PROBIOTEC

ABN 91 075 170 151

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

PREPARED IN ACCORDANCE WITH ASX LISTING RULE 4.2A

This document should be read in conjunction with the most recent annual financial report

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Appendix 4D

Probiotec Limited
Half Year Report
For the half year ended 31 December 2014

Results for announcement to market

Current Reporting Period: Half year ended 31 December 2014
Previous Corresponding Period: Half year ended 31 December 2013

Gross Results		**Movement**		**($'000)**
Sales Revenue from ordinary activities	Down	2.3%	to	31,451
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Down	(693.0%)	to	(22,265)
Earnings before interest and tax (EBIT)	Down	(1,521.3%)	to	(24,787)
Net profit from ordinary activities before tax attributable to members (NPBT)	Down	(2,543.6%)	to	(25,432)
Net profit for the period attributable to members (NPAT)	Down	(2,718.4%)	to	(26,138)
Earnings per share	Down	(2,718.4%)	to	(49.38)
Cash flow from operating activities	Down	(76.1%)	to	694

Net Tangible assets per share as at 31 December 2014	Down	51.2%	to	37.2¢
Net Tangible assets per share as at 31 December 2013				76.1¢

Dividends

No dividend has been declared or paid in regards to the 2014 or 2015 financial year. No dividends were declared in the prior corresponding period.

Please refer to the commentary on the following page for an explanation of the above movements.

Review of Results

For the half year ended 31 December 2014, the Group's sales revenue from continuing operations declined 2.3% to $31.5 million. The Group's net loss after tax from continuing activities attributable to members (excluding non-cash impairment costs) for the half year was $0.8 million compared to a profit of $1.0 million for the prior corresponding period.

The Group generated cash flows from operating activities of $0.7 million during the half year ended 31 December 2014 and free cash flow[1] of $0.8m. Total interest bearing liabilities, net of cash, as at 31 December 2014 was $15.6 million, a decrease of $0.8 million from 30 June 2014.

The Group reported a statutory net loss of $26.1 million. The Group's statutory net loss attributable to members for the half year was largely a result of four issues:

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

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

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

Uncertainty surrounding ADP Protein Plant

ADP continues to operate and produce Lactoferrin. ADP has a long term agreement in place with United Dairy Power ("UDP"), whereby UDP supplies whey (the primary input for the production of Lactoferrin) in exchange for a supply fee. Recently, the holding company of UDP has been placed in receivership with the receivers subsequently commencing a sale process to sell the assets of UDP. Probiotec understands that this process is

[1] Free Cash Flow is calculated as cash provided by operating activities plus cash provided from investing activities

ongoing at the time of this report. This situation has raised considerable uncertainty over the future of ADP as, in the event that a suitable purchaser is not found, ADP may be unable to operate in its current location. As a result of this uncertainty, the Group has taken the prudent decision to significantly impair this asset with a reduction in carrying value from $21.7 million to $3.0 million, being an estimate of the recoverable value of the assets if not in use for their prescribed function. It should be noted that this figure does not represent the underlying value in use of this asset and in the event that a suitable supply partner is found, it would be expected that part or all of the original carrying value would be reinstated.

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

As a result of these non-cash items and their impact, several financial undertakings have been waived by the Group's financial lenders, which would have otherwise not been met.

Launch of Impromy in conjunction with CSIRO

As advised in the financial report for the year ended 30 June 2014, the Group has signed a 20 year agreement with the CSIRO to collaborate in the field of weight management and related health issues. In conjunction with this agreement the Group launched a health and weight management program under the brand name IMPROMY™ in May 2014. This program has been developed in collaboration with the CSIRO and is a pharmacy based model, including consultation and mentoring services carried out by pharmacists and pharmacy assistants together with comprehensive point of care testing, a meal replacement program and a range of other ancillary and support services. The program utilises the Guildcare pharmacy platform, which is the national systemised platform for the delivery of professional health services in Australian pharmacies and is owned by the Pharmacy Guild of Australia. The program is supported by clinical trials undertaken by the CSIRO. Further details can be found at www.impromy.com

Since launch, the program has grown significantly with over 290 pharmacies now contracted and providing the program. During the half year, the Group invested significant funds to launch and establish Impromy and this resulted in a net loss[2] of $0.7 million for the period. The board is confident that this initial investment will grow into a material and long term business for the Group with Impromy forecast to positively contribute to both cash flow and earnings in the second half of the financial year and more meaningfully contribute in the 2016 financial year.

Segment Overview

Contract Manufacturing

The Group's contract manufacturing segment generated $16.2 million in sales, an increase of 7.4% from the prior corresponding period. The Group is continuing to experience solid demand in contract manufacturing and has a strong order book for the balance of the 2015 financial year.

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

Branded Pharmaceuticals

The Group's branded pharmaceuticals segment generated $4.0 million in sales, a decrease of 34.5% over the prior corresponding period. This comparative result has been impacted by the sale of the Vermox and Lomotil brands during the prior half year (sold on 30 October 2013), together with the transfer of distribution rights for the Group's Gold Cross, David Craig and Skin Basics brands to the Valeant Group.

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

Under the distribution agreement with the Valeant Group, the Group's established product ranges were stable in a challenging pharmacy environment. The Group is confident that these ranges will continue to perform well with both sales and earnings forecast to grow for the coming 12 months.

Weight Loss and Sports Nutrition

Sales of the Group's weight management business grew by 15.7% over the prior corresponding period. Growth was driven primarily by sales from the recently launched Impromy which were offset by reduced sales of the Group's Biggest Loser and Slimmm branded products, together with a decline in the Group's sports nutrition products following the decision to rationalise these brands. Pleasingly, the earnings generated from this segment (excluding the loss on Impromy as set out earlier) grew by over 30%, driven by consistent sales of the Group's Celebrity Slim weight loss products.

Europe

As set out earlier in this report, the Group has decided to scale back its manufacturing operations in Europe to focus on the sales, marketing and distribution of its established weight loss ranges. The poor performance of the Group's manufacturing assets resulted in a loss for this division of $0.4 million for the half year. More pleasingly, the Group's weight loss ranges have recently obtained further distribution, which is set to commence in around April 2015.

Specialty products

As set out earlier in this report, the Group has experienced a number of challenges in this segment, primarily related to the uncertainty surrounding of whey supply partner for the ADP Protein Plant.

Audit Status

This report is based on accounts which have been reviewed. The accounts are not subject to any dispute, emphasis of matter or qualification.

About Probiotec

Probiotec Limited is a brand owner, manufacturer, marketer and distributor of a range of prescription and over-the-counter (OTC) pharmaceuticals, complementary medicines, consumer health products and specialty ingredients. The company owns four manufacturing facilities in Australia and Ireland and distributes its products both domestically and internationally. Products are manufactured by Probiotec for both its own products and on behalf of others, including major international pharmaceutical companies.

Further details about Probiotec are available at www.probiotec.com.au

PROBIOTEC

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

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

INDEX TO FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

DIRECTORS' REPORT

The Directors submit the financial report of Probiotec Limited (Company) and its controlled entities (Group) for the half-year ended 31 December 2014.

Directors

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

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

Directors have been in office since the start of the half-year reporting period to the date of this report unless otherwise stated.

Company Secretary

The company secretary to the date of this financial report was:

Jared Stringer

The company secretary has been in office since the start of the half-year reporting period to the date of this report.

Dividends

No dividend was paid or declared during the half-year ended 31 December 2013. No dividend has been declared during the half year ended 31 December 2014 or since the end of the half year.

Review of operations

For the half year ended 31 December 2014, the Group's sales revenue from continuing operations declined 2.3% to $31.5 million. The Group's net loss after tax from continuing activities attributable to members (excluding non-cash impairment costs) for the half year was $0.8 million compared to a profit of $1.0 million for the prior corresponding period.

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Significant Changes in State of Affairs

There was no other significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto and elsewhere in the financial report of the Company and its controlled entities for the half-year ended 31 December 2014.

Significant After Balance Date Events

There has not been any matters or circumstances that have arisen since the end of the half-year that have significantly affected or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in half-year subsequent to the end of the half-year.

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 5 of this report.

Signed in accordance with a resolution of the Board of Directors.

…………………………………………….
Director
Charles Wayne Stringer

Signed at Melbourne this 26th day of February 2015

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

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Probiotec Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2014 there have been:

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

(ii) No contraventions of any applicable code of professional conduct in relation to the review.

ShineWing Australia

SHINEWING AUSTRALIA
Chartered Accountants

Nick Michael
Partner

Melbourne, 26 February 2015

PROBIOTEC LIMITED
A.C.N. 075 170 151

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated Half-year ended 31 Dec 2014 $	Consolidated Half-year ended 31 Dec 2013 $
Sales revenue from continuing operations		31,451,374	32,208,073
Cost of goods sold		(20,873,368)	(19,835,644)
Gross profit		10,578,006	12,372,429
Other revenue		144,949	61,786
Other income	4	-	4,598,544
Warehousing and distribution expenses		(1,707,390)	(2,616,560)
Sales and marketing expenses		(3,005,677)	(3,906,818)
Finance costs		(644,296)	(703,283)
Impairment costs	6	(24,250,850)	(2,647,549)
Administration and other expenses	5	(6,546,256)	(6,117,797)
Profit / (loss) from continuing activities before income tax expense		(25,431,514)	1,040,752
Income tax expense relating to continuing activities		396,786	(42,498)
Profit / (loss) for the period attributable to members of the parent entity from continuing activities		(25,034,728)	998,254
Loss from discontinued operations		(1,103,408)	-
Profit / (loss) for the period attributable to members of the parent entity		(26,138,136)	998,254
Other Comprehensive income			
Foreign currency translation differences		38,421	47,708
Income tax on items of other comprehensive income		-	(14,312)
Other comprehensive income for the half-year, net of tax		38,421	33,396
Total comprehensive income for the half-year		(26,099,715)	1,031,650
Total comprehensive income for the half-year attributable to members of the parent entity		(26,099,715)	1,031,650
Earnings per share for profit attributable to members of the parent entity			
Basic (cents per share)		(49.38)	1.89
Diluted (cents per share)		(49.38)	1.89
Earnings per share for profit from continuing activities attributable to members of the parent entity			
Basic (cents per share)		(47.30)	1.89
Diluted (cents per share)		(47.30)	1.89

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

PROBIOTEC LIMITED
A.C.N. 075 170 151

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Consolidated 31 Dec 2014 $	30 Jun 2014 $
Current Assets			
Cash and cash equivalents		225,842	1,116,587
Trade and other receivables		9,632,588	9,648,442
Inventories		10,512,068	11,684,528
Other current assets		106,734	117,538
Total Current Assets		20,477,232	22,567,095
Non-Current Assets			
Property, plant and equipment		31,199,086	51,827,906
Deferred tax assets		5,995,318	5,273,377
Intangible assets	6	18,397,049	24,822,299
Total Non-Current Assets		55,591,453	81,923,582
Total Assets		76,068,685	104,490,677
Current Liabilities			
Trade and other payables		13,423,203	14,077,406
Short-term borrowings		13,179,026	15,038,972
Current tax liabilities		-	-
Short-term provisions		909,398	1,034,210
Total Current Liabilities		27,511,627	30,150,588
Non-Current Liabilities			
Long-term borrowings		2,656,390	2,535,888
Deferred tax liabilities		7,286,842	6,933,512
Long-term provisions		521,133	550,282
Total Non-Current Liabilities		10,464,365	10,019,682
Total Liabilities		37,975,992	40,170,270
Net Assets		38,092,693	64,320,407
Equity			
Contributed equity	3	33,686,519	33,686,519
Equity Translation Reserve		(274,284)	(312,705)
Asset Revaluation Reserve		4,089,150	4,217,149
Retained earnings		591,308	26,729,444
Total Equity		38,092,693	64,320,407

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

PROBIOTEC LIMITED
A.C.N. 075 170 151

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Ordinary Share Capital $	Reserves $	Retained Earnings $	Total $
Balance as at 1 July 2013	33,686,519	4,006,794	25,825,776	63,519,089
Total comprehensive income for the half-year				
Profit for the half-year	-	-	998,254	998,254
Other comprehensive income	-	33,396	-	33,396
Total comprehensive income for the half-year	-	33,396	998,254	1,031,650
Transactions with owners in their capacity as owners				
Shares issued during the half year	-	-	-	-
Disposal of assets	-	-	-	-
Dividends paid or provided for	-	-	-	-
Balance as at 31 December 2013	33,686,519	4,040,191	26,824,030	64,550,740
Total comprehensive income for the half-year				
Profit for the half-year	-	-	(94,586)	(94,586)
Other comprehensive income	-	(135,746)	-	(135,746)
Total comprehensive income for the half-year	-	(135,746)	(94,586)	(230,332)
Transactions with owners in their capacity as owners				
Shares issued / (cancelled) during the half year	-	-	-	-
Shares vested from Employee Share Plan	-	-	-	-
Dividends paid or provided for	-	-	-	-
Balance as at 30 June 2014	33,686,519	3,904,444	26,729,444	64,320,407
Total comprehensive income for the half-year				
Profit for the half-year	-	-	(26,138,136)	(26,138,136)
Other comprehensive income	-	(89,578)	-	(89,578)
Total comprehensive income for the half-year	-	(89,578)	(26,138,136)	(26,227,714)
Transactions with owners in their capacity as owners				
Shares issued / (cancelled) during the half year	-	-	-	-
Dividends paid or provided for	-	-	-	-
Balance as at 31 December 2014	33,686,519	3,814,866	591,308	38,092,693

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

PROBIOTEC LIMITED
A.C.N. 075 170 151

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated	
		Half-year ended 31 Dec 2014 $	Half-year ended 31 Dec 2013 $
Cash Flows From Operating Activities			
Receipts from customers		31,280,041	35,250,568
Payments to suppliers and employees		(29,941,809)	(31,647,901)
Interest received		-	-
Income tax paid		-	-
Interest and other costs of finance paid		(644,296)	(703,283)
Net cash provided by operating activities		693,936	2,899,384
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,178,855)	(1,659,642)
Proceeds from sale of property, plant and equipment		1,923,294	-
Repayment of loans receivable		-	-
Proceeds from sale of intangible assets		-	10,000,000
Payment for investment in subsidiaries, net of cash received		-	-
Payments for intangible assets		(589,677)	(781,611)
Net cash (used in) / provided by investing activities		154,762	7,558,747
Cash Flows From Financing Activities			
Proceeds from borrowings		1,175,322	3,322,004
Repayment of borrowings		(2,914,765)	(11,706,419)
Net cash used in financing activities		(1,739,443)	(8,384,415)
Net increase / (decrease) in cash and cash equivalents		(890,745)	2,073,716
Cash and cash equivalents at the beginning of the period		1,116,587	(1,381,468)
Cash and cash equivalents at the end of the period		225,842	692,248

RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

Cash	225,842	692,248
Bank overdraft	-	-
	225,842	692,248

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

1 BASIS OF FINANCIAL REPORT PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by Probiotec during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The condensed financial statements have been prepared on the basis of historical cost, except for land and buildings and derivative financial instruments which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's financial report for the financial year ended 30 June 2014.

Comparative information has been reclassified where appropriate to enhance comparability.

New and Revised Standards and Interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period. There was not a significant impact on the financial statements as a result of the adopted standards and interpretations.

Working Capital Deficiency

As presented in the statement of financial position, the group has a net working capital deficiency of $6,024,901 (30 June 2014: $7,583,493). This is caused by $12,238,294 worth of liabilities which exist under a facility due to expire on dates subsequent to 31 December 2015 being classified as current due to an annual review clause included in the finance facility which would require the group to repay the debt if the bank was not satisfied with the financial condition of the group. The group has complied with all financial covenants within the finance facility and there have been no indications given by the financier that they intend to recall any portion of the debt prior to the expiry date of the finance facility. Excluding these loans, the group has a net working capital balance of $6,213,393 and believes that it will continue as a going concern for a period of 12 months from the date of the director's declaration.

2 DIVIDENDS

	31 Dec 2014 $	31 Dec 2013 $
Ordinary Shares		
Dividends paid for during the half-year	-	-
Dividends not recognised at the end of the half-year	-	-

Since the end of the half-year the directors have not declared any dividends.

3 CONTRIBUTED EQUITY

	31 Dec 2014 $	30 Jun 2014 $
52,929,356 (June 2014: 52,929,356) issued and fully paid ordinary shares	33,686,519	33,686,519

Reconciliation of fully paid ordinary shares	31 Dec 2014 No.	30 Jun 2014 No.
Balance at 1 July	33,686,519	33,686,519
Issue of shares	-	-
Cancellation of shares	-	-
Share issue costs	-	-
Balance at 31 December	33,686,519	33,686,519

4 OTHER INCOME

Other income for the half-year comprised:	31 Dec 2014 $	31 Dec 2013 $
Government grants	-	2,016
Profit on disposal on intangible assets	-	4,596,528
Other income	144,949	-
	144,949	4,598,544

5 ADMINISTRATION & OTHER EXPENSES

Administration & other expenses comprises:

Insurance	283,455	328,330
Employee costs	4,643,730	4,413,971
Office expenses	230,245	229,408
Compliance costs	102,317	144,266
Restructuring costs	-	292,013
Other expenses	1,286,509	709,810
	6,546,256	6,117,797

6 IMPAIRMENT

ADP Plant

The Group’s ADP Protein Plant (“ADP”) operates under a long term agreement in place with United Dairy Power (“UDP”), whereby UDP supplies whey (the primary input for the production of Lactoferrin) in exchange for a supply fee. Recently, the holding company of UDP has been placed in receivership with the receivers subsequently commencing a sale process. Probiotec understands that this process is ongoing at the time of this report. This rapid and significant change of circumstances outside of the control of Probiotec has raised considerable uncertainty over the future of ADP as in the event that a suitable purchaser is not found, ADP would be unable to operate in its current location.

In making an assessment on the carrying value of the ADP assets, a significant level of judgement has been used given the level of uncertainty and the lack of verifiable information available. At the time of this report, ADP is continuing to operate and produce Lactoferrin albeit at sub-optimal whey volumes given UDP's current situation. However, there is not a verifiable level of certainty as to the future prospects of the ADP plant in its current location. Whilst this is the case, there remain a number of potential outcomes available that would result in the Group needing to reassess the carrying value of the ADP assets and the Group is making all efforts to achieve the most beneficial outcome possible.

As a result of this, the Group has taken the prudent decision to significantly impair the ADP assets with a reduction in carrying value from $21.7 million to $3.0 million, being an estimate of the recoverable value of the assets if not in use for their prescribed purpose. This results in the recognition of an impairment expense in the amount of $18,767,793. It should be noted that the revised carrying value does not represent the underlying value in use of this asset and in the event that a suitable supply partner is found, it would be expected that part or all of the original carrying value would be reinstated.

Discontinued brands

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

European manufacturing assets

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

During the half year, the following impairment expenses have been incurred:	31 Dec 2014 $
Impairment Costs - Plant & Equipment	16,355,138
Impairment Costs - Intangible Assets	6,619,127
Impairment Costs - Brands - Inventory	735,307
Impairment Costs - Brands - Current assets	541,278
	24,250,850

7 PROPERTY PLANT & EQUIPMENT

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

8 SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on reports reviewed by the executive management committee for making strategic decision. The executive management committee comprises the chief executive officer, chief financial officer and divisional managers. The committee monitors the business based on product and geographic factors and have identified 5 reportable segments. A recent review of internal reporting has resulted in a change in the identified segments of the Group and as such the segments have been changed from prior periods. Prior year figures have been restated using the new segments for ease of comparision.

Branded Pharmaceuticals

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

Contract manufacture

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

Weight Loss and Sports Nutrition

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

Europe

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

Specialty products

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

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

Half year ended 31 December 2014	**Segment 1 ($'000)**	**Segment 2 ($'000)**	**Segment 3 ($'000)**	**Segment 4 ($'000)**	**Segment 5 ($'000)**	**Consolidated ($'000)**
Revenue from external customers	4,033	16,150	8,841	2,110	317	31,451
Total segmental revenue	4,033	16,150	8,841	2,110	317	31,451
Segmental profit / (loss) from continuing operations	801	697	26	(353)	(519)	652
Total segmental profit	801	697	26	(353)	(519)	652
Interest						(644)
Unallocated impairment expenses						(24,251)
Unallocated corporate expenses						(1,189)
Total unallocated income / (expense)						(26,084)
Profit from continuing activities before income tax						(25,432)
Loss from discontinued operations before income tax						(1,103)
						(26,535)
Income tax expense						397
Net profit after tax						(26,138)

Half year ended 31 December 2013	Segment 1 ($ '000)	Segment 2 ($ '000)	Segment 3 ($ '000)	Segment 4 ($ '000)	Segment 5 ($ '000)	Consolidated ($ '000)
Revenue from external customers	6,159	15,035	7,641	2,876	497	32,208
Total segmental revenue	6,159	15,035	7,641	2,876	497	32,208
Segmental profit from continuing operations	601	489	439	(181)	83	1,431
Total segmental profit	601	489	439	(181)	83	1,431
Interest						(703)
Unallocated other income						4,868
Impairment expenses						(2,617)
Unallocated corporate expenses						(1,938)
Total unallocated income / (expense)						(390)
Profit from continuing activities before income tax						1,041
						1,041
Income tax expense						(42)
Net profit after tax						999

(b) Reconciliation of segmental revenue to total revenue

	2014 $	2013 $
Segmental revenue	31,451,374	32,208,073
Interest received	144,949	61,786
Total revenue	31,596,323	32,269,859

(c) Segment revenue

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

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

(d) Segment profit

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

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

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes set out on the attached pages are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards and the *Corporations Regulations* 2001 and other mandatory reporting requirements; and

   (ii) giving a true and fair view of the financial position as at 31 December 2014 and of the performance for the half-year ended on that date of the consolidated entity;

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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:

…………………………………………………..
Director
Charles Wayne Stringer

Dated at Melbourne this 26th day of February 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF PROBIOTEC LIMITED AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Probiotec Limited and controlled entities (the "consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Probiotec Limited ("the company") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not prepared, in all material aspects, in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of Probiotec Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Probiotec Limited, would be in the same terms of provided to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Probiotec Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

ShineWing Australia

SHINEWING AUSTRALIA
Chartered Accountants

Nick Michael
Partner

Melbourne, 26 February 2015