2022

PROBIOTEC ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

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 2022

Chairman's Letter to Shareholders

Dear Shareholders,

On behalf of your board of directors, it gives me great pleasure to present to you the 2022 Annual Report for Probiotec Limited (PBP).

We are proud of what the group has achieved against a difficult operating backdrop. The performance over the past 12 months is testament to the defensible and resilient business model of Probiotec and to the commitment of the wider Probiotec team.

The last 12 months have certainly tested us and thrown a number of challenges our way.

In the face of unprecedented supply chain disruption, labour shortages, inflation and a myriad of operating challenges the company has continued to grow and deliver for shareholders.

Tailwinds merging

I believe as a result of the pandemic there has and will continue to be a fundamental shift in global supply chains. As such, the outlook for domestic manufacturing, especially in specialist industries such as the pharmaceutical industry in which Probiotec primarily operates, is materially improved.

The pandemic has brought to the forefront the need for Australia to have increased sovereign manufacturing capability. Along with this, brand owners need to bring their supply chains closer to or within region to provide greater responsiveness and flexibility to the market and world events.

We have seen widespread supply chain disruption and significant freight cost increases along with political and global instability. All of these events have fundamentally shifted the pendulum in favour of local manufacturing and supply or at least a diversification of supply chains resulting in more domestic supply.

This onshoring of manufacturing has certainly commenced and we see this as an industry tailwind that is likely to benefit Probiotec for the foreseeable future.

Strong financial and operational performance

Record revenues of $182 million were accompanied by Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $32.8 million. These results 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 remained agile in the operation of all PBP sites to ensure they remained safe and efficient as conditions evolved. The health and safety of PBP's employees remains at the forefront of our thinking.

Through the ongoing refinement of work practices, the flexibility of our work force, customer and supplier co-operation and nimbleness in execution we believe we are emerging from the pandemic in a stronger position than we entered. The pressures on management and the wider Probiotec team have remained at elevated levels and I wish to convey my sincerest thanks to the entire team who showed tremendous commitment over the past year. Their professionalism has prioritised safety, whilst we have seen delivery performance to our customers remain at the highest levels.

Outlook for the future

Whilst a level of uncertainty persists, the board and management expect to deliver growth in both sales and earnings again in FY23.

In the short term, we see:

- The continuation of the recovery and full year effect of cough, cold and flu category sales. We also believe that the category will sit above historical levels for the near future, given the ongoing nature of Covid-19 and the level of virus and transmission in the community;
- New business wins which have been delayed during the pandemic have started to flow and will continue to flow into FY23 and FY24; and
- Supply chain impacts, freight costs, and labour shortages continuing to provide operational and cost challenges albeit with management continuing to navigate these well.

Looking to FY24 and beyond:

- We are confident that onshoring industry tailwinds will continue to gather momentum and result in increasing opportunities for the group (across the breadth of our business);
- We see significant breadth and depth of opportunity given the blue-chip nature of our client base;
- We continue to win new business and build the future pipeline, and we expect further realisation and delivery of prior new business wins;
- Realisation of synergies from site consolidation and further cost-out and rationalisation as the group comes together and the acquisitions completed over the past 2 to 3 years are fully integrated.

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 customers; and to maximise opportunities that arise from the onshoring of domestic manufacturing. 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 second year as Chairman, I am more excited than ever about the prospects of the company and look forward to contributing to the continuation of the growth journey we remain committed to.

I wish to thank my fellow directors for their guidance, counsel and steady hands over the past year and look forward to continuing to take the company forward together.

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. The entire team's focus on excellence has again been demonstrated in this year's result and the positioning of the company for the future.

Yours sincerely,

Jonathan Wenig
Chairman of the board

CEO Update

"A record year with the platform set for sustained growth."

Dear Shareholders,

In what has been another challenging but very successful year I am immensely proud of the entire Probiotec team for their dedication and commitment to excellence. Record revenue and earnings were achieved again against the backdrop of the ongoing covid-19 pandemic, geopolitical issues, supply chain disruptions and inflationary cost pressures.

Key Achievements

- ✓ Record revenue: $182.3m
- ✓ Record EBITDA: Underlying[1] $32.8m
- ✓ Net Debt / EBITDA <0.8 times[2]
- ✓ Business shown to be highly resilient with an exciting platform in place

The commitment, effort and professionalism of our management team has delivered an outstanding set of results for FY22 and the platform is set for the future:

- ✓ Covid management was again strong with all sites operating continuously throughout the entire year
- ✓ Strong new business wins have begun to flow and the growth of the future pipeline is expected to accelerate
- ✓ Onshoring tailwinds continue to gain momentum with global supply chains re-aligning due to freight, political issues and ongoing disruption
- ✓ Strong cost control has been exhibited against an inflationary environment

Operational Summary

Despite a range of challenges thrown at us including supply chain disruptions, inflationary pressures and labour shortages to name a few, the group has delivered an outstanding result.

Record revenues were converted into record earnings. Strong cash flows were also delivered, which saw net debt reduce over the year.

Late in the year, we saw the return in demand for cold & flu products as restrictions were lifted, and I am proud of our operational performance to meet this rapid increase in volumes and our ability to continue to maintain the high level of delivery performance to our customers that Probiotec has become known for.

Whilst the financial results were pleasing, we have also kept an eye to the future with significant investment in new equipment to improve both capacity and capabilities, which we forecast will be needed to meet the businesses trajectory. We have also invested in a range of cost-out, efficiency programs and upgrades across our operating and information systems, which we continue to focus upon and invest in.

Sales and New Business Development

We have invested heavily in additional sales resources over the past year, and this is reaping benefits with our future sales funnel showing promise. We have also invested in a stand-alone resource to further accelerate the ESG objectives of the group as we see sustainability as a key responsibility and a pillar of our future success.

As a group we now have access to the majority of global and local pharmaceutical and FMCG companies with the goal being to continue to grow our overall business with this broader customer base. This cross fertilisation as we refer to it internally, has begun to deliver a myriad of new business wins, with a range of further discussions on foot.

Global supply chains have seen considerable disruption coupled with material increases in global freight costs. Whilst Probiotec has navigated this backdrop, it has caused a shift in supply chain planning and long-term strategic sourcing with many of our customers. This 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

The past 12 months have seen a range of cost out initiatives delivered. The focus has been ramped up on automation, IT systems and efficiency programs. This will be a persistent short, mid, and long term initiative of the group.

The current footprint of the group results in significant duplication in operating costs, especially across NSW, with four operating sites. We are well progressed in our plans to consolidate our NSW sites into a state-of-the-art new custom-built facility that is forecast to deliver material savings to the group. This is an incredibly exciting project for the group and will bring a range of efficiency gains,

1 Underlying Results exclude amortisation of acquisition related intangibles ($2.5 million), fair value gains ($2.8 million) and non-recurring / transaction costs ($0.9 million).
2 Based on Underlying EBITDA above.

capacity increases and a world class, ultra-competitive site to fruition.

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 and leveraging the differing skill sets and experience we possess across the group's sites.

Future

My confidence in the future of Probiotec has never been higher. The platform we have built and the high performing team we have assembled is being supported by a number of macroeconomic tailwinds.

Whilst uncertainty remains the norm, we are confident of delivering growth in sales and earnings in both the short and long term.

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 have seen the return of our cough, cold and flu revenues after they were suppressed primarily due to covid related restrictions, and we forecast these to remain strong for the foreseeable future.

All the above provides me with a great sense of purpose and confidence to take the business forward and continue to deliver on our strategy for our shareholders.

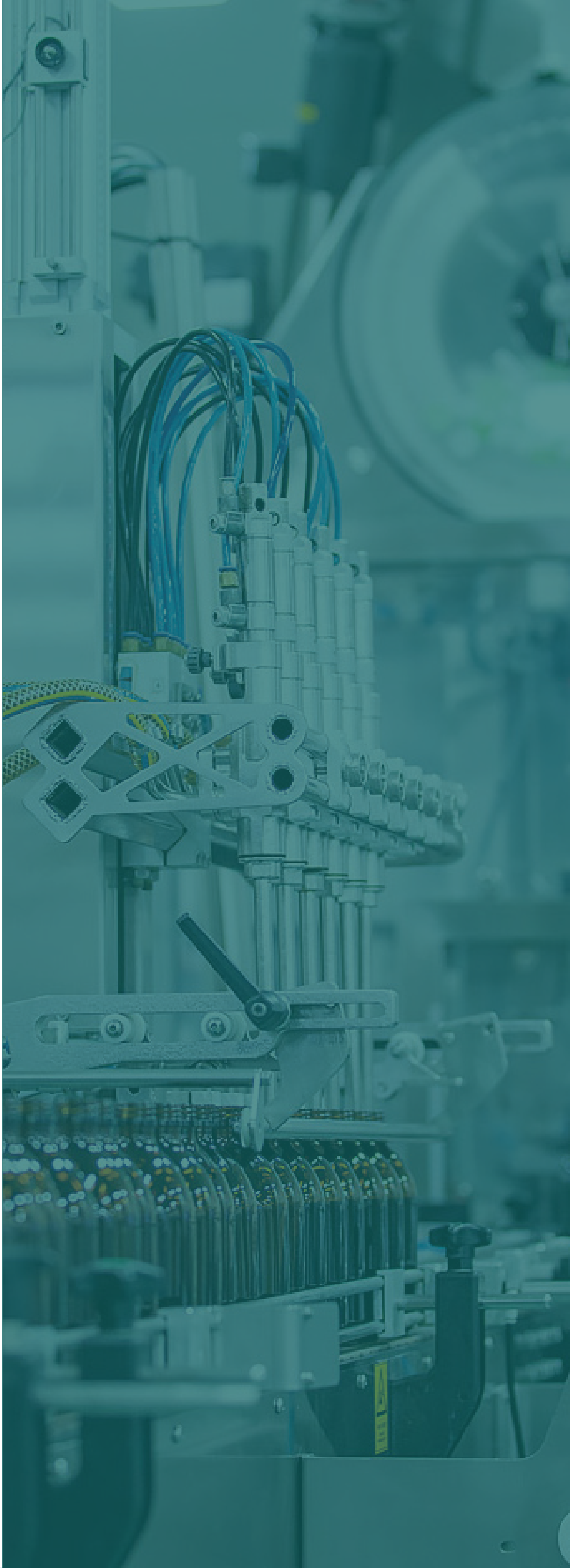
Closing

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

On behalf of the leadership team, I once again would like to extend my gratitude to each and every staff member of the Probiotec group. Your dedication, efforts and professionalism over the past 12 months continues to take the business forward and allows us to deliver into the future.

In closing I would also like to thank the board of Probiotec whose support, guidance, leadership and watchful eye is greatly appreciated in these volatile times, and I look forward to continuing to work closely with the board to deliver upon our future aspirations.

Wesley Stringer
CEO



Company Overview

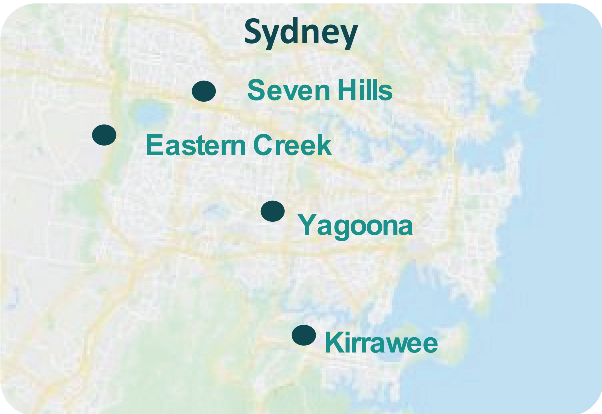
Probiotec is a leading national manufacturer, packer and distributor of client goods

Probiotec provides 200+ clients with a full-service contract manufacturing & packing offering across key categories including:

- ✓ Prescription and OTC Pharmaceuticals
- ✓ Vitamins and Supplements
- ✓ Veterinary Products
- ✓ Cosmetics
- ✓ Food & Beverage
- ✓ Pet Food & Ingredients

The company operates 6 manufacturing facilities and distributes its products both domestically and internationally on behalf of its clients.

Facilities



Key Highlights FY22

1. Record revenue of $182.3m, +14% on FY21 Proforma and above $175m - $180m guidance

2. EBITDA of $32.8m, +34% on FY21 Proforma and at the upper end of $32m - $33m guidance

3. Underlying Earnings Per Share of 16.8 cents, +38% on FY21 Proforma

4. Fully franked final dividend of 3.5 cents per share, resulting in a full year dividend of 5.5 cents per share, +10% on FY21

5. Results driven by strong organic growth together with partial return of cough, cold & flu product sales that were suppressed during the pandemic

6. Strong outlook for the future with a number of growth opportunities and industry tailwinds expected

FY22 Financial Results

	FY22 Statutory[1]		FY22 Underlying[2]
Revenue	$182.3m +51% on FY21	↑	$182.3m +14% on FY21
EBITDA	$34.7m +80% on FY21	↑	$32.8m +34% on FY21
NPAT	$13.7m +170% on FY21	↑	$13.5m +45% on FY21
EPS	17.1 cents +159% on FY21	↑	16.8 cents +38% on FY21
Net Bank Debt / EBITDA	0.8 x -20% on FY21	↓	0.8 x -20% on FY21
Full Year Dividend	5.5 cents +10% on FY21	↑	5.5 cents +10% on FY21

(1) Statutory results per audited FY22 financial statements
(2) Underlying: See below for reconciliation. FY21 includes Pro forma adjustment for Multipack-LJM acquisition. Results adjusted for non-recurring transaction costs and amortisation of acquired intangibles

Results Reconciliation

($'m)	FY22 Actual	Underlying Adjustments	FY22 Underlying	FY21 Actual	Underlying Adjustments	Proforma Adjustments	FY21 Proforma	Growth Rate
Sales Revenue	182.3	-	182.3	120.5	-	40.0	160.5	14%
EBITDA	34.7	(1.9)	32.8	19.3	2.4	2.9	24.6	34%
EBIT	22.3	0.6	22.9	11.1	4.2	0.5	15.8	45%
Net Profit After Tax	13.7	(0.3)	13.5	5.1	3.6	0.6	9.3	45%
EPS	17.1	(0.3)	16.8	6.6	4.6	0.8	12.1	39%

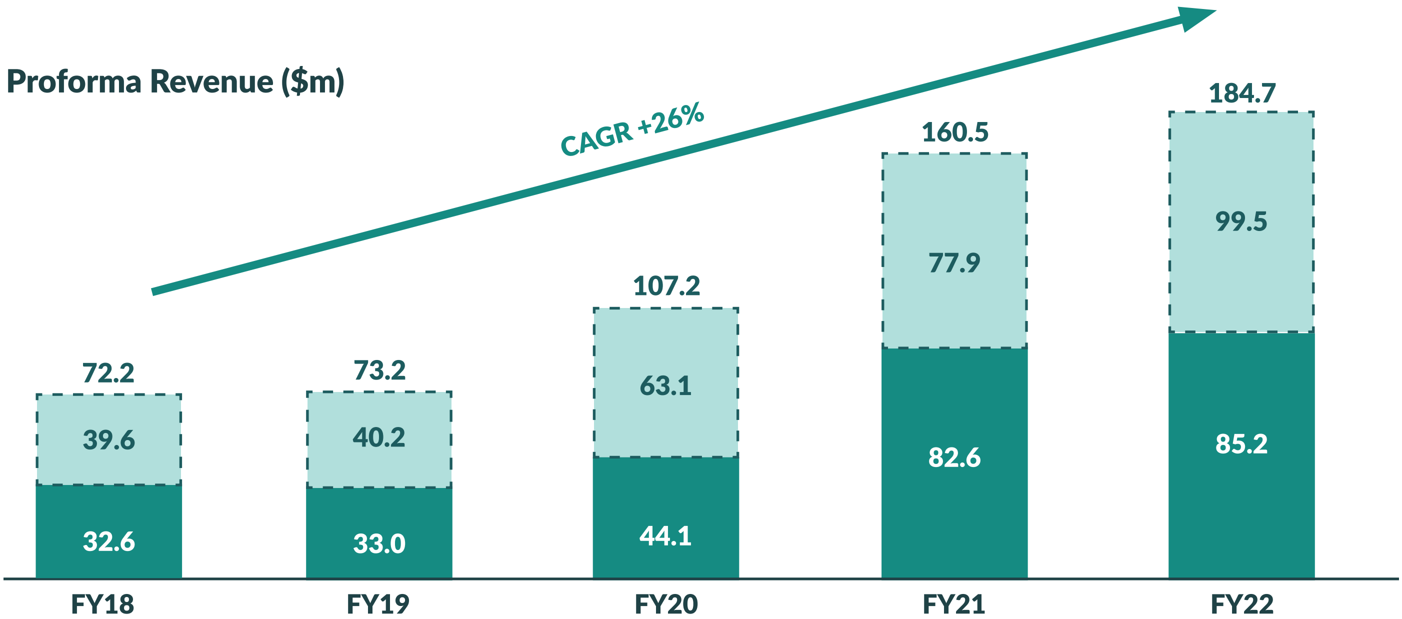
Underlying Adjustments ($'m)	FY22	FY21
Non-recurring transaction costs	0.9	2.4
Fair value gain	(2.8)	-
Amortisation of acquired intangibles	2.5	1.8

	FY21			
Proforma Adjustments ($'m)	Sales	EBITDA	EBIT	NPAT
Multipack-LJM HY21 Results	40.0	8.0	5.6	4.6
Proforma Interest on Multipack-LJM acquisition loan	-	-	-	(0.4)
JobKeeper Income	-	(5.1)	(5.1)	(3.6)
TOTAL	40.0	2.9	0.5	0.6

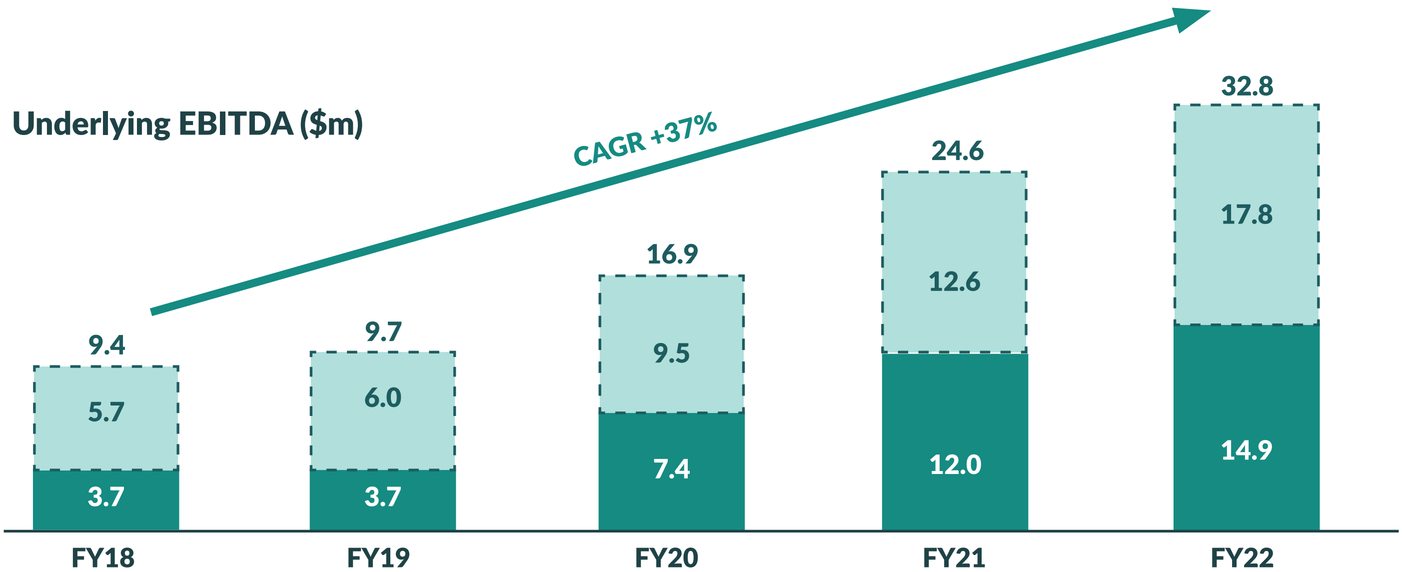
Key Trends & Drivers

- **New customer wins now coming online after being delayed by covid**
- **Significant levels of enquiry being driven by onshoring thematic, along with customers' need to strengthen supply chain reliability**
- **Cough, cold and flu sales coming back faster than expected late in FY22 after being suppressed during the pandemic**

Proforma Revenue ($m)



Underlying EBITDA ($m)



Outlook FY23 & Beyond

Achievements FY22

- ✓ Record sales and earnings.
- ✓ Effectively managed labour shortages and supply chain disruptions from Covid and geopolitical situation. Mitigated impact on operational output and efficiency.
- ✓ Cough, cold and flu sales returned late in the year.
- ✓ Strong cash generation continued.
- ✓ Positioned business for future growth opportunities and to take advantage of industry tailwinds (onshoring and freight advantages of local manufacturing).

Outlook FY23

- ⇨ Despite the uncertain operating environment, the Board remains confident of achieving growth in sales and earnings in FY23.
- ⇨ Cough, cold and flu sales recovery to continue into FY23. Expected reset above historical levels for at least the near term.
- ⇨ New business wins being integrated into the facility – some delays due to global issues but timing risk only as all are contracted long term revenue streams.
- ⇨ Labour shortages and supply chain disruptions continuing to impact operational output and efficiency, expected to ease in the future.
- ⇨ Actively pursuing accretive M&A opportunities given balance sheet strength and strategic priorities.

Ambitions FY24 onwards

- ⇨ Onshoring tailwinds continue to gather momentum with discussions in progress with a number of major clients regarding localisation of manufacturing and supply.
- ⇨ Significant new business opportunities being developed and implemented from our extensive and high quality client base.
- ⇨ Full impact of the pipeline of new business opportunities continuing to be realised.
- ⇨ Realise synergies from consolidation of recently acquired sites from the start of FY25 and further consolidation opportunities within the group.
- ⇨ Acquisition opportunities from continued industry rationalisation will be prioritised.

Our Strategy

1 Organic growth via key customer relationships

Expanded opportunities for cross fertilisation and leveraging of existing capabilities to improve revenues from existing customers.

2 Maximise opportunity from onshoring and domestic manufacturing

Probiotec is well positioned given its capabilities, capacity and experience to assist global clients to localise their manufacturing in Australia and take advantage of tailwinds.

3 Acquisition and capital investment opportunities

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

4 Driving operational improvements and cost synergies

Committed focus to reduce costs and leverage operating scale.

Well progressed on consolidation of Sydney footprint.

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 (Fourth Edition) is set out below.

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

These corporate governance statements are effective as at 23 August 2022.

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 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. The performance in regard to this objective can be seen below.

For the year ended 30 June 2022, the Probiotec group had the following female participation (%) rates:

Probiotec Limited non-executive directors	0
Senior executive positions	60
Other management and professional roles	51
Total workforce	48

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 *2022 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 *2022 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.

Jonathan Wenig is a partner of Arnold Bloch Leibler, a national law firm that provides services to the Probiotec group. The board has consider this association and come to the view that it does not impact upon Mr Wenig's ability to bring independent judgement to bear on issues or to act in the best interests of the entity as a whole.

The term of each current director is as follows (rounded to the nearest year):

- Jonathan Wenig = 2 years
- Wes Stringer = 13 years
- Simon Gray = 1 year
- Paul Santoro = 1 year

The board considers that each of its non-executive directors, Paul Santoro, Jonathan Wenig and Simon Gray is independent.

2.4 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is made up of Simon Gray, Jonathan Wenig and Paul Santoro 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 *2022 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 Paul Santoro (Chair), Jonathan Wenig and Simon Gray. 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 *2022 Financial Report*.

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

4.2 Assurance from Chief Executive Officer and Chief Financial Officer

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

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

4.3 Auditors attendance at general meetings

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

5. Make timely and balanced disclosure

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

6. Respect the rights of security holders

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

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

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

Probiotec does not currently have an internal audit function. However, the company employees a significant range of qualified management across all key business areas and regularly has the managers of these departments report directly to the board.

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 *2022 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 2022

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 2022.

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*
Wesley Stringer	*Managing Director*
Paul Santoro	*Non-Executive Director (appointed 1 February 2022)*
Simon Gray	*Non-Executive Director (appointed 1 July 2021)*
Alexander Beard	*Non-Executive Director (resigned 31 August 2021)*
Greg Lan	*Non-Executive Director (resigned 24 November 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 $13,706,658 (2021: $5,069,220).

Dividends

A final dividend of 3.5 cents per fully paid ordinary share has been declared on 23 August 2022 in relation to the financial year ended 30 June 2022 (2021: 3.0 cents). The final dividend will be paid on 15 September 2022, to shareholders of record on 8 September 2022. During the financial year ended 30 June 2022, a final dividend of 3.0 cents per fully paid ordinary share was paid in relation to the 2021 financial year, which amounted to $2,353,902 (2021: $2,196,878). An interim dividend of 2.0 cents per fully paid ordinary share, which amounted to $1,626,468 (2021: $1,569,268) was also paid during the 2022 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 $13.5 million.

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.

[1] *Excluding non-recurring costs predominantly associated with the acquisitions of the H&H Packaging and Multipack-LJM businesses, amortisation of acquisition related intangible assets and fair value adjustments.*

The year was one of considerable activity as the group:
- ✓ Acquired H&H Packaging on 1 August 2021;
- ✓ Despite difficult trading conditions, achieved growth in both revenue and earnings;
- ✓ Continued to acquire and on-board new customers and contracts.

Acquisition of H&H Packaging

On 1 August 2021, the company acquired the assets and business of H&H Packaging ("H&H") for total cash proceeds of $4 million.

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 molding 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. In time, certain H&H functions may be incorporated into the proposed Sydney site consolidation project.

H&H generated Revenue and EBITDA of approximately $6 million and $1 million respectively for the 12 months ended 30 June 2022. The transaction was funded from cash reserves.

Covid-19

The group's business experienced several impacts from the Covid-19 pandemic during the year. The primary impacts included:
- Additional employee costs due to government restrictions and increased absenteeism;
- increased cleaning and sanitation;
- increased personal protective equipment;
- increased freight and transportation costs;
- a short-term increase in demand for a range of Covid related goods;
- a short-term decrease in Cold & Flu related products, albeit this began to normalise late in the financial year.

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 2022.

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.

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 eight to twelve 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 2022, 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	2	2	1	1	-	-
Wesley Stringer	11	11	-	-	1	-
Jonathan Wenig	11	11	2	2	2	2
Simon Gray	11	11	2	2	2	2
Paul Santoro	5	5	1	1	2	2
Greg Lan	3	3	1	1	-	-

Information on Directors and Officers

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 the Board's Audit and Risk Committee, Chairman of the board (appointed Chairman on 1 July 2021).

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	- Nil.
Other Directorships	- Nil.

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

Paul Santoro	
Role	- Non-Executive Director
Qualifications	- B.Business, FCPA
Experience	- Mr Santoro is the CEO of Cygnett, a Melbourne-based leading global digital accessories business that designs and manufactures market-leading products including wireless chargers, portable power stations, cables, stands and holders that are sold into 42 countries around the world with offices in the UK, USA and China. He is also co-owner of Forest Hill Medical Centre and co-owner of Universal Business Services, a boutique book-keeping and business advisory company. His shift into the technology sector 8 years ago followed over two decades as a senior executive in the healthcare sector. His previous roles included: • CEO of Dorevitch Pathology servicing more than 6,000 medical practitioners, with 1,350 staff including 47 pathologists through a network of 16 laboratories and 90 licensed collection centres; • CEO of ARL Pathology and Molescan Skin Clinics (87 sites across Australia) leading 500 staff including medical scientists, pathologists, medical practitioners and administrative staff; • Vice President of the Australian Association of Pathology Providers (AAPP).
Special Responsibilities	- Chair of the Audit and Risk Committee.
Other Directorships	- Nil.
Simon Gray	
Role	- Non-Executive Director
Qualifications	- BA (Political Science), LLM (Corporate and Commercial Laws), GAICD
Experience	- Formerly an Executive Director of Morgans Financial and prior to that Shaw and Partners, where he was at various times its Deputy CEO, Chief Compliance Officer and General Counsel. Continues to practice as a lawyer with the benefit of 20 years' experience in the financial services industry and a strong background in operations, risk and compliance, including senior oversight of corporate finance. Mr Gray is Chair of ASIC's Market Disciplinary Panel, Chair of ASX's Appeal Tribunal and a member of ASIC's Markets Consultative Panel.
Special Responsibilities	- Member of the Board's Audit and Risk Committee.
Other Directorships	- Nil.
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	- Nil.
Other Directorships	- Nil.

Insurance of Officers

During the financial year, the company paid insurance premiums for a directors' & dfficers' 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 725,000 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 2022. 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
Jonathan Wenig	Chair
Simon Gray	Member
Paul Santoro	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 $260,000. 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 2022 financial year are set out on page 27 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 and performance rights over Probiotec Limited shares issued under the company's Executive Option Plan. 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 and performance rights. Mr. Wesley Stringer was granted 150,000 performance rights during the 2022 financial year. An additional 75,000 performance rights were issued to other executives of the company.

The amendments to Executive Option Plan were approved at the company's Annual General Meeting on 24 October 2019 and subsequently loans were provided to five executives to enable the exercise of options. The aggregate value of loans provided to key management personnel under the Executive Option Plan at 30 June 2022 was $12.8 million, which included $6.0 million of new loans that were granted during the 2022 financial year.

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 month 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 board has regard to a number of factors and metrics related to financial and operational performance, strategic advancement, customer relationship building, safety and overall stakeholder satisfaction.

The following table outlines key metrics reported by the company over the past 4 years to 30 June 2022:

	2022	2021	2020	2019
Total Revenue ($'m)	182.3	120.5	107.2	79.1
Underlying[1] NPAT ($'m)	13.5	9.3	8.1	4.1
Underlying[1] Earnings Per Share (cents)	16.7	12.1	11.1	6.6
Share Price (30 June)	$2.25	$2.08	$1.90	$1.57
Dividends per share (cents)	5.50	5.00	4.00	3.00

[1] Underlying figures exclude non-recurring transaction costs, fair value adjustments, JobKeeper payments and amortisation of customer related intangibles. FY21 figures also include proforma adjustment to annualise the impact of the Multipack-LJM acquisition (as acquired 1 January 2021)

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*
Simon Gray	*Non-Executive Director*
Jonathan Wenig	*Non-Executive Director*
Alexander Beard	*Non-Executive Director*
Paul Santoro	*Non-Executive Director*
Greg Lan	*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:

Paul Santoro	Non-Executive Director (appointed 1 February 2022)
Simon Gray	Non-Executive Director (appointed 1 July 2021)
Alexander Beard	Non-Executive Director (resigned 31 August 2021)
Greg Lan	Non-Executive Director (resigned 24 November 2021)

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

2022	Position	Short-Term Benefits: Salary, Fees & Commissions $	Short-Term Benefits: Short Term Incentives [4] $	Short-Term Benefits: Non-Cash Benefits $	Short-Term Benefits: Annual Leave $	Long Service Leave [5] $	Post Employment Benefits: Superannuation Contribution $	Equity-Based Benefits: Options $	Total $	Proportion of Remuneration that is performance based %
Directors & Secretaries										
Wesley Stringer	*CEO / Executive Director*	564,854	250,629	-	-	26,184	19,619	122,280	**983,566**	37.9
Greg Lan	*Non-Executive Director*	33,333	-	-	-	-	-	-	**33,333**	-
Alexander Beard	*Non-Executive Director*	12,121	-	-	-	-	1,212	-	**13,333**	-
Jonathan Wenig	*Non-Executive Director*	100,000	-	-	-	-	-	-	**100,000**	-
Simon Gray	*Non-Executive Director*	52,500	-	-	-	-	27,500	-	**80,000**	-
Paul Santoro	*Non-Executive Director*	30,303	-	-	-	-	3,030	-	**33,333**	-
Jared Stringer	*CFO / Company Secretary*	364,252	167,086	-	-	14,155	27,498	77,097	**650,088**	37.6
		1,157,363	**417,715**	**-**	**-**	**40,339**	**78,859**	**193,377**	**1,893,653**	**32.6**
Other Key Management Personnel										
Julie McIntosh	*COO*	314,502	146,200	-	-	9,484	27,498	64,150	**561,834**	37.4
Alan Hong	*GM - Accounting*	160,608	19,839	11,820	-	3,734	17,158	1,014	**214,173**	9.7
		475,110	166,039	11,820	-	13,218	44,656	65,164	**776,007**	29.8
Total		**1,632,473**	**583,754**	**11,820**	**-**	**53,557**	**123,515**	**264,541**	**2,669,660**	**31.8**

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 FY2022 are payable in September 2022.
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
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.*

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	30.11.2022	24.08.2023	24.08.2024	$0.00	-	150,000	-	-	-	-	150,000	$0.97
Julie McIntosh	30.11.2022	24.08.2023	24.08.2024	$0.00	-	25,000	-	-	-	-	25,000	$0.97
Jared Stringer	30.11.2022	24.08.2023	24.08.2024	$0.00	-	50,000	-	-	-	-	50,000	$0.97
Wesley Stringer	27.10.2020	24.11.2021	26.10.2023	$2.12	1,260,000	-	-	(1,260,000)	-	-	-	$0.08
Julie McIntosh	27.10.2020	24.11.2021	26.10.2023	$2.12	740,000	-	-	(740,000)	-	-	-	$0.08
Jared Stringer	27.10.2020	24.11.2021	26.10.2023	$2.12	860,000	-	-	(860,000)	-	-	-	$0.08
Alan Hong	27.10.2020	26.10.2022	26.10.2023	$2.12	50,000	-	-	-	-	-	50,000	$0.08
					2,910,000	**225,000**	**-**	**(2,860,000)**	**-**	**-**	**275,000**	

* 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 2021 and 2022 financial year is as follows:

Directors	Balance at 1/07/2020	Share acquisitions through exercise of share options	Other purchases during the year*	Sold during the year	Balance at 30/06/21	Share acquisitions through exercise of share options	Other purchases during the year*	Sold during the year	Balance at 30/06/22
Wes Stringer	4,927,873	-	11,904	-	4,947,777	1,260,000	-	(1,011,904)	5,195,873
Simon Gray	-	-	-	-	25,000	-	25,000	-	50,000
Jonathan Wenig	47,500	-	23,250	-	70,750	-	-	-	70,750
Paul Santoro	-	-	-	-	-	-	33,615	-	33,615
Total for Directors	**4,975,373**	**-**	**35,154**	**-**	**5,018,527**	**1,260,000**	**83,615**	**(1,011,904)**	**5,350,238**
Alan Hong	200,000	-	-	(20,000)	180,000	-	-	-	180,000
Jared Stringer	2,800,000	-	-	(200,000)	2,600,000	860,000	-	-	3,460,000
Julie McIntosh	1,350,000	-	-	(100,000)	1,250,000	740,000	-	-	1,990,000
Total for KMPs	**4,350,000**	**-**	**-**	**(320,000)**	**4,030,000**	**1,600,000**	**-**	**-**	**5,630,000**

7. LOANS PROVIDED TO EXECUTIVES

Limited recourse loans have been provided to 5 executives of the company to facilitate the exercise of options. These loans are secured against the shares issued as part of the option exercise and recourse is limited to the forfeiture of these shares. In accordance with AASB 2 these loan amounts are not recognised in the financial statements. The details of the loans associated with key management personnel are:

Key Management Personnel	Loan amount ($)	Loan expiry date	Shares secured against loan (No.)
Wes Stringer	2,642,976	19/10/2026	1,260,000
Wes Stringer	3,616,000	24/10/2025	3,600,000
Jared Stringer	1,803,936	19/10/2026	860,000
Jared Stringer	2,048,000	24/10/2025	2,300,000
Julie McIntosh	1,552,224	19/10/2026	740,000
Julie McIntosh	1,125,000	24/10/2025	1,250,000
	12,788,136		**10,010,000**

8. 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 2022, 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 2022.

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 31 of this report.

Signed in accordance with a resolution of board of directors.

Director
Wesley Stringer
Signed at Laverton this 23rd day of August 2022

Auditor's Independence Declaration

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 2022 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.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants

Hayley Underwood
Partner

23 August 2022

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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 2022

		Consolidated Group	
	Note	2022	2021
		$	$
Sales revenue from continuing operations	2	182,327,582	120,506,877
Cost of goods sold		(125,087,169)	(81,810,941)
Gross profit		57,240,413	38,695,936
Other income	2	1,351	61,706
Warehousing & distribution expenses		(7,318,441)	(5,526,855)
Sales and marketing expenses		(4,132,516)	(2,660,425)
Fair value adjustments	7	2,770,685	-
Finance costs		(4,286,051)	(3,362,309)
Administration and other expenses	4	(26,239,732)	(19,488,685)
Profit from continuing activities before income tax expense		18,035,709	7,719,368
Income tax expense relating to continuing activities	5	(4,329,051)	(2,650,l48)
Net profit from continuing activities		13,706,658	5,069,220
Profit from continuing activities for the period attributable to owners of the parent entity		13,706,658	5,069,220
Loss from discontinued operations	6	-	(223,188)
Profit for the period attributable to owners of the parent entity		13,706,658	4,846,032
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		13,706,658	4,846,032
Total comprehensive income for the year attributable to owners of the parent entity		13,706,658	4,846,032
Earnings per share for profit attributable to owners of the parent entity			
Basic earnings per share (cents)	31	17.1	6.6
Diluted earnings per share (cents)	31	17.1	6.4
Loss per share from discontinued operations			
Basic earnings per share (cents)	31	-	(0.3)
Diluted earnings per share (cents)	31	-	(0.3)

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 2022

		Consolidated Group	
		2022	2021
	Note	$	$
Current Assets			
Cash and cash equivalents	14	22,203,568	28,426,756
Trade and other receivables	15	31,229,992	24,451,101
Inventories	16	19,601,634	13,904,501
Other current assets		1,599,293	993,242
Total Current Assets		**74,634,487**	**67,775,600**
Non-Current Assets			
Property, plant and equipment	17	27,766,488	26,495,463
Right of use assets	23	34,446,555	37,557,220
Intangible assets	18	86,079,122	84,240,787
Deferred tax assets	19	14,987,503	14,806,624
Total Non-Current Assets		**163,279,668**	**163,100,094**
Total Assets		**237,914,155**	**230,875,694**
Current Liabilities			
Trade & other payables	20	30,863,653	20,094,236
Interest bearing liabilities	21	1,511,664	1,559,723
Lease liabilities	22	7,141,198	5,879,834
Current tax liability		3,164,633	4,029,471
Other financial liabilities	7	4,210,537	6,550,000
Provisions	24	4,533,389	6,314,337
Total Current Liabilities		**51,425,074**	**44,427,601**
Non-Current Liabilities			
Interest bearing liabilities	21	46,955,832	48,419,445
Lease liabilities	22	37,384,888	41,435,577
Deferred tax liabilities	25	19,656,105	20,319,862
Other financial liabilities	7	-	6,550,000
Provisions	24	3,442,760	1,109,965
Total Non-Current Liabilities		**107,439,585**	**117,834,849**
Total Liabilities		**158,864,659**	**162,262,450**
Net Assets		**79,049,496**	**68,613,245**
Equity			
Contributed equity	26	51,293,402	50,693,401
Share Based Payments Reserve	27	178,083	68,121
Retained earnings		27,578,011	17,851,723
Total Equity		**79,049,496**	**68,613,245**

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 2022

	Ordinary Share Capital $	Foreign Currency Translation Reserve $	Asset Revaluation Reserve $	Share Based Payments Reserve $	Retained Earnings $	Total $
Balance as at 1 July 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**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	13,706,658	13,706,658
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**13,706,658**	**13,706,658**
Transactions with owners in their capacity as owners						
Shares / options issued during the year	600,001	-	-	109,962	-	709,963
Dividends paid or provided for	-	-	-	-	(3,980,370)	(3,980,370)
Balance as at 30 June 2022	**51,293,402**	**-**	**-**	**178,083**	**27,578,011**	**79,049,496**

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 2022

	Note	Consolidated Group 2022 $	2021 $
Cash Flows From Operating Activities			
Receipts from customers		193,103,560	140,706,424
Payments to suppliers and employees		(162,890,662)	(111,009,511)
Interest and other costs of finance paid		(4,286,051)	(3,362,309)
Income tax paid		(6,402,031)	(1,968,560)
Net cash provided by operating activities	30 (b)	19,524,816	24,366,044
Cash Flows From Investing Activities			
Payment for property, plant and equipment	17 (a)	(4,865,702)	(2,916,450)
Proceeds from sale of property, plant and equipment		-	750,000
Payment for investment in subsidiaries	9	(9,540,348)	(32,418,730)
Payment for intangible assets		(2,067,155)	(1,272,187)
Net cash used in investing activities		(16,473,205)	(35,857,367)
Cash Flows From Financing Activities			
Proceeds from issues of shares		600,000	-
Dividends Paid		(3,980,370)	(3,766,146)
Proceeds from borrowings		1,172,037	40,827,834
Repayment of borrowings		(7,066,467)	(3,449,289)
Net cash (used in) / provided by financing activities		(9,274,800)	33,612,399
Net Increase / (decrease) in cash held		(6,223,189)	22,121,076
Cash at beginning of financial year		28,426,756	6,305,680
Cash at end of financial year	**14**	**22,203,568**	**28,426,756**

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 2022

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 2022 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 23 August 2022.

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 diminishing balance basis over a useful life of 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

Options are issued pursuant to an employee option 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.

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.

The Company provides limited recourse loans to employees to fund the exercise of options granted under the employee option plan. The limited recourse loans are recorded within equity and not as a receivable or financial asset to be recovered by the Company.

The limited recourse loan becomes repayable on the earliest of:

- The date, which is five years after the grant date of the limited recourse loan;
- When the employee ceases to be employed by the Company.

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

(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:

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

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

Valuation techniques

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

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

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

Further details on fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy can be found in note 35.

(t) 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 9.6% respectively. The discount rate used is the Weighted Average Cost of Capital (WACC) of the Group at the reporting date.

Management's sensitivity analysis has determined that no impairment charge would arise as a result of any reasonable change in key assumption, other than in regard to the LJM CGU. The forecast EBITDA growth rate used in regard to the LJM CGU for the 2023 financial year is approximately 150%. This is due to the fact that this business has experienced difficult trading conditions predominantly as a result of the Covid-19 pandemic. The pandemic has resulted in a reduction in demand for LJM's services together with increases in many of LJM's largest costs (most notably employee costs). If the year 1 EBITDA forecast growth is only 54%, the carrying value of the CGU will equal its recoverable amount if all other assumptions are unchanged.

Based on the recoverable amounts of the Group's CGUs exceeding their aggregate carrying amounts as at 30 June 2022 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, other than those outlined above.

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:

	2022 $	2021 $
Multipack-LJM	22,094,326	22,094,326
HH Packaging Pty Ltd	2,177,865	-
ABS (Aus) Pty Ltd	17,376,052	17,376,052
South Pack Laboratories	8,165,041	8,165,041
LJM Marketing Services	14,729,500	14,729,500

The goodwill related to the acquisition of Multipack-LJM and LJM Marketing services was previously included in one CGU in the prior year. This has been updated in both the current and prior year comparatives such that the goodwill is split across two CGUs per the above table.

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	2022 $
Forecast EBITDA growth rate (Year 1)	1% weighted average growth rate across all CGUs
Forecast EBITDA growth rate (Year 2 onwards)	Nil
Discount rate	9.6%
Terminal growth rate	Nil

The Group performed impairment testing at 30 June 2022 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 18. 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 $3,327,787 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:

The Group's business experienced several impacts from the Covid-19 pandemic during the year. The primary impacts included:
- Additional employee costs due to government restrictions and increased absenteeism;
- increased cleaning and sanitation;
- increased personal protective equipment;
- increased freight and transportation costs;
- a short-term increase in demand for a range of Covid related goods;
- a short term decrease in Cold & Flu related products, albeit this began to normalise late in the financial year.

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. 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 and known changes (predominantly customer wins and losses).

(u) Accounting Standards Issued But Not Yet Effective:

- AASB 2020-7: Amendments to Australian Accounting Standards – COVID -19 Related Rent Concessions: Tier 2 disclosures (AASB 16 and AASB 1060)
- AASB 2021-3: Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021
- AASB 2020-1: Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current
- AASB 2020-6: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- AASB 2014–10: Sale or contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2017-5: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (amends AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2)
- AASB 2020-9: Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments

The amendments are effective for annual periods begging on or after 1 January 2022, with early applicated 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	2022	2021
		$	$
Continuing operations			
Revenue from contracts with customers	2(a)	182,327,582	120,506,877
		182,327,582	**120,506,877**
Discontinued operations			
Revenue from contracts with customers	2(a)	-	-
		-	-
		182,327,582	120,506,877
Other income		**1,351**	**61,706**

2 (a) Disaggregation of Revenue

	2022	2021
Continued operations		
Contract manufacturing	182,327,582	120,506,877
	182,327,582	120,506,877
Timing of revenue recognition		
At a point in time	-	-
Over time	182,327,582	120,506,877
	182,327,582	120,506,877

3. PROFIT FOR THE YEAR

	2022	2021
Net profit has been arrived at after including:		
Finance cost - non related parties	4,286,051	3,362,309
Foreign currency translation losses	72,019	27,596
Bad and doubtful debts expense - trade receivables	267,205	124,126
Short term lease expenses	610,560	557,286
Professional and consulting expenses	802,071	673,848
Employee benefits expenses	63,340,263	41,330,002
Repairs and maintenance expenses	2,263,578	2,135,454
Depreciation of property, plant and equipment	3,583,571	2,842,846
Depreciation - right of use assets	5,421,972	3,226,117
Amortisation of intangibles	3,327,787	2,104,791
Defined contribution superannuation expense	5,432,487	3,470,816

4. ADMINISTRATION & OTHER EXPENSES

	2022	2021
Administration & other expenses comprises:		
Insurance	1,124,110	951,696
Office expenses	820,191	730,553
Compliance costs	324,655	193,112
Employee benefits	13,947,035	10,800,632
Transaction costs	1,090,298	1,885,086
Amortisation of customer relationship intangibles	2,434,960	1,614,004
Other expenses	6,498,483	3,313,602
	26,239,732	**19,488,685**

5. INCOME TAX EXPENSE

	Note	2022	2021
		$	$
(a) Components of Tax Expense:			
Current income tax	25	5,882,765	3,129,597
Deferred income tax		(1,270,447)	(575,101)
Under/(over) provision in respect of prior periods - current tax		(349,240)	-
Under/(over) provision in respect of prior periods - deferred tax		65,973	-
		4,329,051	**2,554,496**
Income tax is attributable to:			
Profit from continuing operations		4,329,051	2,650,148
Loss from discontinued operations		-	(95,652)
		4,329,051	**2,554,496**
The average applicable tax rates were:			
Profit from continuing operations		24.0%	34.3%
Loss from discontinued operations		n/a	30.0%
(b) Reconciliation of income tax expense to prima facie tax payable on profit			
Profit from continuing operations		18,035,709	7,719,368
Loss from discontinued operations		-	(223,188)
		18,035,709	**7,496,180**
Prima facie tax expense on profit before income tax at 30% (2021: 30%)		5,410,713	2,248,854
Add Tax effect of:			
Under/ (over) provision in respect of prior periods		(283,266)	-
Temporary differences not recognised		(290,598)	-
Non-assessable income		(831,206)	-
Other non allowable or assessable items		323,408	305,642
Income tax expense		4,329,051	2,554,496
Current tax payable		**3,164,633**	**4,029,471**

6. DISCONTINUED OPERATIONS

The Comprehensive income of the discontinued operations was:	2022	2021
	$	$
Expenses	-	(318,840)
Loss from discontinued operations before income tax	-	(318,840)
Income tax benefit	-	95,652
Loss from discontinued operations after income tax	-	(223,188)
The cash flow of the discontinued operations was:		
Net cash flow provided by / (used in) operating activities	-	(223,188)
Net cash flow provided by / (used in) investing activities	-	-
Net cash flow provided by financing activities	-	-
Net decrease in cash held	-	(223,188)

7. OTHER FINANCIAL LIABILITIES

Multipack-LJM Pty Ltd and L.J.M. Marketing Services Pty Ltd – Contingent consideration

On 1 January 2021, the Group 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), which includes an estimated contingent consideration of 13.1 million. Contingent consideration is subject to the achievement of EBITDA targets during each of the first year two years post completion. The fair value of contingent consideration at 31 December 2021 is based on management's estimate of future forecasted performance of Multipack-LJM.

At 30 June 2022, the Group's estimate of the total fair value of the contingent consideration is now at $4,210,537. This figure has reduced as a result of:

- payments made to the vendors of $6.1 million;
- a variation agreed between the Company and the vendors that adjusted the amount and structure of the deferred and earn out payments to better align the goals of both parties; and
- adjustments made to future forecasts due to changing customer requirements and economic conditions.

During the year, payments amounting to $5,915,546 were paid to the vendors of Multipack-LJM in fulfillment of year one deferred consideration and earn outs. $800,000 was paid to the vendor of H&H Packaging in full and final settlement of the deferred consideration component of the acquisition.

H&H Packaging - Contingent consideration

Refer to note 9 acquisition of H&H packaging for detail on contingent consideration.

	2022	2021
	$	$
CURRENT		
Multipack-LJM contingent consideration	4,210,537	6,550,000
NON-CURRENT		
Multipack-LJM contingent consideration	-	6,550,000
Total contingent consideration	**4,210,537**	**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:	2022	2021
	$	$
Short-term employee benefits	2,228,047	2,226,505
Post-employment benefits	177,072	195,847
Share-based payments	264,541	76,761
Total compensation	2,669,660	2,499,113

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.

Loans provided to executives
Limited recourse loans have been provided to 5 executives of the Company to facilitate the exercise of options. These loans are secured against the shares issued as part of the option exercise and recourse is limited to the forfeiture of these shares. In accordance with AASB 2 these loan amounts are not recognised in the financial statements. The details of the loans associated with key management personnel are:

Key Management Personnel	Loan Amount $	Loan expiry date	Shares secured against loan No.
Wes Stringer	2,642,976	19/10/2026	1,260,000
Wes Stringer	3,616,000	24/10/2025	3,600,000
Jared Stringer	1,803,936	19/10/2026	860,000
Jared Stringer	2,048,000	24/10/2025	2,300,000
Julie McIntosh	1,552,224	19/10/2026	740,000
Julie McIntosh	1,125,000	24/10/2025	1,250,000
	12,788,136		**10,010,000**

9. ACQUISITION OF H&H PACKAGING

On 1 August 2021, Probiotec Limited ('Probiotec') acquired the assets and business of H&H Packaging ("H&H") for total cash proceeds of (up to) $4 million with $3.2 million at completion and a further $0.8 million based on the achievement of an earnings target for the six months following completion.

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

Purchase Consideration	$
Cash	2,824,802
Contingent cash consideration	800,000
Total Purchase Consideration	**3,624,802**

Contingent consideration was subject to the achievement of an EBITDA target during the first six months post completion resulting in up to $800,000 if the target was met. The fair value of the contingent consideration of $800,000 has been estimated based on a probability factor applied to the likelihood of the relevant target being achieved. As at the date of this report, the earnings hurdle has been met and the Group has made a payment of $800,000 in March 2022.

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

	$'000
Inventories	370,624
Other financial assets	45,361
Property, plant and equipment	563,410
Right of use assets	872,601
Non-contractual customer relationships	1,206,601
Deferred tax liability	(361,980)
Lease liability	(872,601)
Provisions	(377,079)
Net Assets	**1,446,937**
Goodwill	**2,177,865**

The goodwill is attributable to (amongst other things) the potential synergies Probiotec expects to derive from the integration of the H&H business into its existing business and an increased presence in the packaging segment of the packing supply chain. It will not be deductible for tax purposes. The goodwill recognised has been allocated to a separate CGU.

Acquisition related costs of $82,053 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	3,624,802
Cash acquired	-
Net outflow of cash - investing activities	**3,624,802**

The acquired business contributed revenues of $6.0 million and net profit of $0.6 million (or $0.5 million after transaction costs) to the Group for the financial year ended 30 June 2022.

10. SUBSEQUENT EVENTS

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

11. BORROWINGS

Repayments of borrowings amounting to $1,800,000 (2021: $1,938,870) were made in line with previously disclosed repayment terms.

12. REMUNERATION OF AUDITORS	2022 $	2021 $
Amounts paid/payable to SW Audit for:		
Audit services		
Auditing or reviewing the financial report	230,000	201,000
	230,000	201,000

13. DIVIDENDS

A dividend of 3.0 cents per fully paid ordinary share was paid in relation to the financial year ended 30 June 2021. An interim dividend of 2.0 cents per fully paid ordinary share was paid on 18 March 2022. A dividend has been declared for the year ended 30 June 2022 as per below.

	2022		2021	
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	1,626,468	2.00	1,569,268
Final dividend for year ended 30 June, fully franked at 30% corporate tax rate	3.00	2,353,902	3.00	2,196,878
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend for year ended 30 June, fully franked at 30% corporate tax rate	3.50	2,746,219	3.00	2,353,902

Dividend franking account	2022 $	2021 $
Amount of franking credits available for subsequent years	1,826,272	19,249

14. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	22,203,568	28,426,756

Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 33.

15. TRADE AND OTHER RECEIVABLES

	2022	2021
	$	$
CURRENT		
Trade accounts receivable - third parties	32,085,970	24,825,643
Less: allowance for impairment of receivables	(855,978)	(374,542)
Total current trade receivables	31,229,992	24,451,101
Total current trade and other receivables	**31,229,992**	**24,451,101**

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

	2022 Gross	2022 Allowance	2021 Gross	2021 Allowance
	$	$	$	$
Not past due	29,952,151	(149,761)	24,049,455	(120,247)
Past due 1 - 30 days	1,461,171	(33,569)	566,822	(50,409)
Past due 31 - 60 days	333,613	(333,613)	3,410	(3,410)
Past 61 days	339,035	(339,035)	205,956	(200,476)
	32,085,970	**(855,978)**	**24,825,643**	**(374,542)**

(b) Impaired trade receivables

Trade debtors are generally extended on credit terms of between 14 days to 120 days. As at 30 June 2022, current trade receivables of the Group with a nominal value of $339,035 (2021 - $200,476) were impaired. The amount of the allowance was $855,978 (2021 - $374,542). 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:

	2022	2021
	$	$
At 1 July	**374,542**	**246,472**
Provision for impairment recognised during the year	481,436	128,070
Receivables written off during the year as uncollectible	-	-
At 30 June	**855,978**	**374,542**

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 33.

16. INVENTORIES

	2022	2021
	$	$
CURRENT		
Raw materials - at cost	19,481,044	13,804,563
Work in progress - at cost	591,252	500,310
Finished goods - at cost	666,283	514,686
Provision for obsolescence	(1,136,945)	(915,058)
	19,601,634	**13,904,501**

17. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
	$	$
Plant & equipment - at cost	46,825,830	43,062,119
Less: Accumulated depreciation	(19,059,342)	(16,566,656)
TOTAL PROPERTY, PLANT AND EQUIPMENT	**27,766,488**	**26,495,463**

(a) Movements in Carrying Amounts

Consolidated Group	Plant, Equipment & Other $
Carrying amount at 1 July 2020	17,110,977
Additions	2,916,450
Acquisitions	8,875,000
Reclassification	381,348
Depreciation and amortisation	(2,788,312)
Carrying amount at 30 June 2021	**26,495,463**
Carrying amount at 1 July 2021	26,495,463
Additions	4,865,702
Acquisition (see note 9)	563,410
Depreciation and amortisation	(4,158,087)
Carrying amount at 30 June 2022	**27,766,488**

18. INTANGIBLE ASSETS

Intangible summary and reconciliation	2022 $	2021 $
Software	963,235	712,251
Accumulated amortisation	(726,987)	(152,471)
	236,248	559,780
Goodwill at cost	64,542,834	62,364,969
Accumulated impairment	-	-
	64,542,834	62,364,969
Non-contractual customer relationships	17,572,151	16,365,549
Accumulated impairment	-	-
Accumulated amortisation	(5,521,439)	(3,086,479)
	12,050,711	13,279,070
Developed products at cost	11,756,170	12,392,792
Accumulated amortisation	(7,161,828)	(7,480,139)
	4,594,342	4,912,653
Products under development at cost	4,654,987	3,124,315
Accumulated amortisation	-	-
	4,654,987	3,124,315
Total intangible assets	**86,079,122**	**84,240,787**

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 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	-	-	-	3,194	1,272,187	1,275,381
Amortisation	(152,471)	-	(1,614,004)	(338,316)	-	(1,952,320)
Closing balance as at 30 June 2021	**559,780**	**62,364,969**	**13,279,071**	**4,912,653**	**3,124,315**	**84,240,787**
Opening balance as at 1 July 2021	559,780	62,364,969	13,279,071	4,912,653	3,124,315	84,240,788
Acquisitions	-	2,177,865	1,206,601	-	-	3,384,466
Additions	250,984	-	-	-	1,530,672	1,781,656
Reclassification	-	-	-	-	-	-
Transfer of commercialised product	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Amortisation	(574,516)	-	(2,434,960)	(318,311)	-	(5,444,436)
Closing balance as at 30 June 2022	**236,248**	**64,542,834**	**12,050,711**	**4,594,342**	**4,654,987**	**86,079,122**

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 20 years. Developed Products with indefinite lives relate to product dossiers. Developed Products with finite useful lives are amortised on a diminishing balance 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.

19. DEFERRED TAX ASSETS

	2022 $	2021 $
Deferred tax assets is comprised as follows:		
Temporary differences - provisions	2,495,286	2,240,130
Temporary differences - leases	11,175,088	12,011,885
Temporary differences - other	1,317,128	554,609
	14,987,503	**14,806,624**

20. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Trade accounts payable	20,546,989	13,201,809
Sundry creditors & accruals	8,411,698	5,227,209
GST payable	1,904,966	1,665,218
	30,863,653	**20,094,236**

(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	2022 $	2021 $
Current		
Euro	131,116	155,630
US Dollars	705,194	144,220
	836,310	**299,850**

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 33.

21. INTEREST-BEARING LIABILITIES

	2022 $	2021 $
CURRENT		
Secured borrowings		
Bank loans	1,511,664	1,559,723
	1,511,664	**1,559,723**
NON-CURRENT		
Secured borrowings		
Bank loans	46,955,832	48,419,445
	46,955,832	**48,419,445**
(a) Total current and non-current secured liabilities:		
Bank loans	48,467,496	49,979,168
	48,467,496	**49,979,168**

(b) 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 times, where EBITDA excludes extraordinary items. The Group is in compliance with the bank covenants. The facilities for the bank loans expire on 31 December 2023.

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

(c) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 33.

22. LEASE LIABILITY

Maturity Analysis:	
Year 1	7,780,334
Year 2 to 5	20,743,235
Year 5+	35,822,551
	64,346,120
Less: Unearned interest	(19,820,034)
	44,526,086
Analysed as:	
Current	7,141,198
Non-current	37,384,888
	44,526,086

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

23. RIGHT OF USE ASSETS

	2022 $	2021 $
Leased buildings		
Right-of-use asset	50,454,040	48,408,773
Accumulated amortisation	(16,007,485)	(10,851,553)
	34,446,555	**37,557,220**

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

2022	$
Opening Balance	37,557,220
Additions from acquisitions (see note 9)	872,601
Other additions	1,438,706
Amortisation	(5,421,972)
Closing balance	**34,446,555**

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

The Group leases several buildings. The average lease term 9 years, with a remaining average lease term of 5 years. Right-of-use asset additions for the 2022 financial year amounted to $2,311,307 with $872,601 related to the H&H Packaging 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	5,421,972
Interest expense on lease liabilities	2,350,967
Short-term lease expenses	610,560
Total AASB 16 related expenses	**8,383,499**
Total cash outflows for leases	**8,338,640**

24. PROVISIONS

	2022	2021
	$	$
CURRENT		
Employee benefits (a)	4,533,389	6,314,337
	4,533,389	**6,314,337**
NON-CURRENT		
Employee benefits (a)	3,442,760	1,109,965
	3,442,760	**1,109,965**
Total provisions	**7,976,149**	**7,424,302**

(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 2021	7,424,302
Acquired through acquisition (see note 9)	377,079
Amounts used	(2,725,845)
Additional provisions	2,900,613
Balance at 30 June 2022	**7,976,149**

25. DEFERRED TAXES

	2022 $	2021 $
Deferred taxes is comprised as follows:		
Deferred tax assets (Note 19)	14,987,503	14,806,624
Deferred tax liabilities - temporary differences (a)	(19,656,105)	(20,319,862)
Net deferred tax liabilities	**(4,668,602)**	**(5,513,238)**
Deferred tax expense debit / (credit) to income tax expense	(1,270,447)	(575,101)
Deferred tax expense charged to equity	-	758,242

(a) Deferred tax liabilities comprises:

Temporary differences - capitalised development costs	(5,223,184)	(4,967,294)
Temporary differences - other	(14,432,921)	(15,352,568)
	(19,656,105)	**(20,319,862)**

Reconciliation of net deferred tax liabilities:

	$
Opening balance as at 1 July 2020	(4,902,984)
Add: deferred tax expense	575,101
Add: acquired	(1,185,355)
Closing as at 30 June 2021	**(5,513,238)**
Add: deferred tax expense	1,206,616
Add: acquired (see note 9)	(361,980)
Closing balance as at 30 June 2022	**(4,668,602)**

	2022	2021
	$	$

26. CONTRIBUTED EQUITY

	2022 $	2021 $
81,323,406 (2021: 78,463,406) fully paid ordinary shares	51,293,402	50,693,401
Reconciliation of fully paid ordinary shares		
Balance at beginning of the financial year	50,693,401	43,737,151
Issue of shares	600,001	6,956,250
Balance at end of financial year	**51,293,402**	**50,693,401**

	2022 No.	2021 No.
Reconciliation of ordinary shares		
Balance at the beginning of reporting period	78,463,406	74,778,870
Shares issued on exercise of options	2,860,000	-
Shares issued during the year	-	3,684,536
Balance at end of the report date	**81,323,406**	**78,463,406**

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 21.

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 2022 and 30 June 2021 were as follows:

	2022	2021
	$	$
Total borrowings	50,066,572	51,319,578
Less cash and cash equivalents	(22,203,568)	(28,426,756)
Net debt	27,863,004	22,892,822
Total contributed equity	51,293,402	50,693,401
Total capital employed	**79,156,406**	**73,586,223**
Gearing ratio	35.2%	31.1%

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

27. RESERVES	2022 $	2021 $
Share based payments reserve	178,083	68,121
Reconciliation of share based payments reserve		
Balance at beginning of financial year	68,121	477,952
Issue / (exercise) of options	109,962	(409,831)
Balance at end of financial year	**178,083**	**68,121**

28. 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 2022

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	-	(2,860,000)	500,000	-
24.11.2021	24.08.2023	23.11.2024	0.00	-	225,000		225,000	-
Weighted average exercise price				$2.12	-	$2.12	$1.45	-

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	-

Limited recourse loans have been provided to 5 executives of the Company to facilitate the exercise of options. These loans are secured against the shares issued as part of the option exercise and recourse is limited to the forfeiture of these shares. The details of the loans associated with key management personnel are:

Loan Type	Loan Amount ($)	Loan Expiry Date	Shares secured against loan No.
Executive loan	7,285,000	24.10.2025	7,750,000
Executive loan	5,999,136	19.10.2026	2,860,000
	13,284,136		**10,610,000**

29. 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	**2022**	**2021**
	$	**$**
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.	820,503	748,253
Amounts payable to Arnold Bloch Leibler at year end	162,917	104,908

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 2022 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.

30. NOTES TO THE STATEMENT OF CASH FLOWS

	2022 $	2021 $
(a) Financing facilities with banks		
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	57,400,000	69,200,000
Amount used	(48,467,496)	(50,700,000)
Amount unused	8,932,504	18,500,000
Equipment finance facilities:		
Facility balance	3,000,000	3,000,000
Amount used	(1,599,076)	(1,340,410)
Amount unused	1,400,924	1,659,590

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

	2022 $	2021 $
Profit after related income tax	13,706,658	4,846,032
Fair value adjustments	(2,770,685)	(27,435)
Depreciation and amortisation	12,333,330	8,173,754
Employee share plan expenses	452,180	68,121
(Decrease)/increase in net deferred taxes	(1,270,447)	2,176,054
(Increase)/decrease in inventories	(5,326,509)	4,279,776
(Increase)/decrease in trade and other receivables	(6,778,891)	7,685,525
(Increase)/decrease in other current assets	(560,690)	(566,985)
Increase/(decrease) in trade and other payables	10,429,940	(3,341,723)
Increase/(decrease) in tax liabilities	(864,838)	1,076,330
Increase/(decrease) in provisions	174,768	(3,405)
Net cash from operating activities	19,524,816	24,366,044

Non-cash financing and investing activities:

During the year the Group acquired plant and equipment with an aggregate value of $1,438,706 (2021: $0) by means of finance leases.

(c) Reconciliation of liabilities from financing activities:

			Non-cash changes			
	2021	Cash flows	Acquisitions	Foreign exchange movement	Fair Value changes	2022
Long-term borrowings	48,900,000	(1,944,168)	-	-	-	46,955,832
Short-term borrowings	1,800,000	(288,336)	-	-	-	1,511,664
Lease liabilities	47,315,411	(3,661,926)	872,601	-	-	44,526,086
Other financial liability	64,824	-	-	-	-	64,824
	98,080,235	**(5,894,430)**	**872,601**	**-**	**-**	**93,058,406**

31. EARNINGS PER SHARE

	2022	2021
	$	$
Profit from continuing activities	13,706,658	5,069,220
Earnings used in the calculation of basic EPS	13,706,658	5,069,220
Earnings used in the calculation of dilutive EPS	13,706,658	5,069,220
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	80,140,228	76,616,091
Weighted average number of options outstanding	28,889	2,264,548
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	**80,169,117**	**78,880,639**
Earnings per share:		
Basic earnings per share (cents)	17.1	6.6
Diluted earnings per share (cents)	17.1	6.4
Loss per share from discontinued operations:		
Basic earnings per share (cents)	-	(0.3)
Diluted earnings per share (cents)	-	(0.3)

ON

apital consisting solely of ordinary shares which are held directly by the Group. The proportion of
; rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

		Ownership Interest Held by the Group	
		2022	2021
	Principal Place of Business	%	%
	Australia	100	100
	Australia	100	100
	Australia	100	100
	Australia	100	100
	Australia	100	100
	Australia	100	100
	Australia	100	100
	Australia	100	100
	Australia	100	100
	Australia	100	100
	Australia	100	100
LJM (NSW) Pty Ltd	Australia	100	100
HH Packaging Pty Ltd	Australia	100	-

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.

33. 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 21. 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 2021 and 2022, 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:

2022	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	-	22,203,568	-	-	22,203,568
Total financial assets		22,203,568	-	-	22,203,568
Financial Liabilities:					
Loans and overdraft	4.11	1,511,664	46,955,832	-	48,467,496
Total financial liabilities		1,511,664	46,955,832	-	48,467,496
Net exposure		**20,691,904**	**(46,955,832)**	**-**	**(26,263,928)**

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)**

Sensitivity analysis

Based on the financial assets and liabilities held as at 30 June 2022, 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 2021.

2022	Profit $
1%	(262,639)
2%	(525,279)
2021	
1%	(215,524)
2%	(431,048)

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 30(a).

Maturities of financial liabilities

Consolidated Group

2022	Carrying amount $	Total contractual cash flows $	Less than 6 months $	6 - 12 months $	1 - 5 years $
Non-derivatives financial liabilities					
Trade and other payables	30,863,653	30,863,653	30,863,653	-	-
Contingent consideration	4,210,537	4,210,537	-	4,210,537	-
Lease Liabilities	44,526,086	64,346,120	3,890,167	3,890,167	56,565,786
Variable borrowings	48,467,496	48,467,496	450,000	1,061,664	46,955,832
	128,067,772	**147,887,806**	**35,203,820**	**9,162,368**	**103,521,618**
2021					
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	1,109,723	48,419,445
	130,488,815	**149,978,880**	**23,903,290**	**11,018,777**	**115,056,813**

(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.

	2022		2021	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	$	$	$	$
Financial Assets				
Trade & other current receivables	31,229,992	31,229,992	24,451,101	24,451,101
Cash	22,203,568	22,203,568	28,426,756	28,426,756
	53,433,560	53,433,560	52,877,857	52,877,857
Financial Liabilities				
Trade & others payables	30,863,653	30,863,653	20,094,236	20,094,236
Contingent consideration	4,210,537	4,210,537	13,100,000	13,100,000
Interest bearing liabilities	48,467,496	48,467,496	49,979,168	49,979,168
Lease liability	44,526,086	44,526,086	47,315,411	47,315,411
	128,067,772	128,067,772	130,488,815	130,488,815

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

34. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Probiotec Limited, at 30 June 2022.

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

	2022	2021
	$	$
Current assets	28,998,845	26,814,548
Non-current assets	90,597,902	79,937,268
Total Assets	**119,596,747**	**106,751,816**
Current Liabilities	20,503,014	10,223,130
Non-current liabilities	49,061,663	52,305,429
Total Liabilities	**69,564,677**	**62,528,559**
Contributed equity	51,515,357	51,003,151
Retained earnings	(1,483,287)	(6,779,894)
Total equity	**50,032,070**	**44,223,257**
Profit for the year	2,371,885	1,551,452
Other Comprehensive income for the year	-	-
Total comprehensive income for the year	**2,371,885**	**1,551,452**

The parent company has not guaranteed any loans held by its subsidiaries other than as part of the cross guarantees set out in Note 21(c).

The parent entity is subject to contractual obligations in regards to the group's interest bearing liabilities as detailed in Note 21.

35. 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:

		30 June 2022			
	Note	Level 1	Level 2	Level 3	Total
		$	$	$	$
Recurring fair value measurements					
Financial liabilities					
Interest rate swap		-	-	-	-
Total financial liabilties recognised at fair value on a recurring basis		**-**	**-**	**-**	**-**

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

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

Description	Fair Value at 30 June 2022	Valuation technique(s)	Inputs used
Financial liabilities			
Interest rate swap	-	Income approach using discounted cash flow methodology and swap models	Interest rate
	-		

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

Description	Fair Value at 30 June 2022	Valuation technique (s)	Significant Inputs Used
Financial liabilities			
Contingent consideration	4,210,537	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;

(d) Reconciliation of recurring level 3 fair value measurements

	Contingent Consideration
Balance at the beginning of the year	13,100,000
Additions (see note 9)	800,000
Payment made to vendors of prior acquisitions	(6,918,778)
Revaluation	(2,770,685)
Balance at the end of the year	**4,210,537**

36. 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.

A customer of the Group contributed more than 10% of total revenue during the term with a total of $23.5 million for the 2022 financial year.

37. SUBSEQUENT EVENTS

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

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 2022 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 23rd day of August 2022

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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 subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other 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 Probiotec Limited 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 2022 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. Impairment of non-financial assets including goodwill

Key audit matter	How our audit addressed the key audit matter
Refer to Note 1(t)(i) *Value in use calculation assumptions* 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 considers 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 audit matter.	Our audit procedures included: • Obtaining an understanding and assessing 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 • Obtaining assistance from our own valuation specialists to assess whether the key assumptions, methods and data were appropriate, and • Assessing the adequacy of the Group's impairment disclosures.

2. Subsequent measurement of contingent consideration

Key audit matter	How our audit addressed the key audit matter
Refer to Note 1(t)(vi) *Contingent consideration* and Note 7 *Other financial liabilities* On 1 January 2021, the Group acquired the Multipack-LJM business for $52.5 million, subject to the vendors achieving certain deferred consideration hurdles over a two-year period. The size and nature of the provision, and the significant judgement and estimation involved in assessing the likely contingent consideration makes this a key audit matter.	Our audit procedures included: • Obtaining a copy of the signed sale and purchase agreement and Year two earnout restructure and assessed the terms specifically relating to contingent consideration • For contingent consideration payables which have been remeasured in the current year, we have assessed the events and circumstances emerging since the last assessment which triggered the remeasurement. We have held discussions with management, compared the performance forecast to the revised future business plan and obtained evidence of those events or circumstances to support the remeasurement, and • Ensuring any adjustments made to the contingent consideration are adequately disclosed in the financial report.

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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 2022, 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

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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 14 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Probiotec Limited for the year ended 30 June 2022 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.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants

Hayley Underwood
Partner

23 August 2022

Other information required by ASX Listing Rules

The information in this section is current as at 29 September 2022.

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	5,195,873 fully paid ordinary shares
Copia Investment Partners Ltd	4,455,319 fully paid ordinary shares

Holders of each class of equity securities

Security Classes	Holders	Total Units
	1,911	81,323,406

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	726	366,271	0.450
	1,001-5,000	698	1,734,795	2.130
	5,001-10,000	194	1,554,292	1.910
	10,001-100,000	237	7,336,489	9.020
	100,001-99,999,999,999	56	70,331,559	86.480
	Totals	1,911	81,323,406	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 234 or more shares.

Security Classes	Holdings Ranges	Holders	Total Units	%
Fully Paid Ordinary	0 – 233	113	5,979	0.007
	234 – 99,999,999,999	1,798	81,317,427	99.993
	Totals	**1,911**	**81,323,406**	**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	11,979,970	14.731
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,776,458	9.562
WESLEY STRINGER	4,860,000	5.976
INSTON PTY LTD <STRINGER SUPER FUND A/C>	4,052,359	4.983
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,794,781	4.666
CITICORP NOMINEES PTY LIMITED	3,670,079	4.513
BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	3,660,000	4.501
MR JARED STRINGER	3,160,000	3.886
BNP PARIBAS NOMS PTY LTD <DRP>	2,796,986	3.439
MR CHARLES WAYNE STRINGER	2,438,574	2.999
INSTON PTY LTD <STRINGER FAMILY A/C>	2,330,313	2.865
GANTER CORPORATION PTY LTD <GANTER FAMILY A/C>	1,993,015	2.451
JULIE MCINTOSH	1,990,000	2.447
BATH ROAD PTY LTD <BATH ROAD A/C>	1,630,000	2.004
MR ADAM JOSEPH AUNDRE RAWSON	1,042,794	1.282
MR ADAM RAWSON	1,042,793	1.282
S & B SUPER FD PTY LTD <JOHNSTON FAMILY SUPER/F A/C>	1,018,255	1.252
BATH ROAD PTY LTD <BATH ROAD A/C>	1,000,000	1.230
MT SMITH GROUP PTY LTD <MT SMITH FAMILY A/C>	670,000	0.824
MR PETER WILLIAM COGHILL & MRS DEBBIE ANNE COGHILL <P & D COGHILL S/FUND A/C>	609,700	0.750
	61,516,077	**75.644**

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 2023	3	1,842,267
Fully paid ordinary shares – Secured under Executive Loans	5	10,610,000

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 2022

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Probiotec Limited
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