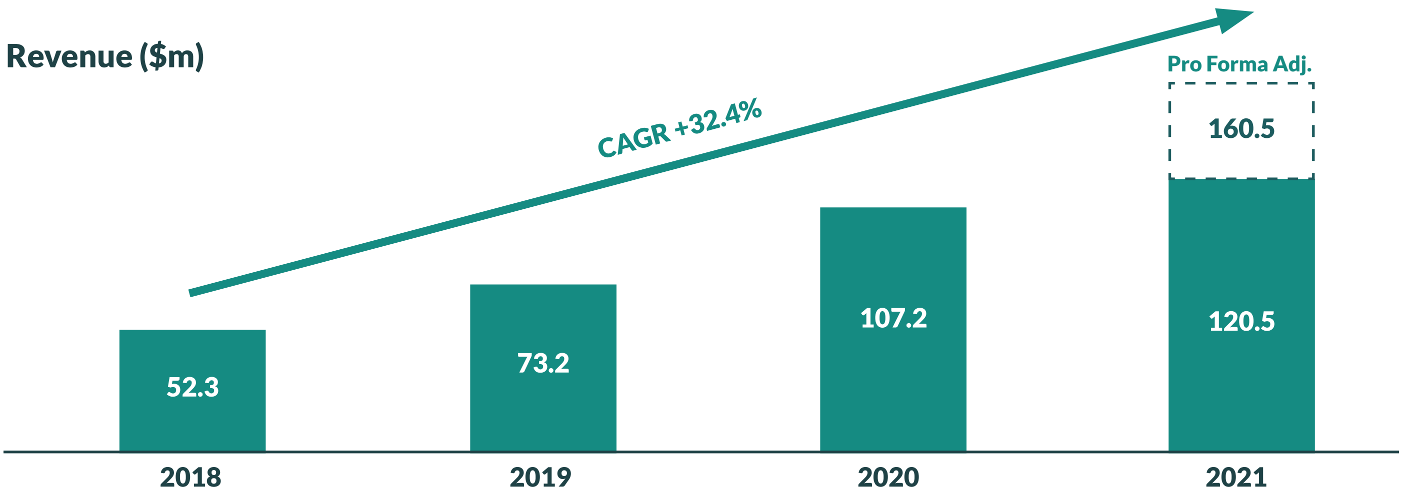
	FY21 Actual Results	Underlying Adjustments	FY21 Underlying Results	Pro Forma Adjustments	FY21 Full Year Pro Forma
Sales Revenue	**120.5**	-	**120.5**	40.0[3]	**160.5**
EBITDA	**19.3**	+2.4[1]	**21.6**	8.0[3]	**29.6**
EBIT	**11.1**	+4.1[1,2]	**15.2**	5.6[3]	**20.8**
Net Profit After Tax	**5.1**	+4.0[1,2]	**9.1**	4.6[3]	**13.7**
Earnings per Share	**6.6c**	-	**11.9c**	-	**17.9c**

(1) Reflects $2.4m (pre-tax) / $2.3m (post-tax) of non-recurring / transaction costs excluded from Underlying Results at EBITDA level
(2) Reflects $1.8m amortisation of acquired intangibles
(3) Reflects Multipack H1 FY21 earnings

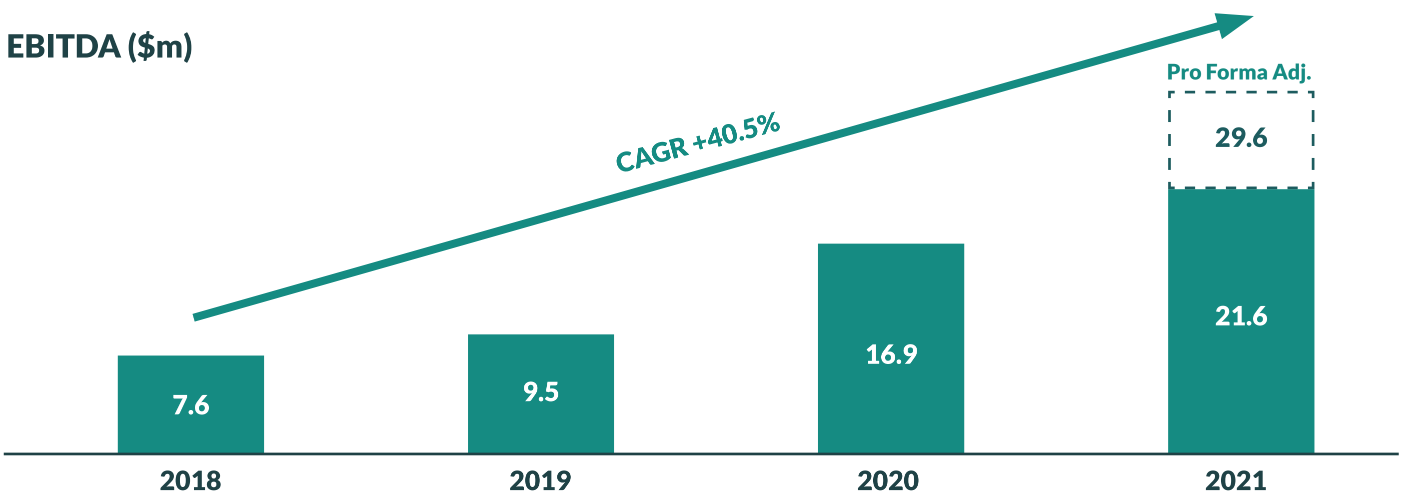
Key Trends & Drivers

- Track record of strong growth continuing to be delivered
- Step change in the scale and opportunities within the business
- Strong growth expected to continue via materially increased client base and reach

Revenue ($m)



EBITDA ($m)



Key Highlights

Strong performance achieved in FY21 despite COVID-19 headwinds.

- ✓ **Acquisition of Multipack LJM delivering in the first 6 months under Probiotec control**
- ✓ **Acquisition of H&H Packing completed and effective from 1st August 2021**
- ✓ **Strong revenue and earnings growth**
- ✓ **Increasing level of inbound enquiry**
- ✓ **Improved cash generation and conversion at 125% of EBITDA[1]**
- ✓ **Net debt levels reduced to 0.7x EBITDA[1]**
- ✓ **Sales and EBITDA in-line with guidance, EPS ahead of guidance**
- ✓ **Record underlying cashflow from operations of $26.9m**

[1] *See page 7 for underlying reconciliation*

Multipack LJM Acquisition

Transformative acquisition with an attractive growth profile

Overview

- Acquisition of Multipack LJM was completed on 31 December 2020
- Acquisition complements Probiotec's existing capability resulting in significant cross-fertilisation opportunities currently underway with access to Multipack LJM's blue chip client base to offer Probiotec Group's range of services
- Strong focus on maximising shareholder value by extracting synergies across the combined group

Trading Update

- Sales and earnings have been strong in the first 6 months under Probiotec control
- Site consolidation opportunity in NSW significantly progressed and expected to realise material synergies in FY24

Our People & ESG

People

A big thank you for the performance, loyalty and resilience of our employees in such a challenging operating environment.

The efforts and commitment as well as flexibility of the team have seen the Group have no material impact on operations throughout the year.

Safety

Continued focus on safety, people and culture.

Reduction in all safety related metrics continues with increased focus and resource deployed to support our employees.

Covid-19

No material impact to operations throughout the year.

Significant precautions and additional protocols in place to safeguard the health and mental wellbeing of our employees.

ESG Focus

Continuing focus on ESG initiatives across the group.

New dedicated resourcing added to further Probiotec’s ESG approach, vision and management.

Achievements & Outlook

FY21 Achievements

Strong financial performance and metrics achieved against Covid-19 headwinds

Multipack LJM acquisition performing strongly

H&H acquisition completed and under Probiotec control from 1 August 2021

No material impacts to operations from Covid-19

FY22-23 Outlook

Cough, cold and flu related products expected to recover progressively in FY22 and more fully in FY23

Impact of new business wins to be realised during FY22 and fully in FY23

Consolidation project to be executed during FY22 and FY23, with synergies commencing from the start of FY24

Focus on further acquisitive growth to complement organic growth

Our Strategy

01

Organic growth via key customer relationships

The expanded Group will provide additional opportunities for cross fertilisation and leveraging of existing capabilities to improve revenues.

02

Maximise opportunity from onshoring and domestic manufacturing

Probiotec is well positioned with the capabilities and capacity to assist global clients to localise their manufacturing in Australia.

03

Acquisition and capital investment opportunities

Probiotec to continue its successful disciplined approach to accretive and strategic acquisitions.

04

Driving operational improvements and cost synergies

Committed focus to reduce costs and leverage operating scale.

Optimise Sydney footprint with consolidation project well progressed.

Corporate Governance Statement

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 are effective as at 1 October 2021.

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. The Board evaluated the performance of the Chief Executive Officer during the 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.

For the year ended 30 June 2021, the Probiotec Group had the following female participation (%) rates:

Probiotec Limited non-executive directors	0
Senior executive positions	31
Other management and professional roles	50
Total workforce	48

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 four members on the Board, of which the majority are independent, non-executive directors. The Chair of the Board is Jonathan Wenig, 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 included in the *2021 Financial 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, are included in the *2021 Financial 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, Jonathan Wenig, Simon Gray and Greg Lan is independent.

2.4 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is made up of Jonathan Wenig, Simon Gray and Wesley Stringer with Jonathan Wenig 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 included in the *2021 Financial 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:

- a Whistleblowing Policy, to support employees reporting the conduct of other employees; and
- a 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 Simon Gray (Chair), and Jonathan Wenig. 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 included in the 2021 Financial Report. The Audit and Risk Management Committee currently only has two members given that the board is currently made up of only three non-executive directors (with one of those only being appointed on 1 July 2021). If and when the size of the board increases a further appointment may be made.

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 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 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 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 Remuneration Report section of the Directors Report, which is included in the *2021 Financial Report*. The remuneration of each director is also set out in the Remuneration Report. Information on the structure of the remuneration of senior management is also set out in the Remuneration Report.

Index to financial report for the year ended 30 June 2021

Director's Report

The directors submit the financial report of Probiotec Limited ("the Company") and its controlled entities ("the Group") for the financial year ended 30 June 2021.

Directors

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

Jonathan Wenig	*Non-Executive and Chairman*
Alexander Beard	*Non-Executive Director*
Wesley Stringer	*Managing Director*
Greg Lan	*Non-Executive Director*
Simon Gray	*Non-Executive Director (appointed 1 July 2021)*

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, packing and sale of pharmaceuticals, consumer health and fast moving consumer products in Australian and international markets.

Operating Results

The consolidated profit of the Group attributable to the shareholders from continuing operations for the financial year was $5,069,220 (2020: $6,442,077).

Dividends

A final dividend of 3.0 cents per fully paid ordinary share has been declared on 24 August 2021 in relation to the financial year ended 30 June 2021 (2020: 3.0 cents). The final dividend will be paid on 8 October 2021, to shareholders of record on 1 October 2021. During the financial year ended 30 June 2021, a final dividend of 3.0 cents per fully paid ordinary share was paid in relation to the 2020 financial year, which amounted to $2,196,878 (2020: $1,869,700). An interim dividend of 2.0 cents per fully paid ordinary share, which amounted to $1,569,268 (2020: $1,121,683) was also paid during the 2021 financial year.

Operating and Financial Review

Overview of results

The Group's underlying[1] net operating profit after tax from continuing activities attributable to members for the year was $9.1 million compared to a profit of $7.8 million for the prior corresponding period.

In light of the ongoing global covid-19 pandemic, the result for the year shows the defensive and resilient nature of the Group's businesses.

The year was one of considerable activity as the Group:

- ✓ Acquired Multipack-LJM;
- ✓ Managed the unprecedented events from the global Covid-19 pandemic;
- ✓ Was able to avoid any Covid-19 related shutdown at any of our facilities;
- ✓ Continued to acquire and on-board new customers and contracts.

Acquisition of Multipack-LJM

On 1 January 2021, the Company acquired all of the issued shares of Multipack-LJM Pty Ltd and L.J.M. Marketing Services Pty Ltd, which comprise the operations of the Multipack LJM business (**Multipack-LJM**) for $52.5 million (subject to the vendors achieving certain deferred consideration earnings hurdles). The vendors are also entitled to earn-outs payable over the first two years from completion, upon the achievement of earnings hurdles over and above the deferred consideration hurdles. The vendors are entitled to the value of the outperformance (over the deferred consideration earnings hurdles) over the first two years.

Multipack-LJM is one of Australia's leading contract packers, providing value-added packing services for some of the world's leading pharmaceutical, consumer healthcare, cosmetics and food and beverage companies. With over 30,000 square-meters of dedicated warehouse capacity in Sydney and Melbourne, Multipack-LJM has the capability to provide 'clean room' and cold-pack services, plus a broad range of automated and manual packing solutions for large and small-run product lines, making them a vital local partner for world-leading brands.

The acquisition is supported by a compelling strategic rationale and provides a new platform for our future

[1] *Excluding non-recurring costs associated primarily with the acquisitions of the Multipack-LJM business and acquisition related amortisation of customer related intangible assets*

growth:

- **Scale:** The Multipack-LJM business combined with Probiotec's existing Sydney packing operations creates one of Australia's leading packing operations, with sales revenue from packing services across the Probiotec Group expected to be approximately $100 million on an annual basis.
- **Expanded Capabilities:** The combination with Multipack-LJM will give Probiotec a full range of manufacturing and rounded-out packing services. Following the acquisition, Probiotec will be the largest co-packer in Australia and will be able to offer an extended range of services to our increasing and widespread client base.
- **Customer Relationships:** Multipack-LJM's capabilities and relationships are expected to deliver organic revenue opportunities. Furthermore, Probiotec expects to be able to service the needs of national accounts in both of its key markets of NSW and Victoria with a combined range of increasing services.
- **Cost Savings:** The acquisition provides the catalyst to consolidate Probiotec's operations and asset footprint over the next 2-3 years, driving material overhead cost saving opportunities and operating synergies.
- **Management depth & future M&A:** Multipack-LJM's founders will join the Probiotec executive team with a mandate to drive further growth in our packing businesses and cross-sell Probiotec's manufacturing services, leveraging their industry relationships and Probiotec's reputation for quality and customer service.

Covid-19

The Group's business experienced several impacts from the Covid-19 pandemic during the year.

A decrease in demand for Cough, Cold and immunity products was the primary impact, together with increases in certain operating costs, including:

- employee costs due to government restrictions;
- increased cleaning and sanitation;
- increased personal protective equipment;
- increased freight and transportation costs.

As a result of the Covid-19 pandemic, several entities within the Group were able to access the JobKeeper program during the year. The health and safety of our workforce is paramount and pleasingly, none of the Group's facilities were closed at any time as a result of the Covid-19 pandemic.

Significant Changes in State of Affairs

There was no 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 2021.

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 other than the ongoing Covid 19 global pandemic.

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments during 2020 and 2021 have caused disruption to businesses and economic activity. The directors will continue to monitor the situation due to continuing changes in government policy, consumer activity and evolving business and customer reactions thereto as it is possible this could have a material impact on the consolidated results of the Group in 2022.

Likely developments, business strategies and prospects

The Group will continue to operate its business consistent with its stated business strategy. 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.

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 approximately six to eight times a year. 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 2021, 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**
Alexander Beard	11	10	2	2	-	-
Wesley Stringer	11	11	-	-	-	-
Jonathan Wenig	11	11	2	2	-	-
Greg Lan	11	11	2	2	-	-
Simon Gray	-	-	-	-	-	-

Information on Directors and Officers

Greg Lan

Role - Non-Executive Director

Qualifications - BSc (hons) Business Administration, MBA (International Marketing and Finance)

Experience - Mr Lan was the founding Managing Director of Sydney-based pharmaceutical company Aspen Pharmacare Australia, a subsidiary of South African listed Aspen Pharmacare Holdings. During Mr Lan's tenure, Aspen Australia experienced exponential growth, particularly after the acquisition of Sigma's branded and generics portfolio in 2011 (as well as its manufacturing facilities), and is today one of Australia's largest pharmaceutical companies. When Mr Lan retired after 15 years with the company, Aspen's Asia Pacific operations (including Australia) had annualised sales in excess of $1 billion. Prior to joining Aspen, Mr Lan has had extensive experience working in the pharmaceutical industry internationally, including senior roles with Ciba-Geigy (now Novartis) in Switzerland and Saudi Arabia, as well as with Sanofi Aventis in Australia. Mr Lan holds an MBA from the University of Michigan.

Special Responsibilities - Nil.

Other Directorships - Nil.

Alexander (Sandy) Beard

Role - Non-Executive Director / Chairman (until 30 June 2021)

Qualifications - B.Comm UNSW, Fellow of Institute of Chartered Accountants, Associate of the Institute of Company Directors.

Experience - Prior to retiring from the role in 2019, Alexander (Sandy) Beard was the Chief Executive Officer of CVC Limited, an ASX Listed investment company with a market capitalisation of approximately $250 million. CVC has a wide range of investments including direct private equity, listed investments, property investments and funds management. Mr Beard has been a director of numerous public companies over the past 17 years. He brings extensive experience with investee businesses, both in providing advice and in direct management roles. Mr Beard has played an important roles in delivering value to shareholders over the past 20 years across a broad spectrum of industries and stages of company growth.

Special Responsibilities - Chairman of the Board (until 30 June 2021).

Other Directorships
- Non-executive director of Centrepoint Alliance (ASX: CAF) - Interest in shares and options: 10,998,296 fully paid ordinary shares
- Non-executive director of Pure Foods Tas Ltd (ASX: PFT) – Interest in shares and options: 1,000,000 fully paid ordinary shares. 500,000 options.
- Chairman HGL Limited (ASX: HNG) – Interest in shares and options: 19,215,724 fully paid ordinary shares; 6,000,000 options.
  Chairman FOS Limited (ASX:FOS) – Interest in shares and options: 80,000 fully paid ordinary shares.

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

Jonathan Wenig	
Role	- Non-Executive Director, Chairman (Appointed 1 July 2021)
Qualifications	- LLB (Hons) (Melb)
Experience	- Mr Wenig is currently a partner at Arnold Bloch Leibler, a leading Australian commercial law firm. Mr Wenig's practice and expertise spans the breadth of commercial and corporate law, including mergers and acquisitions, corporate work, technology and financing. He is a trusted advisor to numerous active and innovative public companies – bringing his intellect and experience to bear not only in their corporate matters and acquisition activities, but across their legal affairs and strategic challenges and opportunities. Mr Wenig is ranked as one of Australia's leading Corporate and M&A lawyers in Chambers Asia Pacific and The Legal 500 Asia Pacific. He is also recognised by Best Lawyers® International in the area of corporate and M&A law and has been ranked by Doyle's Guide in the categories of private equity and corporate law.
Special Responsibilities	- Member of Audit and Risk Management Committee, Chairman of the board (appointed Chairman on 1 July 2021).

Jared Stringer	
Role	- Company Secretary / Chief Financial Officer
Qualifications	- B.Comm (Accounting, Finance), BIT, GradDip.AppCorGov, CPA
Experience	- Began employment with Probiotec as a Financial Accountant in 2006 before being appointed as Chief Financial Officer in 2012. Mr Stringer is a member of the society of Certified Practicing Accountants of Australia and also holds a Graduate Diploma of Applied Corporate Governance.
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

Simon Gray	
Role	- Non-Executive Director. Appointed Chair of the Audit and Risk Committee from 24 August 2021.
Qualifications	- B Arts (UTas), LLB (Bond), LLM (speciality in Corporate and Commercial Laws) (UNSW), Graduate of the Australian Institute of Company Directors.
Experience	- Mr Gray's experience extends across corporate and commercial law, financial services including equity and debt markets, risk and strategy. Mr Gray commenced his career as a solicitor with KPMG Legal and subsequently Norton Rose (then Deacons), before joining Shaw and Partners where he was at various times its General Counsel, Chief Compliance Officer and Deputy CEO. Mr Gray was an Executive Director on the Boards of Shaw and Partners Limited and later Morgans Financial Ltd. Mr Gray is also Chair or the Australian Securities and Investments Commission's Markets Disciplinary Panel and Chair of the ASX Appeal Tribunal.
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.

Disclosure on Unissued Shares under Option

At the date of this report, there were 3,360,000 unissued ordinary shares of Probiotec Limited under option.

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 2021. 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 are 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.

Members of Remuneration and Nominations Committee	Position
Greg Lan	Chairman
Sandy Beard	Member
Wesley Stringer	Member

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 $370,000. 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 2021 financial year are set out on page 10 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.

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with key management personnel. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration and Nominations Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

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) as described above.

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 23 January 2018. 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. Mr. Wesley Stringer was granted 1,260,000 options during the 2021 financial year.

Loans to executives to enable the exercise of options were approved at the Company's Annual General Meeting on 24 October 2019 and subsequently provided to five executives. The aggregate value of these loans at 30 June 2021 was $8.32 million.

Termination Arrangements
All key management personnel are employed subject to employment contracts with indefinite durations. These employment contracts specify a notice period of between one and one year (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. Whilst there is no formal policy linking remuneration policy and company performance, the board strongly believes in the linking of remuneration to Probiotec's performance and has structured executive remuneration packages to include a significant portion 'at risk'. At present, 'at risk' remuneration includes options issued under the Probiotec Executive Option Plan along with short-term cash bonuses payable upon the achievement of agreed Key Performance Indicators.

3. REVIEW OF REMUNERATION

The Remuneration and Nominations Committee ordinarily 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 will have no voting rights and must not be present during discussions on their own remuneration.

4. 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.

5. REMUNERATION DETAILS OF KEY MANAGEMENT PERSONNEL

For the purposes of this report, "Key Management Personnel" (KMPs) 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:

Wesley Stringer	*Managing Director*
Greg Lan	*Non-Executive Director*
Jonathan Wenig	*Non-Executive Director*
Alexander Beard	*Non-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
Julie McIntosh	Chief Operating Officer	Probiotec Limited
Alan Hong	GM – Accounting	Probiotec Limited

Key Management Personnel have not changed from prior year, other than Geoffrey Pearce who resigned as a Director on 30 June 2020.

The Directors and identified KMPs received the following compensation for their services during the year:

		Short-Term Benefits				Post Employment Benefits		Equity-Based Benefits		
		Salary, Fees & Commissions	Short Term Incentives[4]	Non-Cash Benefits	Annual Leave	Long Service Leave[5]	Superannuation Contribution	Options	Total	Proportion of Remuneration that is performance based
2021	**Position**	$	$	$	$	$	$	$	$	%
Directors & Secretaries										
Wesley Stringer	*CEO / Executive Director*	518,280	265,364	-	-	36,169	21,250	31,920	**872,983**	34.1
Greg Lan	*Non-Executive Director*	80,000	-	-	-	-	-	-	**80,000**	-
Alexander Beard	*Non-Executive Director*	114,916	-	-	-	-	10,917	-	**125,833**	-
Jonathan Wenig	*Non-Executive Director*	80,000	-	-	-	-	-	-	**80,000**	-
Jared Stringer	*CFO / Company Secretary*	342,003	181,053	-	-	27,793	24,996	21,787	**597,632**	34.0
		1,135,199	**446,417**	**-**	**-**	**63,962**	**57,163**	**53,707**	**1,756,448**	**28.5**
Other Key Management Personnel										
Julie McIntosh	*COO*	293,003	156,880	-	-	27,793	24,996	21,787	**524,459**	34.0
Alan Hong	*GM - Accounting*	163,640	19,546	11,820	-	4,975	16,958	1,267	**218,206**	9.5
		456,643	176,426	11,820	-	32,768	41,954	23,054	**742,665**	26.9
Total		**1,591,842**	**622,843**	**11,820**	**-**	**96,730**	**99,117**	**76,761**	**2,499,113**	**28.0**

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.

4 *Short Term incentives related to FY2021 were paid in August 2021*
5 *All Long Service Leave amounts relate to accrued balances. No Long Service Leave was taken or paid out during the year.*

The Directors and identified KMPs received the following compensation for their services during the year:

		Short-Term Benefits				Post Employment Benefits		Equity-Based Benefits		
		Salary, Fees & Commissions	Short Term Incentives[4]	Non-Cash Benefits	Annual Leave	Long Service Leave[5]	Superannuation Contribution	Options	Total	Proportion of Remuneration that is performance based
2020	**Position**	$	$	$	$	$	$	$	$	%
Directors & Secretaries										
Wesley Stringer	*CEO / Executive Director*	352,336	90,000	47,313	-	26,023	19,616	-	**535,288**	16.8
Geofrey Ronald Pearce	*Non-Executive Director*	83,713	-	-	-	-	5,475	-	**89,188**	-
Greg Lan	*Non-Executive Director*	54,667	-	-	-	-	-	-	**54,667**	-
Alexander Beard	*Non-Executive Director*	48,706	-	-	-	-	4,627	-	**53,333**	-
Jonathan Wenig[6]	*Non-Executive Director*	4,833	-	-	-	-	-	-	**4,833**	-
Jared Stringer	*CFO / Company Secretary*	251,142	60,000	-	-	8,224	23,859	-	**343,225**	17.5
		795,397	**150,000**	**47,313**	**-**	**34,247**	**53,577**	**-**	**1,080,534**	**13.9**
Other Key Management Personnel										
Julie McIntosh	*COO*	215,097	50,000	-	-	7,510	20,828	-	**293,435**	17.0
Alan Hong	*GM - Accounting*	151,351	5,000	-	-	3,528	24,523	-	**184,402**	2.7
		366,448	55,000	-	-	11,038	45,351	-	**477,837**	11.5
Total		**1,161,845**	**205,000**	**47,313**	**-**	**45,285**	**98,928**	**-**	**1,558,371**	**13.2**

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.

4 *Short Term incentives related to FY2020 were paid in August 2020.*
5 *All Long Service Leave amounts relate to accrued balances. No Long Service Leave was taken or paid out during the year.*
6 *Mr Wenig appointed 1 June 2020.*

6. 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	Options lapsed / forfeited during the year number	Options exercised 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 grant date
Wesley Stringer	27.10.2020	26.10.2022	26.10.2023	$2.12	-	1,260,000	-	-	-	-	-	$0.08
Julie McIntosh	27.10.2020	26.10.2022	26.10.2023	$2.12	-	740,000	-	-	-	-	-	$0.08
Jared Stringer	27.10.2020	26.10.2022	26.10.2023	$2.12	-	860,000	-	-	-	-	-	$0.08
Alan Hong	27.10.2020	26.10.2022	26.10.2023	$2.12	-	50,000	-	-	-	-	-	$0.08
					-	2,910,000	-	-	-	-	-	

* All options are forfeited if the grantee resigns from the company prior to the exercise or expiry of the options.
**All options have been valued using the Black-Scholes option model. The values of the options calculated under this method are allocated evenly over the vesting period.

The number of shares held by key management personnel during the 2020 and 2021 financial year is as follows:

Directors	Balance at 1/07/2019	Share acquisitions through exercise of share options	Other purchases during the year*	Sold during the year	Balance at 30/06/20	Share acquisitions through exercise of share options	Other purchases during the year*	Sold during the year	Balance at 30/06/21
Wes Stringer	2,042,873	4,600,000	-	(1,715,000)	4,927,873	-	11,904	-	4,947,777
Alexander Beard	179,547	-	-	-	179,547	-	-	-	179,547
Jonathan Wenig	-	-	47,500	-	47,500	-	23,250	-	70,750
Greg Lan	113,735	-	-	-	113,735	-	-	-	113,735
Total for Directors	**2,336,155**	**4,600,000**	**47,500**	**(1,715,500)**	**5,268,655**	**-**	**35,154**	**-**	**5,303,809**
Alan Hong	300,000	-	-	(100,000)	200,000	-	-	(20,000)	180,000
Jared Stringer	983,000	2,300,000	-	(483,000)	2,800,000	-	-	(200,000)	2,600,000
Julie McIntosh	200,000	1,250,000	-	(100,000	1,350,000	-	-	(100,000)	1,250,000
Total for KMPs	**1,483,000**	**3,550,000**	**-**	**(683,000)**	**4,350,000**	**-**	**-**	**(320,000)**	**4,030,000**

7. 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 2021, other than those set out on the prior page.

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.

End of audited 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 2021.

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 14 of this report.

Signed in accordance with a resolution of Board of Directors.

Director
Wesley Stringer
Signed at Laverton this 24th day of August 2021

Auditor's Independence Declaration

SW Accountants & Advisors

Take the lead

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF PROBIOTEC LIMITED AND ITS CONTROLLED ENTITIES

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have 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

Hayley Underwood
Partner

Melbourne, 24 August 2021

Brisbane	Melbourne	Perth	Sydney
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PROBIOTEC LIMITED AND CONTROLLED ENTITIES
(ACN: 075 170 151)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated Group 2021 $	2020 $
Sales revenue from continuing operations	2	120,506,877	107,219,983
Cost of goods sold		(81,810,941)	(75,438,444)
Gross profit		38,695,936	31,781,539
Other income	2	61,706	359,979
Warehousing & distribution expenses		(5,526,855)	(6,473,020)
Sales and marketing expenses		(2,660,425)	(1,489,995)
Finance costs		(3,362,309)	(2,290,106)
Administration and other expenses	4	(19,488,685)	(12,990,997)
Profit from continuing activities before income tax expense		7,719,368	8,897,400
Income tax expense relating to continuing activities	5	(2,650,l48)	(2,455,323)
Net profit from continuing activities		5,069,220	6,442,077
Profit from continuing activities for the period attributable to owners of the parent entity		5,069,220	6,442,077
Loss from discontinued operations	6	(223,188)	(2,935,880)
Profit for the period attributable to owners of the parent entity		4,846,032	3,506,197
Other comprehensive income			
Other comprehensive loss to be classified to profit and loss when specific conditions are met			
Exchange differences on translating foreign operations		-	(363,209)
Other comprehensive income that will not be reclassified to profit and loss			
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		4,846,032	3,142,988
Total comprehensive income for the year attributable to owners of the parent entity		4,846,032	3,142,988
Earnings per share for profit attributable to owners of the parent entity			
Basic earnings per share (cents)	32	6.6	9.1
Diluted earnings per share (cents)	32	6.4	9.1
Loss per share from discontinued operations			
Basic earnings per share (cents)	32	(0.3)	(4.2)
Diluted earnings per share (cents)	32	(0.3)	(4.2)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the attached notes

PROBIOTEC LIMITED AND CONTROLLED ENTITIES
(ACN: 075 170 151)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

		Consolidated Group	
		2021	2020
	Note	$	$
Current Assets			
Cash and cash equivalents	14	28,426,756	6,305,680
Trade and other receivables	15	24,451,101	22,939,155
Inventories	16	13,904,501	15,700,277
Assets held for sale	17	-	730,000
Other current assets		993,242	515,089
Total Current Assets		**67,775,600**	**46,190,201**
Non-Current Assets			
Property, plant and equipment	18	26,495,463	17,110,977
Right of use assets	24	37,557,220	19,482,337
Intangible assets	19	84,240,787	42,948,070
Deferred tax assets	20	14,806,624	8,326,377
Total Non-Current Assets		**163,100,094**	**87,867,761**
Total Assets		**230,875,694**	**134,057,962**
Current Liabilities			
Trade & other payables	21	20,094,236	18,043,083
Interest bearing liabilities	22	1,559,723	1,640,000
Lease liabilities	23	5,879,834	2,260,285
Tax liabilities		4,029,471	568,957
Other financial liabilities	7	6,550,000	-
Provisions	25	6,314,337	3,139,537
Total Current Liabilities		**44,427,601**	**25,651,862**
Non-Current Liabilities			
Interest bearing liabilities	22	48,419,445	9,660,000
Lease liabilities	23	41,435,577	24,462,581
Deferred tax liabilities	26	20,319,862	13,229,361
Other financial liabilities	7	6,550,000	
Provisions	25	1,109,965	545,170
Total Non-Current Liabilities		**117,834,849**	**47,897,112**
Total Liabilities		**162,262,450**	**73,548,974**
Net Assets		**68,613,245**	**60,508,988**
Equity			
Contributed equity	27	50,693,401	43,737,151
Share Based Payments Reserve	28	68,121	477,952
Retained earnings		17,851,723	16,293,884
Total Equity		**68,613,245**	**60,508,988**

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

PROBIOTEC LIMITED AND CONTROLLED ENTITIES
(ACN: 075 170 151)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary Share Capital $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Share Based Payments Reserve $	Retained Earnings $	Total $
Balance as at 1 July 2019	33,608,259	(379,516)	488,797	477,952	15,653,483	49,848,975
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,506,197	3,506,197
Deregistration of overseas entities	-	379,516	-	-	(363,209)	16,307
Recognition of asset held for sale	-	-	(488,797)	-	488,797	-
Total comprehensive income for the year	**-**	**379,516**	**(488,797)**	**-**	**3,631,785**	**3,522,504**
Transactions with owners in their capacity as owners						
Shares issued during the year	10,128,892	-	-	-	-	10,128,892
Dividends paid or provided for	-	-	-	-	(2,991,383)	(2,991,383)
Balance as at 30 June 2020	**43,737,151**	**-**	**-**	**477,952**	**16,293,885**	**60,508,988**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	4,846,032	4,846,032
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**4,846,032**	**4,846,032**
Transactions with owners in their capacity as owners						
Shares / options issued during the year	6,956,250	-	-	68,121	-	7,024,371
Dividends paid or provided for	-	-	-	-	(3,766,146)	(3,766,146)
Options exercised	-	-	-	(477,952)	477,952	-
Balance as at 30 June 2021	**50,693,401**	**-**	**-**	**68,121**	**17,851,723**	**68,613,245**

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

PROBIOTEC LIMITED AND CONTROLLED ENTITIES
(ACN: 075 170 151)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated Group 2021 $	2020 $
Cash Flows From Operating Activities			
Receipts from customers		140,706,424	116,608,977
Payments to suppliers and employees		(111,009,511)	(103,538,734)
Interest and other costs of finance paid		(3,362,309)	(2,290,106)
Income tax paid		(1,968,560)	(605,558)
Net cash provided by operating activities	31 (b)	24,366,044	10,174,579
Cash Flows From Investing Activities			
Payment for property, plant and equipment	18	(2,916,450)	(1,989,009)
Proceeds from sale of property, plant and equipment		750,000	89,250
Proceeds from sale of intangible assets		-	5,207,788
Payment for investment in subsidiaries	9	(32,418,730)	(24,617,123)
Payment for intangible assets		(1,272,187)	(3,641,526)
Net cash used in investing activities		(35,857,367)	(24,950,620)
Cash Flows From Financing Activities			
Proceeds from issues of shares		-	10,137,600
Share buy back		-	(8,708)
Dividends Paid		(3,766,146)	(2,991,384)
Proceeds from borrowings		40,827,834	8,519,659
Repayment of borrowings		(3,449,289)	(3,419,443)
Net cash provided by financing activities		33,612,399	12,237,724
Net Increase / (decrease) in cash held		22,121,076	(2,538,317)
Cash at beginning of financial year		6,305,680	8,843,997
Cash at end of financial year	**14**	**28,426,756**	**6,305,680**

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 2021

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 2021 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

Except for cash flow information, 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 24 August 2021.

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) 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.

(d) 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.

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:

Plant, Equipment and Other	5% to 33%

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.

(e) Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

Impairment of Assets
At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Leases

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- The lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (as outlined in the financial report for the annual reporting period.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

(g) 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 acquiree 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. Intangible assets with an indefinite life 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. Developed products with finite lives are amortised on a straight line basis over a useful life of between 5 and 20 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. Capitalised expenditure 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.

iv) Customer relationships

Customer relationships are initially recognised at cost. They are tested at each reporting date for impairment and are carried at cost less any accumulated amortisation and accumulated impairment losses. Customer relationships with finite lives are amortised on a straight line basis over a useful life of 4 to 10 years. Amortisation is included within administration and other expenses in the statement of comprehensive income.

(h) Employee Benefits

i) Wages, Salaries & Annual Leave

Liabilities for employee benefits such as wages, salaries, annual 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 corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Cash flows expected top be settled wholly beyond 12 months are classified as non-current.

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 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.

(i) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or the sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in paragraph 63 of AASB 15: Revenue from Contracts with Customers.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:
- amortised cost; or
- fair value through profit and loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:
- held for trading;
- A contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies; or
- Initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense to profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk to other comprehensive income enlarges or creates an accounting mismatch, these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:
- amortised cost;
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:
- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:
- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss. The initial measurement of financial instruments at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3:Business Combinations applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:
- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(j) Government Grants

Government grant income is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. The Group presents government grant income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a Net basis, which is applied against "Cost of goods sold" and "Administration and other expenses".

(k) Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised so as to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled, in exchange for those goods or services.

Revenue is recognised in accordance with the following five-step process:
1. Identifying the contract with the customer;
2. Identifying the performance obligations in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations in the contract; and
5. Recognising revenue as and when the performance obligations are satisfied.

Variable consideration in contracts such as performance incentives, penalties and bonuses (including those which are contingent) are estimated using either the expected value method or most likely amount method, as appropriate to the circumstances and recognised as revenue at the each reporting period until the contracts are settled.

Any difference between the stand-alone selling prices of the promised goods or services and the promised consideration on the contract is treated as a discount and allocated proportionately to performance obligations on contracts.

All non-cash considerations are measured at their fair value.

Interest revenue

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

(l) Financing costs

Financing costs include interest income and expenses, 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.

(m) 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.

(n) Cash

For the 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.

(o) Comparative Figures

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

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

(p) 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.

(q) 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.

(r) 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.

(s) Fair Value Measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:
- freehold land and building;
- trade payables.

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

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.

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

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 36.

(t) GST added in prior year Consolidated Statement of Cash Flows

The Group has included GST of $10,600,816 in the prior years' operating activities. There was no net impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income or the Consolidated Statement of Cash Flows.

(u) 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.

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 (being from year 2 onwards) and discount rate used in the determination of value in use were 0% and 8.4% respectively. The discount rate used is the Weighted Average Cost of Capital (WACC) of the Group at the reporting date.

Based on the recoverable amounts of the Group's CGUs exceeding their aggregate carrying amounts as at 30 June 2021 there was no impairment charge. Management's sensitivity analysis has determined that no impairment charge would arise as a result of any reasonably possible change in key assumptions.

Impairment Testing for CGUs containing Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to the Group's cash generating units as follows:

	2021 $	2020 $
Multipack-LJM	36,823,876	-
ABS (Aus) Pty Ltd	17,376,052	17,376,052
South Pack Laboratories	8,165,041	8,165,041

The key assumptions used in the estimation of the recoverable amount relating to each CGU are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources.

Assumptions	2021 %
Discount rate	8.4%

The Group performed impairment testing at 30 June 2021 and there was no impairment of goodwill allocated to any CGU.

(ii) Amortisation of intangibles

As detailed in Note 1 (g), the group has a policy of amortising intangible assets with a finite useful life over a period of 4 to 20 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 19. 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 $1,952,320 relating to assets with a finite useful life during the current year.

(iii) Capitalised Development Costs

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.

(iv) Covid 19 Impacts

As noted in the Review of Operations in the Directors' Report, the Board and management have considered the impact of COVID-19 on the consolidated entity's operations and financial performance, and have noted:

A decrease in demand for Cough, Cold and immunity products was the primary impact, together with increases in certain operating costs, including an employee costs due to government restrictions, increased cleaning and sanitation costs and increased personal protective equipment.

As a result of the Covid-19 pandemic, several entities within the Group were able to access the JobKeeper program during the year. The health and safety of our workforce is paramount and pleasingly, none of the Group's facilities were closed at any time as a result of the Covid-19 pandemic.

In preparing the consolidated financial report, management has considered the impact of COVID-19 on the various balances in the financial report, including the carrying values of trade receivables, as well as balances and accounting estimates for which cash flow forecasts are required to be prepared, impairment assessments of goodwill and intangible assets and forecast compliance with borrowing financial covenants.

(v) Lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The decision on whether or not the options to extend are reasonably going to be exercised is a key management judgement that the Group will make. The Group determines the likeliness to exercise on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to the future strategy of the Group.

(vi) Contingent consideration

A considerable degree of judgment has been used in the recognition and measurement of contingent consideration related to the acquisition of Multipack-LJM (see note 9 for full details). Future performance is difficult to accurately forecast and a range of assumptions around future financial performance have been made. Forecasted future performance estimates take into account (amongst other things) recent financial performance amd known changes (predominantly customer wins and losses).

(w) New Accounting Standards

AASB 2020-8 Amendments to Australian Accounting Standards – Interest rate Benchmark Reform – Phase 2

AASB 2020-8 addresses issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relations resulting from the replacement of an interest rate benchmark with an alternative benchmark rate.

The amendments complement AASB 2109-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform and focus on the effects on financial statements when an entity replaces the existing interest rate benchmark with an alternative benchmark rate as a result of the reform.

The amendments are effective for annual periods begging on or after 1 January 2021, with early application permitted.

The directors of Probiotec do not anticipate that the amendments will have a material impact on the Group.

2. REVENUE AND OTHER INCOME

	Note	2021 $	2020 $
Continuing operations			
Revenue from contracts with customers	2(a)	120,506,877	107,219,983
		120,506,877	**107,219,983**
Discontinued operations			
Revenue from contracts with customers	2(a)	-	1,596,767
		-	1,596,767
		120,506,877	108,816,750
Other income		**61,706**	**359,979**

2 (a) Disaggregation of Revenue

	2021 $	2020 $
Continued operations		
Contract manufacturing	120,506,877	107,219,983
	120,506,877	107,219,983
Discontinued operations		
Branded products	-	1,596,767
	-	1,596,767
Timing of revenue recognition		
At a point in time	-	-
Over time	120,506,877	108,816,750
	120,506,877	108,816,750

3. PROFIT FOR THE YEAR

Net profit has been arrived at after including:

	2021 $	2020 $
Finance cost - non related parties	3,362,309	2,290,106
Foreign currency translation losses / (gains)	27,596	(44,463)
Bad and doubtful debts expense - trade receivables	124,126	19,874
Short term lease expenses	557,286	282,715
Professional and consulting expenses	673,848	526,955
Employee benefits expenses	41,330,002	33,386,179
Repairs and maintenance expenses	2,135,454	1,435,282
Depreciation of property, plant and equipment	2,842,846	2,336,891
Depreciation - right of use assets	3,226,117	1,805,359
Amortisation of intangibles	2,104,791	1,168,317
Impairment costs - current assets	-	1,000,000
Defined contribution superannuation expense	3,470,816	2,269,231

4. ADMINISTRATION & OTHER EXPENSES

	Note	2021 $	2020 $
(a) Administration & other expenses comprises:			
Insurance		951,696	646,322
Office expenses		730,553	525,135
Compliance costs		193,112	159,386
Employee benefits		10,800,632	8,109,229
Transaction costs		1,885,086	523,445
Other expenses		4,927,606	3,027,480
		19,488,685	**12,990,997**

(b) Due to the impact of the global Covid-19 pandemic, several entities within the Probiotec Group became eligible for government wage subsidies. The Group received $5.1 million in subsidies during the year ($4.1 million applied against cost of goods sold and $1.1 million applied against administration and other expenses). These subsidies were offset by top-ups to employees who earned below the subsidised amount, restructuring costs, additional operating costs to comply with government requirements (e.g. no shift cross-overs, social distancing), additional cleaning staff and the purchase of personal protective equipment and sanitation products. The net positive impact of the subsidies offset by the increased operating costs is estimated at approximately $1.5 million for the year.

5. INCOME TAX EXPENSE

	Note	2021 $	2020 $
(a) Components of Tax Expense:			
Current income tax	26	3,129,597	1,174,515
Deferred income tax		(575,101)	690,051
Over provision for income tax in prior years		-	-
		2,554,496	**1,864,566**
Income tax is attributable to:			
Profit from continuing operations		2,650,148	2,455,323
Loss from discontinued operations		(95,652)	(590,757)
		2,554,496	**1,864,566**
The average applicable tax rates were:			
Profit from continuing operations		34.3%	27.6%
Loss from discontinued operations		30.0%	16.8%
(b) Reconciliation of income tax expense to prima facie tax payable on profit / (loss)			
Profit from continuing operations		7,719,368	8,897,400
Loss from discontinued operations		(223,188)	(2,935,880)
		7,496,180	**5,961,520**
Prima facie tax expense on profit before income tax at 30% (2020: 30%)		2,248,854	1,788,456
Add Tax effect of:			
Impairment of assets		-	300,000
Other non allowable or assessable items		305,642	(223,890)
Income tax expense		2,554,496	1,864,566
Current tax payable		**3,129,597**	**-**

6. DISCONTINUED OPERATIONS

The Comprehensive income of the discontinued operations was:	2021	2020
	$	$
Revenue	-	1,596,767
Impairment costs	-	(1,000,000)
Profit on sale of fixed assets	-	499,228
Expenses	(318,840)	(4,622,632)
Loss from discontinued operations before income tax	(318,840)	(3,526,637)
Income tax benefit	95,652	590,757
Loss from discontinued operations after income tax	(223,188)	(2,935,880)
The cash flow of the discontinued operations was:		
Net cash flow provided by / (used in) operating activities	(223,188)	(3,526,637)
Net cash flow provided by / (used in) investing activities	-	5,207,788
Net cash flow provided by financing activities	-	-
Net (decrease) / increase in cash held	(223,188)	1,681,151

7. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprises the contingent consideration payable in future periods, see note 9 for further details.

	2021	2020
	$	$
CURRENT		
Contingent consideration	6,550,000	-
	6,550,000	-
NON-CURRENT		
Contingent consideration	6,550,000	-
	6,550,000	-
Total other financial liabilities	13,100,000	-

8. 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:	2021	2020
	$	$
Short-term employee benefits	2,226,505	1,414,158
Post-employment benefits	195,847	144,213
Share-based payments	76,761	-
Total compensation	2,499,113	1,558,371

Short-term employee benefits
These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits
These amounts are the current-year's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long term benefits
These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

9. ACQUISITION OF MULTIPACK-LJM

On 1 January 2021, the Company acquired all of the issued shares of Multipack-LJM Pty Ltd and L.J.M. Marketing Services Pty Ltd, which comprise the operations of the Multipack LJM business (Multipack-LJM) for $52.5 million (subject to the vendors achieving certain deferred consideration hurdles). The deferred consideration is made up of the contingent cash consideration of $13.1 million as disclosed in below table and an additional contingent consideration that is based on over performance of a base EBITDA target over 2 year period.

At completion, cash consideration of $32.4 million was paid together with the issue of shares to the vendors valued at $7.0 million for a total of $39.4 million. Contingent consideration of up to $13.1 million is expected to be payable based on the performance of the Multipack-LJM business over the 2 years following completion. Consideration will be subject to normal adjustments related to cash, debt and working capital levels. Based on management's assessment and valuation, no amount has been recognised in regard to the additional earn-outs for overperformance.

The fair value of the purchase consideration as at the date of acquisition are as follows:

Purchase Consideration	**$**
Cash	32,418,729
Shares Issued	6,956,250
Contingent cash consideration	13,100,000
Total Purchase Consideration	**52,474,979**

Contingent consideration subject to the achievement of EBITDA targets during each of the first year two years post completion is estimated to be $13,100,000. The fair value of the contingent consideration of $13,100,000 has been estimated by calculating the present value of the future expected cash outflows based on a probability factor applied to the likelihood of the relevant deferred consideration being achieved.

The fair values of the assets and liabilities recognised as at the date of the acquisition are as follows:

	$'000
Cash assets	3,998
Other financial assets	632
Current receivables	8,920
Inventories	2,484
Property, plant and equipment	8,875
Right of use assets	21,301
Deferred tax assets	4,614
Non-contractual customer relationships	4,586
Payables	(7,602)
Lease liabilities	(22,614)
Deferred tax liability	(5,800)
Provisions	(3,743)
Net Assets	**15,651**
Goodwill	**36,824**

The fair value of acquired current receivables is $8.92 million, being the gross contractual amount of which none is expected to be uncollectable.

The goodwill is attributable to (amongst other things) the potential synergies Probiotec expects to derive from the integration of the business into its existing business and an increased presence in the packaging segment of the pharmaceutical, veterinary and consumer goods supply chains. It will not be deductible for tax purposes.

Acquisition related costs of $1,632,129 are included in profit or loss and in operating cash flows in the statement of cash flows.

The purchase consideration cash out flow is as follows:	$'000
Cash consideration	32,419
Cash acquired	3,998
Net outflow of cash - investing activities	**28,421**

The acquired business contributed revenues of $34.7 million and net profit of $2.7 million (or $1.6 million after transaction costs) to the Group for the year. If the acquired business had been acquired on 1 July 2020, it would have contributed revenues of $75.7 million and net profit of $6.9 million (or $5.3 million after transaction costs) to the Group for the year.

10. SUBSEQUENT EVENTS

Effective 1 August 2021, Probiotec Limited acquired the assets and business of H&H Packaging ("H&H") for total cash proceeds of (up to) $4 million with $3.2 million (adjusted for required working capital) payable on settlement and a further $0.8 million payable subject to achievement of an earnings related performance hurdle for the first 6 months from settlement.

H&H is a Sydney-based contract packer and manufacturer with a 30-year operating history. The acquisition of H&H will deliver new customers to the Probiotec Group including exciting opportunities to service the industrial, chemical and agricultural markets, widening our overall reach into even more end markets. The acquisition will also add plastic moulding capabilities that can be rolled out across the Probiotec business for our own internal needs as well as to our existing client base, adding an element of vertical integration to the Group.

11. BORROWINGS

During the year, the Group obtained a new bank loan to the amount of $50,000,000 with $40,000,000 of this drawn on 31 December 2020. The loan bears interest at variable market rates and is repayable within three years. The proceeds from the loan have been used to assist with the acquisition of the Multipack-LJM businesses. Repayments of other borrowings amounting to $3,449,289 (2020: $3,419,443) were made in line with previously disclosed repayment terms.

12. REMUNERATION OF AUDITORS	2021 $	2020 $
Amounts paid/payable to ShineWing Australia for:		
Audit services		
Auditing or reviewing the financial report	201,000	174,000
	201,000	174,000

13. DIVIDENDS

A dividend of 3.0 cents per fully paid ordinary share was paid in relation to the financial year ended 30 June 2020. An interim dividend of 2.0 cents per fully paid ordinary share was paid on 19 March 2021. A dividend has been declared for the year ended 30 June 2021 as per below.

	2021		2020	
Recognised Amounts	Cents per Share	Total $	Cents per Share	Total $
Fully Paid Ordinary Shares				
Interim dividend for half year ended 31 December, fully franked at 30% corporate tax rate	2.00	1,569,268	1.50	1,121,683
Final dividend for year ended 30 June, fully franked at 30% corporate tax rate	3.00	2,196,878	2.50	1,869,700
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend for year ended 30 June, fully franked at 30% corporate tax rate	3.00	2,353,902	3.00	2,243,366

Dividend franking account	2021 $	2020 $
Amount of franking credits available for subsequent years	19,249	555

14. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	28,426,756	6,305,680

Interest rate risk exposure

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

15. TRADE AND OTHER RECEIVABLES

	2021	2020
	$	$
CURRENT		
Trade accounts receivable - third parties	24,825,643	23,185,627
Less: allowance for impairment of receivables	(374,542)	(246,472)
Total current trade receivables	24,451,101	22,939,155
Total current trade and other receivables	**24,451,101**	**22,939,155**

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

	2021 Gross	2021 Allowance	2020 Gross	2020 Allowance
	$	$	$	$
Not past due	24,049,455	(120,247)	22,854,269	(243,158)
Past due 1 - 30 days	566,822	(50,409)	331,358	(3,314)
Past due 31 - 60 days	3,410	(3,410)	-	-
Past 61 days	205,956	(200,476)	-	-
	24,825,643	**(374,542)**	**23,185,627**	**(246,472)**

(b) Impaired trade receivables

Trade debtors are generally extended on credit terms of between 14 days to 120 days. As at 30 June 2021, current trade receivables of the Group with a nominal value of $200,476 (2020 - $0) were impaired. The amount of the allowance was $374,542 (2020 - $246,472). Any 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.

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

	2021	2020
	$	$
At 1 July	**246,472**	**184,481**
Provision for impairment recognised during the year	128,070	61,991
Receivables written off during the year as uncollectible	-	-
At 30 June	**374,542**	**246,472**

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 34.

16. INVENTORIES

	2021 $	2020 $
CURRENT		
Raw materials - at cost	13,804,563	13,516,303
Work in progress - at cost	500,310	1,917,043
Finished goods - at cost	514,686	737,128
Provision for obsolescence	(915,058)	(470,197)
	13,904,501	**15,700,277**

17. ASSETS HELD FOR SALE

Land and buildings held for sale	-	730,000
	-	**730,000**

On 25 September 2020, the Company sold its facility in Bomaderry, New South Wales for an amount of $750,000. Transaction costs of $10,816 were incurred in relation to this sale of property.

18. PROPERTY, PLANT AND EQUIPMENT

	2021 $	2020 $
Plant & equipment - at cost	43,062,119	28,898,685
Less: Accumulated depreciation	(16,566,656)	(11,787,708)
TOTAL PROPERTY, PLANT AND EQUIPMENT	**26,495,463**	**17,110,977**

Movements in Carrying Amounts

Consolidated Group	Freehold land $	Buildings $	Plant, Equipment & Other $	Total $
Carrying amount at 1 July 2019	300,000	727,233	14,799,828	15,827,061
Additions	-	-	759,823	759,823
Acquisitions	-	-	3,856,218	3,856,218
Depreciation and amortisation	-	(32,000)	(2,304,892)	(2,336,892)
Transfer to assets held for sale	(300,000)	(695,233)	-	(995,233)
Carrying amount at 30 June 2020	**-**	**-**	**17,110,977**	**17,110,977**
Carrying amount at 1 July 2020	-	-	17,110,977	17,110,977
Additions	-	-	2,916,450	2,916,450
Acquisition (see note 9)	-	-	8,875,000	8,875,000
Reclassification	-	-	381,348	381,348
Depreciation and amortisation	-	-	(2,788,312)	(2,788,312)
Carrying amount at 30 June 2021	**-**	**-**	**26,495,463**	**26,495,463**

19. INTANGIBLE ASSETS

Intangible summary and reconciliation	2021 $	2020 $
Software	712,251	-
Accumulated amortisation	(152,471)	-
	559,780	-
Goodwill at cost	62,364,969	25,541,093
Accumulated impairment	-	-
	62,364,969	25,541,093
Non-contractual customer relationships	16,365,549	11,779,549
Accumulated impairment	-	-
Accumulated amortisation	(3,086,479)	(1,472,475)
	13,279,070	10,307,074
Developed products at cost	12,392,792	12,392,792
Accumulated amortisation	(7,480,139)	(7,145,016)
	4,912,653	5,247,776
Products under development at cost	3,124,315	1,852,128
Accumulated amortisation	-	-
	3,124,315	1,852,128
Total intangible assets	**84,240,787**	**42,948,071**

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:

	Software	Goodwill	Non-contractual customer relationships	Developed Products	Products under Development	Total
Opening balance as at 1 July 2019	-	8,165,041	2,893,333	5,550,283	811,280	17,419,937
Acquisitions	-	17,376,052	8,279,550	-	-	25,655,602
Additions	-	-	-	-	1,040,848	1,040,848
Amortisation	-	-	(865,808)	(302,508)	-	(1,168,316)
Closing balance as at 30 June 2020	**-**	**25,541,093**	**10,307,075**	**5,247,775**	**1,852,128**	**42,948,070**
Opening balance as at 1 July 2020	-	25,541,093	10,307,075	5,247,775	1,852,128	42,948,071
Acquisitions	712,251	36,823,876	4,586,000	-	-	41,409,876
Additions	-	-	-	-	1,272,187	1,272,187
Reclassification	-	-	-	3,194	-	3,194
Transfer of commercialised product	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Amortisation	(152,471)	-	(1,614,004)	(338,316)	-	(1,952,320)
Closing balance as at 30 June 2021	**559,780**	**62,364,969**	**13,279,070**	**4,912,653**	**3,124,315**	**84,240,787**

Estimated useful life of intangible assets

Intangible assets, comprising products under development and goodwill, have indefinite useful lives. Developed Products subject to a license with a specified term have a finite life of 4 to 20 years. Developed Products with indefinite lives relate to 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 administration and other expenses 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.

20. DEFERRED TAX ASSETS

	2021 $	2020 $
Deferred tax assets is comprised as follows:		
Temporary differences - provisions	2,240,130	1,105,412
Temporary differences - leases	12,011,885	5,866,264
Temporary differences - other	554,609	1,354,701
	14,806,624	**8,326,377**

21. TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade accounts payable	13,201,809	14,315,788
Sundry creditors & accruals	5,227,209	2,753,578
GST payable	1,665,218	973,717
	20,094,236	**18,043,083**

(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	2021 $	2020 $
Current		
Euro	155,630	76,588
US Dollars	144,220	1,086,329
	299,850	**1,162,917**

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 34.

22. INTEREST-BEARING LIABILITIES

	2021 $	2020 $
CURRENT		
Secured borrowings		
Bank loans	1,559,723	1,640,000
	1,559,723	**1,640,000**
NON-CURRENT		
Secured borrowings		
Bank loans	48,419,445	9,660,000
	48,419,445	**9,660,000**
(a) Total current and non-current secured liabilities:		
Bank loans	49,979,168	11,300,000
	49,979,168	**11,300,000**
(b) The carrying amount of the assets secured by a first registered mortgage:		
Asset held for sale (Note 17)	-	**730,000**

(c) The bank covenants require cashflow for debt service to EBITDA to exceed 1.40 times and the ratio of financial indebtedness to EBITDA of less than 2.5 time, where EBITDA excludes extraordinary items. The Group is in compliance with the bank covenants.

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

(d) Interest rate risk exposure

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

23. LEASE LIABILITY

Maturity Analysis:	
Year 1	6,718,108
Year 2 to 5	20,380,818
Year 5+	39,706,550
	66,805,476
Less: Unearned interest	(19,490,065)
	47,315,411
Analysed as:	
Current	5,879,834
Non-current	41,435,577
	47,315,411

The Group does not face a significant liquidity risk with regard to lease liabilities. Lease liabilities are monitored within the Group's finance team.

24. RIGHT OF USE ASSETS

	2021 $	2020 $
Leased buildings		
Right-of-use asset	48,408,773	21,602,071
Accumulated amortisation	(10,851,553)	(2,119,734)
	37,557,220	**19,482,337**

(a) Movements in carrying amounts of right of use assets

2021	$
Opening Balance	19,482,337
Additions from acquisitions (see note 9)	21,301,000
Amortisation	(3,226,117)
Closing balance	**37,557,220**

2020	
Opening Balance	18,403,325
Additions	3,238,853
Transfers from / (to) plant and equipment	(354,482)
Amortisation	(1,805,359)
Closing balance	**19,482,337**

The Group leases several buildings. The average lease term 9 years, with a remaining average lease term of 6 years. Right-of-use asset additions for the 2021 financial year amounted to $21,301,000 all related to the Multipack-LJM acquisition.

The Group does not have any leases which contain variable lease payments.

AASB 16 related amounts recognised in the statement of profit and loss

Depreciation charge related to right-of-use assets	3,280,651
Interest expense on lease liabilities	2,090,925
Short-term lease expenses	557,286
Total AASB 16 related expenses	**5,928,862**

Total cash outflows for leases	**5,690,613**

25. PROVISIONS

	2021 $	2020 $
CURRENT		
Employee benefits (a)	6,314,337	3,139,537
	6,314,337	**3,139,537**
NON-CURRENT		
Employee benefits (a)	1,109,965	545,170
	1,109,965	**545,170**
Total provisions	**7,424,302**	**3,684,707**

(a) Provision for employee benefits 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 employee benefits provision:	$
Opening balance at 1 July 2020	3,684,707
Acquired	3,743,000
Amounts used	(2,225,517)
Additional provisions	2,222,112
Amounts unused and reversed	-
Balance at 30 June 2021	**7,424,302**

26. DEFERRED TAXES

	2021 $	2020 $
Deferred taxes is comprised as follows:		
Deferred tax assets (Note 20)	14,806,624	8,326,377
Deferred tax liabilities - temporary differences (a)	(20,319,862)	(13,229,361)
Net deferred tax liabilities	**(5,513,238)**	**(4,902,984)**
Deferred tax expense debit / (credit) to income tax expense	(575,101)	690,051
Deferred tax expense charged to equity	758,242	-

(a) Deferred tax liabilities comprises:

	2021 $	2020 $
Temporary differences - capitalised development costs	(4,967,294)	(4,584,680)
Temporary differences - other	(15,352,568)	(8,644,681)
	(20,319,862)	**(13,229,361)**

Reconciliation of net deferred tax liabilities:

	$
Opening balance as at 1 July 2019	(3,193,688)
Less: deferred tax expense charge (credit) to income	(690,051)
Less: current tax expense	(1,174,515)
Add: deferred tax expense charged to equity	155,270
Closing as at 30 June 2020	(4,902,984)
Add: deferred tax expense	575,101
Less: current tax expense	(3,129,597)
Add: deferred tax expense charged to equity	758,242
Add: acquired (see note 9)	1,186,000
Closing balance as at 30 June 2021	**(5,513,238)**

	2021	2020
	$	$

27. CONTRIBUTED EQUITY

	2021 $	2020 $
78,463,406 (2020: 74,778,870) fully paid ordinary shares	50,693,401	43,737,151
Reconciliation of fully paid ordinary shares		
Balance at beginning of the financial year	43,737,151	33,608,259
Issue of shares	6,956,250	10,137,600
Buy back of shares	-	(8,708)
Balance at end of financial year	**50,693,401**	**43,737,151**

	2021 No.	2020 No.
Reconciliation of ordinary shares		
Balance at the beginning of reporting period	74,778,870	60,034,675
Buy back of shares	-	(5,805)
Shares issued on exercise of options	-	8,750,000
Shares issued during the year	3,684,536	6,000,000
Balance at end of the report date	**78,463,406**	**74,778,870**

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

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 22.

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 2021 and 30 June 2020 were as follows:

	2021 $	2020 $
Total borrowings	51,319,578	12,455,902
Less cash and cash equivalents	(28,426,756)	(6,305,680)
Net debt	22,892,822	6,150,222
Total contributed equity	50,693,401	43,737,151
Total capital employed	**73,586,223**	**49,887,373**
Gearing ratio	31.1%	12.3%

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

28. RESERVES

	2021 $	2020 $
Asset revaluation reserve	-	-
Foreign currency translation reserve	-	-
Share based payments reserve	68,121	477,952
Reconciliation of asset revaluation reserve		
Balance at beginning of financial year	-	488,797
Revaluation of assets	-	-
Transfer to assets held for sale	-	(488,797)
Disposal of assets	-	-
Balance at end of financial year	**-**	**-**
Reconciliation of foreign currency translation reserve		
Balance at beginning of financial year	-	(379,516)
Translation of net investment in foreign entities	-	-
Derecognition of net investment in foreign entities	-	379,516
Balance at end of financial year	**-**	**-**
Reconciliation of share based payments reserve		
Balance at beginning of financial year	477,952	477,952
Issue / (exercise) of options	(409,831)	-
Balance at end of financial year	**68,121**	**477,952**

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.

29. SHARE BASED PAYMENTS

(a) Incentive Option Scheme

The Group has in place an option plan 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 Executive Option 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 greater than one year 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.

Employee incentive scheme options for the year ended 30 June 2021

The following incentive scheme options were issued to eligible employees, including key management personnel:

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
27.10.2020	26.10.2022	26.10.2023	2.12	-	3,360,000	-	3,360,000	-
Weighted average exercise price				-	$2.12	-	$2.12	-

Employee incentive scheme options for the year ended 30 June 2020

The following incentive scheme options were issued to eligible employees, including key management personnel:

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
01.07.2017	01.07.2018	30.06.2020	0.60	950,000	-	(950,000)	-	-
23.11.2017	22.11.2018	22.11.2020	0.72	1,000,000	-	(1,000,000)	-	-
19.12.2017	19.12.2017	18.12.2019	1.15	3,200,000	-	(3,200,000)	-	-
23.01.2018	23.01.2018	22.01.2020	1.15	3,600,000	-	(3,600,000)	-	-
Weighted average exercise price				$1 .02	-	$1.04	-	-

30. 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	**2021**	**2020**
	$	**$**
Payments were made to Arnold Bloch Leibler, an entity associated with Mr Jonathan Wenig (director). These payments were for the provision of legal services. Arnold Bloch Leibler became a related entity on 1 June 2020.	748,253	20,078
Payments were made to The Continental Group Pty Ltd, an entity associated with Mr Geoffrey Pearce (director). These payments were for the supply of raw materials and packaging items. Mr Pearce resigned on 30 June 2020.	n/a	2,831,821
Amounts payable to Arnold Bloch Leibler at year end	104,908	77,918
Amounts payable to Continental Group Pty Ltd at year end	n/a	884,204

Key Management personnel

There were no transactions between Key Management Personnel and Probiotec Limited or any of its subsidiaries during the year ended 30 June 2021 other than as disclosed above and in note 8.

Identification of Related Parties - Ultimate Parent Entity

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

31. NOTES TO THE STATEMENT OF CASH FLOWS

	2021	2020
	$	$

(a) Financing facilities with banks

	2021 $	2020 $
Secured bank overdraft facility:		
Facility balance	1,000,000	1,000,000
Amount used	-	-
Amount unused	1,000,000	1,000,000
Secured term loan and working capital facilities with banks:		
Facility balance	69,200,000	18,300,000
Amount used	(50,700,000)	(11,300,000)
Amount unused	18,500,000	7,000,000
Equipment finance facilities:		
Facility balance	3,000,000	3,000,000
Amount used	(1,340,410)	(1,155,902)
Amount unused	1,659,590	1,844,098

(b) Reconciliation of Profit from Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities:

	2021 $	2020 $
Profit after related income tax	4,846,032	3,506,197
Fair value adjustments	(27,435)	(54,068)
Depreciation and amortisation	8,173,754	5,310,567
Profit on sale of intangible assets	-	(483,817)
Employee share plan expenses	68,121	-
(Decrease)/increase in net deferred taxes	2,176,054	(1,709,296)
(Increase)/decrease in inventories	4,279,776	(384,361)
(Increase)/decrease in trade and other receivables	7,685,525	(1,211,822)
(Increase)/decrease in other current assets	(566,985)	176,644
Increase/(decrease) in trade and other payables	(3,341,723)	5,317,109
Increase/(decrease) in tax liabilities	1,076,330	(605,558)
Increase/(decrease) in provisions	(3,405)	312,984
Net cash from operating activities	24,366,044	10,174,579

Non-cash financing and investing activities:

During the year the Group acquired plant and equipment with an aggregate value of $0 (2020: $1,229,186) by means of finance leases.

(c) Reconciliation of liabilities from financing activities:

			Non-cash changes			
	2020	Cash flows	Acquisitions	Foreign exchange movement	Fair Value changes	2021
Long-term borrowings	9,660,000	39,240,000	-	-	-	48,900,000
Short-term borrowings	1,640,000	160,000	-	-	-	1,800,000
Lease liabilities	26,722,866	(2,021,455)	22,614,000	-	-	47,315,411
Other financial liability	37,389	-	-	-	27,435	64,824
	38,060,255	**37,378,545**	**22,614,000**	**-**	**27,435**	**98,080,235**

32. EARNINGS PER SHARE

	2021 $	2020 $
Profit from continuing activities	5,069,220	6,442,077
Earnings used in the calculation of basic EPS	5,069,220	6,442,077
Earnings used in the calculation of dilutive EPS	5,069,220	6,442,077
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	76,616,091	70,486,308
Weighted average number of options outstanding	2,264,548	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	**78,880,639**	**70,486,308**
Earnings per share:		
Basic earnings per share (cents)	6.6	9.1
Diluted earnings per share (cents)	6.4	9.1
Loss per share from discontinued operations:		
Basic earnings per share (cents)	(0.3)	(4.2)
Diluted earnings per share (cents)	(0.3)	(4.2)

33. SUBSIDIARY INFORMATION

Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

		Ownership Interest Held by the Group	
		2021	2020
Name of subsidiary	**Principal Place of Business**	%	%
Probiotec Pharmaceuticals Pty Ltd	Australia	100	100
Probiotec Pharma Pty Ltd	Australia	100	100
Biotech Pharmaceuticals Australia Pty Ltd	Australia	100	100
Biotech Pharmaceuticals Pty Ltd	Australia	100	100
Probiotec (NSW) Pty Ltd	Australia	100	100
Australian Dairy Proteins Pty Ltd	Australia	100	100
Milton Pharmaceuticals Pty Ltd	Australia	100	100
Willie Labs Generics Pty Ltd	Australia	100	100
South Pack Laboratories (Aust) Pty Ltd	Australia	100	100
LJM Marketing Services Pty Ltd	Australia	100	0
Multipack-LJM Pty Ltd	Australia	100	0
LJM (NSW) Pty Ltd	Australia	100	0

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

34. 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 responsibility 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 market risk, liquidity risk and credit risk.

(a) Market risk

(i) 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 22. 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 up to 50% of its borrowings at fixed rate using floating-to-fixed interest rate swaps and/or fixed rate leasing to achieve this (where applicable). 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. If interest rate swaps are used, 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 2020 and 2021, 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:

2021	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	-	28,426,756	-	-	28,426,756
Total financial assets		28,426,756	-	-	28,426,756
Financial Liabilities:					
Loans and overdraft	3.89	1,559,723	48,419,445	-	49,979,168
Total financial liabilities		1,559,723	48,419,445	-	49,979,168
Net exposure		**26,867,033**	**(48,419,445)**	**-**	**(21,552,412)**

2020	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	-	6,305,680	-	-	6,305,680
Total financial assets		6,305,680	-	-	6,305,680
Financial Liabilities:					
Loans and overdraft	3.75	1,640,000	9,660,000	-	11,300,000
Total financial liabilities		1,640,000	9,660,000	-	11,300,000
Net exposure		**4,665,680**	**(9,660,000)**	**-**	**(4,994,320)**

Sensitivity analysis

Based on the financial assets and liabilities held as at 30 June 2021, 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 2020.

2021	Profit $
1%	(215,524)
2%	(431,048)
2020	
1%	(49,943)
2%	(99,886)

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 raising 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 undrawn credit facilities available for use at the reporting date which would further reduce the liquidity risk. For further details see Note 31(a).

Maturities of financial liabilities

Consolidated Group

2021	Carrying amount $	Total contractual cash flows $	Less than 6 months $	6 - 12 months $	1 - 5 years $
Non-derivatives financial liabilities					
Trade and other payables	20,094,236	20,094,236	20,094,236	-	-
Contingent consideration	13,100,000	13,100,000	-	6,550,000	6,550,000
Lease Liabilities	47,315,411	66,805,476	3,359,054	3,359,054	60,087,368
Variable borrowings	49,979,168	49,979,168	450,000	1,350,000	48,179,168
	130,488,815	149,978,880	23,903,290	11,259,054	114,816,536
2020					
Non-derivatives financial liabilities					
Trade and other payables	18,043,083	18,043,083	18,043,083	-	-
Lease Liabilities	26,722,866	46,061,629	1,663,321	1,663,321	42,734,987
Variable borrowings	11,300,000	11,300,000	820,000	820,000	9,660,000
	56,065,949	75,404,712	20,526,404	2,483,321	52,394,987

(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 15.

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.

(d) Price risk

The Group is not exposed to any material commodity and equity securities price risk. Most of the raw materials are sourced through importing agents and major suppliers 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.

	2021		2020	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	$	$	$	$
Financial Assets				
Trade & other current receivables	24,451,101	24,451,101	22,939,155	22,939,155
Cash	28,426,756	28,426,756	6,305,680	6,305,680
	52,877,857	52,877,857	29,244,835	29,244,835
Financial Liabilities				
Trade & others payables	20,094,236	20,094,236	18,043,083	18,043,083
Contingent consideration	13,100,000	13,100,000	-	-
Interest bearing liabilities	49,979,168	49,979,168	11,300,000	11,300,000
Lease liability	47,315,411	47,315,411	26,722,866	26,722,866
	130,488,815	130,488,815	56,065,949	56,065,949

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

35. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Probiotec Limited, at 30 June 2021.

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

	2021	2020
	$	$
Current assets	26,814,548	25,829,556
Non-current assets	79,937,268	42,944,732
Total Assets	**106,751,816**	**68,774,288**
Current Liabilities	10,223,130	14,404,873
Non-current liabilities	52,305,429	14,244,104
Total Liabilities	**62,528,559**	**28,648,977**
Contributed equity	51,003,151	43,978,780
Retained earnings	(6,779,894)	(3,853,470)
Other reserve		-
Total equity	**44,223,257**	**40,125,310**
Profit / (loss) for the year	1,551,452	(2,003,228)
Other Comprehensive income for the year		-
Total comprehensive income for the year	**1,551,452**	**(2,003,228)**

The parent company has not guaranteed any loans held by its subsidiaries other than as part of the cross guarantees set out in Note 23(c).

The parent entity is subject to contractual obligations in regards to the group's interest bearing liabilities as detailed in Note 22.

36. 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	Level 1	Level 2	Level 3	Total
			30 June 2021		
		$	$	$	$
Recurring fair value measurements					
Financial liabilities					
Interest rate swap		-	64,824	-	64,824
Total financial liabilties recognised at fair value on a recurring basis		**-**	**64,824**	**-**	**64,824**

	Note	Level 1	Level 2	Level 3	Total
			30 June 2020		
		$	$	$	$
Recurring fair value measurements					
Non-financial assets					
Freehold land	18	-	-	-	-
Freehold buildings	18	-	-	730,000	730,000
Total non-financial assets recognised at fair value on a recurring basis		**-**	**-**	**730,000**	**730,000**
Financial Liability					
Contingent cash consideration		-	-	-	-
Total financial liabilities recognised at fair value		**-**	**-**	**-**	**-**
Non-recurring fair value measurements					
Total non-financial assets recognised at fair value on a non-recurring basis		-	-	-	-
Total non-financial assets recognised at fair value		**-**	**-**	**730,000**	**730,000**
Recurring fair value measurements					
Financial liabilities					
Interest rate swap		-	37,389	-	37,389
Total financial liabilties recognised at fair value on a recurring basis		**-**	**37,389**	**-**	**37,389**

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

Description	Fair Value at 30 June 2021	Valuation technique(s)	Inputs used
Financial liabilities			
Interest rate swap	64,824	Income approach using discounted cash flow methodology and swap models	Interest rate
	64,824		

(c) Valuation techniques and unobservable inputs used to measure Level 3 fair values

Description	Fair Value at 30 June 2021	Valuation technique (s)	Significant Inputs Used
Financial liabilities			
Contingent liabilities	13,100,000	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined based on a probability factor on the earn out being achieved.	- Forecast annual revenue - Forecast EBITDA; - Risk adjusted discount rate (14.2%)

(d) Reconciliation of recurring level 3 fair value measurements

	Contingent Consideration
Balance at the beginning of the year	–
Additions	13,100,000
Disposals	–
Transfers	–
Depreciation	–
Revaluation	–
Balance at the end of the year	**13,100,000**

37. SEGMENT INFORMATION

Following a review of the Group's operations in light of the significant changes to the business over the past years (primarily due to acquisitions and divestments), the directors long longer consider it to be relevant or useful to provide segmental information as the Group's operations are now all within the contract manufacturing segment.

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 and accompanying notes, are in accordance with the Corporations Act 2001 and:

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

   (b) give a true and fair view of the financial position as at 30 June 2021 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 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 24th day of August 2021

Accountants & Advisors

Take the lead

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PROBIOTEC LIMITED AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Probiotec Limited (the Company) and its controlled entities (the Group) which comprises the consolidated statement of financial position as at 30 June 2021, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended, and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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1. Accounting for Business Combination

Area of focus	How our audit addressed the area of focus

Refer to Note 1(u) Critical accounting estimates and judgments and Note 9 (Acquisition of Multipack-LJM)
 	
On 1 January 2021, the Group acquired the Multipack-LJM business for $52.5 million (subject to the vendors achieving certain deferred consideration hurdles) which is a significant transaction for the Group.
 	
Accounting for this transaction is complex and required significant judgements and estimates by management:
• to determine the date of acquisition
• to determine the fair value of assets and liabilities acquired
• to determine the fair value of deferred consideration
• to allocate the purchase consideration to goodwill and separately identifiable intangible assets.
	Our audit procedures included:
	• Reviewed the share purchase agreements to identify the key terms and conditions of the acquisition;
	• Reviewed the acquisition entries, the customer relationship valuation obtained by management and other relevant documentation to assess whether the accounting for the acquisition was in line with the requirements of AASB 3 *Business Combinations*, including:
	  ◦ Evaluating whether identifiable assets and liabilities assumed have been appropriately identified and the fair values at acquisition date were materially correct;
	  ◦ Reviewing management's assessment and forecast in achieving the earn out targets supporting the contingent consideration liability recognised; and
	  ◦ Determining whether the amortisation period applied to finite life intangible assets is reasonable.
	• Assessed the adequacy of the Group's disclosures in respect of the acquisition.

2. Impairment of non-financial assets including goodwill

Area of focus	How our audit addressed the area of focus
Refer also to Note 1(u) The Group has expanded its operations through the acquisition of businesses over several years. As a result, the group's net assets include a significant amount of goodwill. Management consider impairment of goodwill and other non-financial assets by preparing a value-in-use model for each of the identified cash-generating units (CGU) to determine their recoverable amount. Value-in-use is calculated based on the discounted cash flows for each CGU based on management's forecasts for sales and EBITDA. Due to the high level of judgement involved, and the significant carrying amounts, we have determined that the recoverable amount is a key judgmental area that our audit concentrated on.	Our audit procedures included: • Obtaining an understanding and assessed key controls over the preparation of the value-in-use models • Obtaining an understanding of the methods, assumptions and data used by management in the value-in-use models • Testing the accuracy of the value-in-use models • Assessing whether the methods, assumptions and data used by management were appropriate; and • Obtaining assistance from our own valuation specialists to assess whether the key assumptions, methods and data were appropriate. • Assessed the adequacy of the Group's impairment disclosures.

Take the lead

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

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

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Probiotec Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood
Partner

Melbourne, 24 August 2021

Other information required by ASX Listing Rules

The information in this section is current as at 16 September 2021.

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

Charles Wayne Stringer	9,744,868 fully paid ordinary shares
Paradice Investments	5,796,747 fully paid ordinary shares
Pie Funds Management Limited	5,677,383 fully paid ordinary shares
Wesley Stringer	4,927,873 fully paid ordinary shares

Holders of each class of equity securities

Security Classes	Holders	Total Units
Fully Paid Ordinary	2,148	78,463,406

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	793	421,488	0.540
	1,001-5,000	799	2,023,622	2.580
	5,001-10,000	225	1,780,232	2.270
	10,001-100,000	268	7,971,784	10.160
	100,001-99,999,999,999	63	66,266,280	84.460
	Totals	**2,148**	**78,463,406**	**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 237 or more shares.

Security Classes	Holdings Ranges	Holders	Total Units	%
Fully Paid Ordinary	0 – 233	106	8,000	0.010
	234 – 99,999,999,999	2,042	78,455,406	99.999
	Totals	**2,148**	**78,463,406**	**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	%
NATIONAL NOMINEES LIMITED	9,872,872	12.583
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,751,942	9.880
WESLEY STRINGER	4,600,000	5.863
INSTON PTY LTD <STRINGER SUPER FUND A/C>	4,052,359	5.165
BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	3,140,199	4.002
BNP PARIBAS NOMS PTY LTD <DRP>	2,580,048	3.288
MR CHARLES WAYNE STRINGER	2,438,574	3.108
INSTON PTY LTD <STRINGER FAMILY A/C>	2,330,313	2.970
MR JARED STRINGER	2,300,000	2.931
CITICORP NOMINEES PTY LIMITED	2,148,956	2.739
BATH ROAD PTY LTD <BATH ROAD A/C>	2,000,000	2.549
GANTER CORPORATION PTY LTD <GANTER FAMILY A/C>	1,993,015	2.540
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,734,293	2.210
JULIE MCINTOSH	1,250,000	1.593
CGP PTY LTD	1,111,369	1.416
ADAM RAWSON	1,042,794	1.329
MR ADAM RAWSON	1,042,793	1.329
S & B SUPER FD PTY LTD <JOHNSTON FAMILY SUPER/F A/C>	1,018,255	1.298
BATH ROAD PTY LTD <BATH ROAD A/C>	1,000,000	1.274
SORF INVESTMENTS PTY LTD	627,900	0.800
	54,035,682	**68.867**

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, the securities below were subject to restrictions:

Security Classes	Holders	Total Units
Escrowed as part of Multipack-LJM acquisition – escrow release 1 Jan 2022	3	1,842,267
Escrowed as part of Multipack-LJM acquisition – escrow release 1 Jan 2023	3	1,842,267
Fully paid ordinary shares – Secured under Executive Loans	5	8,750,000

On market buy-back

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

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Probiotec
Annual Report 2021

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