innovation containment compliance

IDT Australia Limited
annual report 2016

Company Information

Directors

Graeme Kaufman
BSc, MBA
(Chairman)

Geoffrey F Lord
BEc (Hons), MBA (Distn), ASSA, AICD
(Deputy Chairman)

Dr Graeme L Blackman OAM
BSc (Hons), PhD, FRACI, FTSE

Hugh Burrill
BSc, MScSt, MBA, GAICD

Alan Fisher
BComm, FCA, MAICD

Reo Shigeno
BA, Dip Financial Services

Dr Paul MacLeman
MBA, BVSc, Grad Dip Tech, Grad Cert Eng,
FAICD, MATTA
(Managing Director)

Secretaries

Joanna Johnson
BEc, Grad Dip Management, CA

Dr David Sparling
BVSc (Hons), LLB (Hons), GDi pAppCor Gov

Share Register

Link Market Services Limited
Tower 4, 727 Collins Street
MELBOURNE, VICTORIA, 3008

Bankers

National Australia Bank Limited
NAB Health
Level 2, 151 Rathdowne Street
CARLTON, VICTORIA, 3053

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
MELBOURNE, VICTORIA, 3000

Stock Exchange

Australian Stock Exchange Limited
530 Collins Street
MELBOURNE, VICTORIA, 3000
(ASX Code : IDT)

Registered Office and Principal Place of Business

45 Wadhurst Drive
BORONIA, VICTORIA, 3155
Telephone +61 3 9801 8888
Facsimile +61 3 9837 6445

CMAX

Level 5, 18a North Terrace
ADELAIDE, SOUTH AUSTRALIA, 5000
Telephone +61 8 7088 7900
Facsimile +61 8 7088 7999

Website Address

www.idtaus.com.au
www.cmax.com.au

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Chairman's Report

Last year I spoke of the commencement of IDT's push into the proprietary generic drug market as well as our aims to grow the base contract manufacturing and clinical services businesses. Today, I am pleased to report that significant milestones have been achieved in these objectives.

First Steps to Commercial Success Complete

This year saw the approval in April 2016 of IDT's first proprietary drug product, temozolomide. This approval was received ahead of the Company's expectations and necessitated the bringing forward of launch stock preparations. As Chairman, I am pleased to see this first concrete step towards IDT's transformation achieved. Shareholders should expect that this and other launches to follow will begin to build upon our base contracting business and to mark IDT as Australia's next significant pharmaceutical growth story.

Appointment of Distributors for Proprietary Products

Supporting these approvals and executing our product launches will be our important commercial relationships. I am pleased to see the development and growing cooperation with our US partners Mayne Pharma and ANI Pharmaceuticals. We will be working hard with them to maximise the potential of products in the US.

We expect to announce more relationships to access new markets and deploy more products through the course of the coming year.

New CMAX Facilities Deliver Productivity Gains

It was with great pleasure that The Hon. Katrine Hildyard MP, Assistant Minister to the Premier of South Australia and I opened CMAX's new state-of-the-art clinical trials facility in April of this year. The new facility is the largest and most modern design of any in Australia and will benefit our customers while making the CMAX business more flexible and productive.

Board Addition

This year we welcomed to addition of Mr. Hugh Burrill to the IDT board. Hugh comes to us from a role as head of research for the global Generics company, Hospira Inc. His depth of knowledge regarding generic drug development, portfolio management and strategy will add greatly to our board capabilities and bring huge benefit to IDT. Hugh is also a Director of South Australian aerospace company Nova Aerospace Pty Ltd.

Strengthening the Business and Executing Generics Strategy

This year then has seen a significant strengthening of IDT's business, laying the foundations for success in the years to come.

Graeme Kaufman
Chairman

Managing Director's Report

Major Milestones Achieved

As Graeme has outlined, IDT achieved many of its goals this year. The USFDA approval of temozolomide 6-9 months ahead of schedule was a very significant milestone for the Company as it represents the first marketing approval for an IDT proprietary product. More are expected to follow this year, adding to revenues and profits.

Thiotepa active pharmaceutical ingredient (API) remains a very important product for us, and the renegotiated price and volumes will kick in from January 1st 2017, strengthening its place as our most important API product. We continue to evaluate its opportunity for us as a proprietary finished good.

Completion of the new CMAX facility on time and on budget was a very pleasing outcome.

Deployment of Generic Drug Portfolio

From the announcement of our acquisition last year, IDT now has 25 drugs in our development portfolio, with aggregate addressable market in the US of approximately USD850 million. The first of these to launch will be temozolomide in the first half of FY 2016/17, with 3-5 following in the subsequent months. This year then, will mark the development of IDT as a generic drug company, in addition to our drug development and API manufacturing services.

Supporting these developments has been a firming of our relationships with our distribution partners Mayne Pharma in North Carolina and ANI Pharmaceuticals in Minnesota. Mayne is now preparing to launch temozolomide in the US Autumn. ANI will be launching other products for us in the second half of the fiscal year.

IDT is also actively exploring with existing partners, the registration and launch of key parts of our generic drug portfolio in Europe and Japan.

Revenue recognition from the upcoming launches will be staggered as each product family is launched. The structure of our distribution relationships is such that cost plus a manufacturer's margin is invoiced at the time of shipment, with the gross margin split aspect of the revenue flow occurring on a quarterly basis. Thus for the products launched in the second half of the fiscal year, costs will be recovered however some profit share revenue may fall into the following year, at which time we expect to see rapid, step change revenue increases.

Capacity Expansion to Meet Growth Needs

Growth in the base manufacturing business coupled with the imminent launch of our products has necessitated planning and action on ensuring that we have capacity to meet future needs. There have also been some regulatory changes that required reconfiguration of some exiting capacity. This year saw additional cytotoxic capsuling capacity added, together with IDT's first packaging line. This is the platform for temozolomide and further cytotoxic products in the future.

To increase our tableting capacity and improve our cost of goods, we are installing a new, higher capacity tableting machine and associated plant. This is currently in transit from the UK and will be installed and qualified in the coming months.

Our β-lactam manufacturing spaces have, over the course of the last year, been recommissioned and major projects secured to occupy them. Significant effort was required in doing this, the plant having been largely idle for some years.

To enhance speed to market and also to access manufacturing methods IDT does not currently possess, a finished goods contractor Wellspring has been appointed to manufacture an initial three generic products. The first and possibly more of these will launch this fiscal year. Located in Canada, Wellspring can also act as a platform for EU sales in time. We are very pleased with our deepening relationship with Wellspring.

Transformational year

In summary therefore the coming year will be a transformational one for IDT, with the launch of the first of our proprietary generic drugs laying the foundations for significant revenue and profit growth, supported by a strengthened base business.

Dr Paul MacLeman
Managing Director

Report of the Directors – 30 June 2016

(Including Remuneration Report)

The Directors present their report on the financial report of the company for the year ended 30 June 2016.

The following persons were Directors of IDT Australia Limited during or since the end of the financial year:

G Kaufman (Chairman)

G F Lord (Deputy Chairman)

G L Blackman

H N Burrill (appointed 8 October 2015)

A D Fisher

P D R MacLeman

R Shigeno

Principal Activities

The principal activities of the Company in the course of the year were the supply of products and provision of research and development and other technical services for the pharmaceutical and allied industries.

Review of Operations

During the year, the Company continued to provide consulting research and development services and manufacture products for clients in the pharmaceutical and allied industries. Additionally, the company has been working to commercialise temozolomide and the first of the 23 abbreviated new drug applications ("ANDAs") purchased in December 2014 to support launches in the next financial year. This product development has included manufacture of batches to support registration and reconfiguring of some of the manufacturing capacity at Boronia. The relocation of CMAX into new premises has also been significant. A detailed review of operations is given on pages 4 and 5 of this annual report.

Summary of FY16 financial performance

	30 June 2016 $000	30 June 2015 $000	Movement
Revenue	16,914	15,720	1,194
Net loss before tax	(5,704)	(3,209)	(2,495)
Net loss after tax	(4,006)	(2,992)	(1,014)
Basic earnings per share	(1.9¢)	(2.2¢)	(0.3¢)
Diluted earnings per share	(1.9¢)	(2.2¢)	(0.3¢)

Revenue increased by 8% year-on-year whilst the Net loss after tax increased by $1.014 million over the same period. The Company has increased its human capabilities and capacities through increased staffing to perform in house product development and to build new systems and processes to support the proprietary products strategy.

Financial position

The Company has a strong financial position with $52.9 million in total assets underpinned by $47.0 million of equity. This position is further supported by in excess of $1.6 million in available debt facilities at 30 June 2016. With an additional $6.1 million of capital raised in July 2016 the Company has capacity to continue developing its generic drug portfolio, with product launches expected in the coming year. The commercial loan facility totalling $4.25 million with the National Australia Bank has also been renewed through to 31 October 2017.

Results

The net result of operations after applicable income tax was a loss of $4.006 million (2015: $2.992 million).

Dividends

No dividends were paid during the course of the financial year. There are no dividends or distributions recommended or declared for payment to members, but not yet paid, during the year.

Significant Changes in the State of Affairs

In the opinion of the Directors, there have been no significant changes in the state of affairs of the Company during the financial year under review not otherwise disclosed in this report or the financial statements.

During the reporting period, the Company continued to manufacture products and provide research and development services for clients in the pharmaceutical and allied industries and the operational results achieved are consistent with expectations in terms of value and timing. Development activities on the new product pipeline is ongoing with the first finished dose proprietary product launches planned for the next financial year and are expected to contribute to improvements to future profitability.

CMAX continues to grow and the business moved into its new facilities in April 2016.

Despite improvements in the operational result for the current financial year, particularly in the second half, the Company shows a net loss for the year.

Matters Subsequent to the End of the Financial Year

On 6 July 2016, the Company completed a $6.1 million capital raising (27,727,300 ordinary shares) in the form of private placement shares to institutional and sophisticated investors. Proceeds will be used to fund the US launch of temozolomide and to accelerate commercialisation of the generic drug portfolio.

Likely Developments

The Company expects to have 2 key areas of strategic focus for the coming financial year:

- Continue process of preparing to launch products to the US market, through regulatory and commercial partnering activities. The Company has commenced manufacture of launch quantities to support the temozolomide launch and is in advanced planning stages for the launch of several ANDA products.
- The Company remains well positioned to realise superior organic revenue growth through identifying, successfully tendering for and completing new manufacturing and service projects which in turn is expected to underpin improvements in profitability and cash generating capability. Additionally, a key manufacturing agreement for Thiotepa has been renegotiated to increase minimum supply volumes and increase the price received per gram.

Environmental Regulations

The Company is subject to environmental regulations and other licenses particularly in relation to its manufacturing operations, which include obligations to comply with provisions of the Environment Protection Act and a Trade Waste Agreement with South East Water. The Company is subject to environmental audits by local and international clients. Systems are in place to ensure compliance with federal, state and local environmental regulations and as at the date of this report, the Directors are not aware of any breaches.

Corporate Governance Statement

The Company complies with the Australian Stock Exchange Corporate governance principles and recommendations, 3rd edition (ASX Principles). The Company's Corporate Governance Statements, including disclosures required by the ASX Principles, may be viewed on the Company's website, www.idtaus.com.au/investor-centre/corporate-governance.

Indemnification of Officers

During the financial year, the Company paid an insurance premium insuring all officers of the company, including the Directors. Liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Information on Directors

GRAEME KAUFMAN

Qualifications: BSc, MBA
Experience: Formerly Executive Vice-President of Mesoblast Limited and Chief Financial Officer of CSL Limited. Non-executive Director since 1 June 2013
Other Current Directorships: Non-executive Chairman of Bionomics Limited (since 2012), Non-executive Chairman of Paradigm BioPharmaceuticals Limited (since 2014)
Former Directorships in Last 3 Years: Non-executive Director of Cellmid Limited (until June 2015)
Responsibilities: Chairman, Member of Audit and Risk and Nomination and Remuneration Committees
Equity interests in company: 285,000 fully paid ordinary shares

GEOFFREY F LORD

Qualifications: BEc (Hons), MBA (Distn), ASSA, AICD
Experience: Formerly Chief Executive and Deputy Chairman of Elders Resources Limited. Non-executive Director since 1998
Other Current Directorships: Chairman and Chief Executive of Belgravia Group Pty Ltd, Director of Maxitrans Industries Limited (since 2000), Director Melbourne Business School (appointed 2015)
Former Directorships in Last 3 Years: Former Chairman of LCM Litigation Fund, Non-executive Chairman of UXC Limited (2002-2016)
Responsibilities: Deputy Chairman from 2008. Member of Nomination and Remuneration Committee
Equity interests in company: 6,831,907 fully paid ordinary shares (indirect)

DR GRAEME L BLACKMAN OAM

Qualifications: BSc (Hons), PhD, FRACI, FAICD, FTSE, FIoD
Experience: Formerly Professor of Pharmaceutical Chemistry, Victorian College of Pharmacy. Extensive experience in research and development and commercial scientific consulting. Chairman (1986-2013), Managing Director (1986-2007)
Other Current Directorships: None
Former Directorships in Last 3 Years: None
Responsibilities: Member of Nomination and Remuneration Committee
Equity interests in company: 7,029,710 fully paid ordinary shares

HUGH N BURRILL

Qualifications: BSc, MScSt, MBA, GAICD
Experience: Formerly Corporate Vice President, Global Pharma Research & Development, Hospira Inc and Mayne Pharma Ltd
Other Current Directorships: Non-Executive Director and Deputy Chair Nova Aerospace Pty Ltd (since 2007)
Former Directorships in Last 3 Years: Executive Director of Optimus Life Science Pty Ltd (until 2015) and Executive Director of CCH Pharma Pty Ltd (until 2014)
Responsibilities: Non-Executive Director
Equity interests in company: nil

ALAN D FISHER

Qualifications: BComm, FCA, MAICD
Experience: Managing Director Fisher Corporate Advisory Pty Ltd, Managing Director DMC Corporate Pty Ltd, formerly CEO Pental Ltd, Managing Director HRL Ltd and Corporate Finance Partner Coopers & Lybrand
Other Current Directorships: Chairman Centrepoint Alliance Ltd and Australian Renewable Fuels Ltd (under DOCA)
Former Directorships in Last 3 Years: Non-executive Director Bluestone Global Ltd (29 April 2014 to 4 August 2014)
Responsibilities: Chairman Audit and Risk Committee
Equity interests in company: nil

PAUL MACLEMAN

Qualifications: MBA, BVSc, Grad Dip Tech, Grad Cert Eng, FAICD, MATTA
Experience: Managing Director, IDT Australia Limited. Director since 21 August 2013
Other Current Directorships: Adalta Ltd
Former Directorships in Last 3 Years: G Tech International Limited (until November 2012)
Responsibilities: Managing Director (MD)
Equity interests in company: 4,071,000 fully paid ordinary shares, 500,000 options

REO SHIGENO

Qualifications: BA, Dip Financial Services
Experience: Chief Financial Officer of Healthy Clinical Research, a subsidiary of I'ROM Group, Ltd. Non-executive Director since 1 June 2013
Other Current Directorships: nil
Former Directorships in Last 3 Years: nil
Responsibilities: Member of Audit and Risk Committee
Equity interests in company: 333,333 fully paid ordinary shares

Information on Secretaries

JOANNA JOHNSON

Qualifications: BEc, Grad Dip Management, CA
Experience: Chief Financial Officer, IDT Australia Ltd since 2014. Previous roles include Chief Financial Officer and Company Secretary of Generic Health Pty Ltd (a partially owned subsidiary of Lupin Ltd) and Finance Director, Asia Pacific for Hospira Inc

DR DAVID SPARLING

Qualifications: BVSc (Hons), LLB (Hons), GDi pAppCor Gov
Experience: Vice President Legal and Corporate Development, IDT Australia Ltd since 2013. Previous roles include Chairman FYI Resources Limited and Vice President Corporate Development, Genetic Technologies Limited

Directors pictured from left to right – Dr Paul MacLeman, Mr Alan Fisher, Mr Hugh Burrill, Mr Graeme Kaufman, Dr Graeme Blackman, Mr Geoff Lord and Mr Reo Shigeno

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2016, and the number of meetings attended by each Director.

Director	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
G L Blackman	15	17	–	–	1	2
H N Burrill (from 8 October 2015)	12	12	–	–	–	–
A D Fisher	17	17	2	2	–	–
G Kaufman	17	17	2	2	2	2
G F Lord	17	17	–	–	2	2
P D R MacLeman	16	17	–	–	–	–
R Shigeno	17	17	2	2	–	–

A = Meetings attended while a Director or committee member.
B = Meetings held while a Director or committee member.
– = Not a member of relevant committee.

REMUNERATION REPORT

The Directors of the Company are pleased to present the following Remuneration Report which forms part of the Report of Directors prepared in accordance with s300A of the *Corporations Act 2001*. The Remuneration Report has been audited as required by s308 (3C) of the *Corporations Act 2001* and sets out remuneration information for the Company's key management personnel.

The Remuneration and Nomination Committee advises the Board on remuneration policies and practices generally, making specific recommendations on the remuneration framework and other terms of employment for executive Directors, non-executive Directors and senior executives, including incentives and share ownership plans.

Directors' Remuneration

Fees and payments to Non-executive Directors reflect the demands made on, and the responsibilities of, the Directors. They are set at market rates for our industry and size of the Company in order to attract Directors with expertise in our industry and Australian capital markets. Non-executive Directors' fees are reviewed annually by the Remuneration and Nomination Committee.

The Chairman's and MD's fees were determined independently to the fees of Non-executive Directors based on comparative roles in the external market.

Directors' Fees

Non-executive Directors' annual base fee is $40,000 and the Chairman received $80,000, plus superannuation contributions, as required under the Australian superannuation guarantee legislation. Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, periodically referred for approval by shareholders. The current maximum aggregate Directors' fee pool is $400,000 for Non-executive Directors.

Executive Remuneration

Remuneration packages are set at levels intended to attract, retain and motivate high quality executives to manage the Company's operations and achieve strategic objectives. The Company is committed to adhering to corporate governance standards for remuneration of executives.

Remuneration and other terms of employment are reviewed annually by the Remuneration and Nomination Committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice where necessary.

The executive pay and reward framework comprises:

- Base salary, plus statutory superannuation
- Short term performance incentives
- Long term incentives via participation in the Company's Employee Share Plan.

Key terms of Executive service agreements

Dr MacLeman's employment may be terminated at Company's discretion by giving 4 month's notice and at the executive's discretion by providing 3 month's notice. Other executives, including Dr Sparling and Ms Johnson, have a 3 month notice period.

Share-based Compensation

Employee Share Plan

From time to time, executive management and Directors may be invited to participate in the Employee Share Plan (ESP) whereby fully paid ordinary shares of the Company are issued at the market value at the date of issue and funded by an interest free limited recourse loan from the Company repayable at any time on or prior to the employee's termination. Grants within the framework of the ESP are determined by the MD together with the Remuneration and Nomination Committee and are subject to approval by the Board.

Amounts disclosed for emoluments relating to these shares are the assessed fair values at issue date determined using a Black-Scholes pricing model taking into account the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the arrangement.

Additionally, other staff may be invited to participate in the allocation of up to $1,000 of shares per year, granted for no consideration and escrowed for three years whilst participants remain employees of the Company.

Executive Option Plan

Prior to establishment of the Employee Share Plan, executive management and Directors could be invited to participate in the Executive Option Plan. Options were granted for no consideration for a four year period, vesting immediately. Options carry no dividend or voting rights, and when exercised each option is convertible into one ordinary share.

No options were granted, lapsed or exercised for the year ended 30 June 2016 (2015: nil granted, lapsed or exercised).

Details of all unissued shares or interest under option at the date of this report are :

	Number	Grant date	Expiry date	Exercise price
Granted 15 April 2013	250,000	15/04/2013	15/04/2017	$0.298
Granted 15 April 2013	250,000	15/04/2013	15/04/2017	$0.373

Amounts disclosed for emoluments are the assessed fair values of options at grant date, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the option, vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Remuneration Details 2016

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Salary and fees $	Cash bonus $	Non monetary $	Super-annuation $	Long Service Leave $	Shares $	Total $
Non-executive Directors							
G Kaufman – Chairman	80,000	-	-	7,600	-	-	87,600
G L Blackman	40,000	-	-	3,800	-	-	43,800
H N Burrill *	29,282	-	-	2,782	-	-	32,064
A D Fisher	40,000	-	-	3,800	-	-	43,800
G F Lord	40,000	-	-	3,800	-	-	43,800
R Shigeno	40,000	-	-	3,800	-	-	43,800
Sub-total Non-executive Directors	**269,282**	**-**	**-**	**25,582**	**-**	**-**	**294,864**
Executive Director							
P MacLeman, MD **	367,109	45,675	-	19,000	5,223	61,897	498,904
Other key management personnel							
J Johnson, Chief Financial Officer ***	201,853	23,751	-	19,085	1,130	38,181	284,000
D Sparling, VP Corporate and Business Development ***	209,913	47,502	-	19,851	3,359	38,181	318,806
Sub-total executive management	**778,875**	**116,928**	**-**	**57,936**	**9,712**	**138,259**	**1,101,710**
Total key management personnel compensation	**1,048,157**	**116,928**	**-**	**83,517**	**9,712**	**138,259**	**1,396,574**

* Mr Burrill appointed as a Director effective 8 October 2015.

** As resolved at the AGM, held 19 November 2015, 5 tranches of Loan Shares totalling 3,600,000 shares were issued for the benefit of Dr MacLeman. At the time of issue these shares were independently valued at $705,794 to be recorded as $100,828 per year ($61,897 in current year pro rata) over the seven year term of the offer from the date the shares were issued.

*** J Johnson and D Sparling were issued 224,066 shares under the Employee Share Plan on 21 July 2015 with a five year term. At the time of issue these shares were valued in line with the employee share plan below and $38,181 recorded as a share based payment expense in the current year.

Summary of Short Term Incentive Bonuses paid 2016 in relation to achievement of objectives established at the beginning of the previous financial year

	Potential of fixed remuneration	Achievement of objectives as set at the start of the year
P MacLeman	30%	50%
D Sparling	30%	80%
J Johnson	20%	60%

Remuneration Details 2015

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Salary and fees $	Cash bonus $	Non monetary $	Super-annuation $	Long Service Leave $	Shares $	Total $
Non-executive Directors							
G Kaufman – Chairman	80,000	-	-	7,600	-	-	87,600
G L Blackman	17,500	-	-	26,300	-	-	43,800
A D Fisher *	3,333	-	-	317	-	-	3,650
G F Lord	40,000	-	-	633	-	-	40,633
R Shigeno	40,000	-	-	3,800	-	-	43,800
D Williams **	36,667	-	-	-	-	-	36,667
Sub-total Non-executive Directors	**217,500**	**-**	**-**	**38,650**	**-**	**-**	**256,150**
Executive Director							
P MacLeman, MD ***	310,667	45,000	-	23,821	1,691	43,804	424,983
Other key management personnel							
J Johnson, Chief Financial Officer	193,486	-	-	24,303	630	-	218,419
D Sparling, VP Legal and Corporate Development	198,986	47,502	-	18,803	1,088	-	266,379
Sub-total executive management	**703,139**	**92,502**	**-**	**66,927**	**3,409**	**43,804**	**909,781**
Total key management personnel compensation	**920,639**	**92,502**	**-**	**105,577**	**3,409**	**43,804**	**1,165,931**

* Mr Fisher appointed as a Director effective 10 June 2015.

** Mr Williams resigned as a Director effective 19 May 2015.

*** Dr MacLeman was granted 360,000 Ordinary Shares under the Employee Share Plan at market value at the date of issue, $0.205. This issue was funded by an interest free limited recourse loan from the Company.

Summary of Short Term Incentive Bonuses paid 2015 in relation to achievement of objectives established at the beginning of the previous financial year

	Potential of fixed remuneration	Achievement of objectives as set at the start of the year
P MacLeman	30%	40%
D Sparling	30%	80%

Other Transactions with Key Management Personnel

No other transactions or loans were provided to key management personnel other than interest free limited recourse loans provided in association with the Employee Share Plan and Loan Shares granted.

Key Management Personnel Holdings of Ordinary Shares

The number of ordinary shares in the Company held during the financial year by Directors and each of the specified executives are set out below.

2016	Balance at start of year	Shares issued to employees	Other changes during the year	Balance at the end of the year
Non-executive Directors				
G L Blackman	7,029,710	-	-	7,029,710
G Kaufman	285,000	-	-	285,000
G F Lord	6,831,907	-	-	6,831,907
R Shigeno	333,333	-	-	333,333
Executive Director				
P MacLeman *	471,000	3,600,000	-	4,071,000
Other key management personnel				
D Sparling **	293,193	224,066	28,572	545,831
J Johnson	322,222	224,066	-	546,288
Total Holdings	**15,566,365**	**4,048,132**	**28,572**	**19,309,736**

* At the AGM held on 19 November 2015, 3,600,000 ordinary shares were approved for issue to Dr MacLeman as a long term incentive.

** Dr Sparling acquired 28,572 ordinary shares through participation in the Share Purchase Plan, open to all shareholders.

2015	Balance at start of year	Shares issued to employees	Other changes during the year	Balance at the end of the year
Non-executive Directors				
G L Blackman	6,996,376	-	33,334	7,029,710
G Kaufman	185,000	-	100,000	285,000
G F Lord	6,831,907	-	-	6,831,907
R Shigeno **	-	-	333,333	333,333
Executive Director				
P MacLeman *	111,000	360,000	-	4,071,000
Other key management personnel				
D Sparling	259,859	-	33,334	293,193
J Johnson	222,222	-	100,000	322,222
Total Holdings	**14,606,364**	**360,000**	**600,001**	**15,566,365**

* At the AGM held on 23 October 2014, 360,000 ordinary shares were approved for issue to Dr MacLeman as a long term incentive within the framework of the Employee Share Plan.

** Mr Shigeno acquired 333,333 ordinary shares on 18 December 2014 through participation in the Share Placement to sophisticated and professional investors. This purchase was approved by a resolution at the Extraordinary General Meeting of shareholders held on 11 December 2014.

All other changes during the year relate to ordinary shares issued on 24 December 2014 from participation in the Share Purchase Plan which was open to all shareholders.

Company performance

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2016.

	30 June 2016 $000	30 June 2015 $000	30 June 2014 $000	30 June 2013 $000	30 June 2012 $000
Revenue	16,914	15,720	13,374	13,376	9,984
Net profit / (loss) before tax	(5,704)	(3,209)	(6,583)	(5,417)	(3,656)
Net profit / (loss) after tax	(4,006)	(2,992)	(6,626)	(5,354)	(1,837)
Share price at start of year	$0.23	$0.20	$0.20	$0.24	$0.35
Share price at end of year	$0.23	$0.23	$0.20	$0.20	$0.23
Final dividend	-	-	-	-	-
Basic earnings per share	(1.9¢)	(2.2¢)	(9.5¢)	(12.1¢)	(4.3¢)
Diluted earnings per share	(1.9¢)	(2.2¢)	(9.5¢)	(12.1¢)	(4.3¢)
# Shares on issue, 30 June	219,355,298	191,281,032	77,374,248	53,192,059	43,192,059
Market capitalisation, 30 June	$50.45m	$43.99m	$15.47m	$10.64m	$10.37m

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in *note* 22 to the financial statements.

The Directors have considered the position and are satisfied the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and are satisfied this did not compromise the auditor independence requirements for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is included after this report.

Proceedings on Behalf of the Company

The *Corporations Act 2001*, allows specified persons to bring, or intervene in, proceedings on behalf of the company.

No proceedings have been brought or intervened in on behalf of the company with leave of the court under Section 237 of the *Corporations Act 2001*.

Rounding of Amounts

The company is of a kind referred to in ASIC Corporations (Round in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Report of Directors. Amounts in the Report of Directors have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Report of the Directors – 30 June 2016 continued

Directors Resolution

This report is made in accordance with a resolution of the Directors made pursuant to s298(2) of the *Corporations Act 2001*.

Mr Graeme Kaufman

Chairman
24 August 2016, Melbourne

Auditors Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
IDT Australia Limited
45 Wadhurst Drive
Boronia VIC 3155

24 August 2016

Dear Board Members

IDT Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of IDT Australia Limited.

As lead audit partner for the audit of the financial statements of IDT Australia Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	2016 $000	2015 $000
Revenue from ordinary activities	2	16,914	15,720
Raw materials		1,261	974
Clinical trial expenses		3,202	2,510
Employee benefits expense		12,068	9,560
Depreciation and amortisation expense		2,256	2,267
Finance costs		44	45
Other expenses		3,787	3,573
Loss before income tax	**3**	**(5,704)**	**(3,209)**
Income tax benefit	**4**	**1,698**	**217**
Loss for the year		**(4,006)**	**(2,992)**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation gain on land and buildings		160	207
Income tax relating to components of other comprehensive income		**(48)**	**(62)**
Total comprehensive income/(loss)		**(3,894)**	**(2,847)**
Basic earnings per share	28	(1.9¢)	(2.2¢)
Diluted earnings per share	28	(1.9¢)	(2.2¢)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position
For the year ended 30 June 2016

ASSETS	Note	2016 $000	2015 $000
CURRENT ASSETS			
Cash and cash equivalents	5	21	129
Trade receivables and other	6	6,586	3,931
Current tax asset	7	1,767	430
Inventories	8	1,196	347
TOTAL CURRENT ASSETS		**9,570**	**4,837**
NON CURRENT ASSETS			
Property, plant and equipment	9	22,204	19,923
Intangible assets	10	21,137	18,440
Deferred tax assets	11	-	-
TOTAL NON CURRENT ASSETS		**43,341**	**38,363**
TOTAL ASSETS		**52,911**	**43,200**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	2,911	2,241
Borrowings	13	2,575	436
Unearned revenue	14	654	-
Provisions	15	1,161	1,164
TOTAL CURRENT LIABILITIES		**7,301**	**3,841**
NON CURRENT LIABILITIES			
Borrowings	13	17	18
Unearned revenue	14	1,997	-
Provisions	15	220	136
TOTAL NON CURRENT LIABILITIES		**2,234**	**154**
TOTAL LIABILITIES		**9,535**	**3,995**
NET ASSETS		**43,376**	**39,205**
EQUITY			
Contributed equity	16	46,961	39,287
Reserves	17	4,304	3,801
Accumulated losses	18	(7,889)	(3,883)
TOTAL EQUITY		**43,376**	**39,205**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the year ended 30 June 2016

	Contributed Capital $000	Asset Revaluation Reserve $000	Share-based Payment Reserve $000	Accumulated Losses $000	Total Equity $000
Balance at 1 July 2014	**22,877**	**1,552**	**2,013**	**(891)**	**25,551**
Loss for the year	-	-	-	(2,992)	(2,992)
Shares issued during the year	16,410	-	-	-	16,410
Vesting of arrangements involving limited recourse loans	-	-	91	-	91
Other comprehensive income for the year	-	145	-	-	145
Balance at 30 June 2015	**39,287**	**1,697**	**2,104**	**(3,883)**	**39,205**
Balance at 1 July 2015	**39,287**	**1,697**	**2,104**	**(3,883)**	**39,205**
Loss for the year	-	-	-	(4,006)	(4,006)
Shares issued during the year	7,674	-	-	-	7,674
Vesting of arrangements involving limited recourse loans	-	-	391	-	391
Other comprehensive income for the year	-	112	-	-	112
Balance at 30 June 2016	**46,961**	**1,809**	**2,495**	**(7,889)**	**43,376**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 $000	2015 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		17,808	13,868
Payments to suppliers and employees (inclusive of goods and services tax)		(20,977)	(15,774)
		(3,169)	**(1,906)**
Interest and other costs of finance paid		(44)	(45)
Income taxes refund		360	153
Interest received		28	12
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**27**	**(2,825)**	**(1,786)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(4,340)	(682)
Proceeds from sale of property, plant and equipment		8	2
Payments for development costs		(2,790)	(892)
Payments for purchased Intangible Assets		-	(15,704)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(7,122)**	**(17,276)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity		8,131	17,016
Payments for issue of equity		(430)	(606)
Proceeds from borrowings		2,139	397
Repayment of lease liabilities		(1)	(31)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**9,839**	**16,776**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(108)**	**(2,286)**
Cash and cash equivalents at the beginning of the financial year		129	2,415
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**5**	**21**	**129**

The above Statement of Cash Flow should be read in conjunction with the accompanying notes.

Notes to and Forming Part of the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are outlined in this section and have been consistently applied to all the periods presented, unless otherwise stated.

The structure of the financial report has been reviewed to remove duplication and reconfigure to help readers better understand the Company's financial performance.

1.1 Statement of Compliance

These financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and complies with International Financial Reporting Standards and other requirements of the law.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

1.2 Basis of Preparation

These financial statements have been prepared under the basis of historical cost, except for certain financial instruments and land and buildings that are measured at fair value.

Historical cost is generally based on fair values of the consideration given in exchange for goods and services, being the price that would be received in an orderly transaction between market participants at the measurement date. Fair value has been used in these financial statements except for share based payment transactions within the scope of AASB 2, leasing transactions within the scope of AASB 117 and measurements that have some similarities to fair value but are not fair value, such as net realiseable value in AASB 102 'Inventories' or fair value less cost to dispose in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. Detailed forecasts and sensitivity analyses have been prepared for the next twelve months to support the view that the Company will continue to improve its underlying profitability and have sufficient funds available to continue commercialisation of new products. Accordingly, the Directors consider it reasonably foreseeable that the Company will continue as a going concern and accordingly adopts the going concern basis in the preparation of the financial report.

All amounts are presented in Australian dollars unless otherwise noted.

1.3 Going concern basis

For the year ended 30 June 2016, the Company incurred a loss after tax of $4.006 million and experienced negative cash flows from operations of $2.825 million. The timing of fulfillment of orders for the active pharmaceutical ingredients resulted in an improved second half versus first half result. Looking into the financial year ended June 2017 the company expects its organic business to grow following repricing of a key contract manufacturing agreement as well as orders for active pharmaceutical ingredient manufacture already confirmed, key projects already awarded in its CMAX business unit and research and development projects for clients.

The Company continues to progress the development of a proprietary portfolio following the acquisition of 23 previously marketed US generic drugs in December 2014 and the internal development of temozolomide. With temozolomide now approved by the FDA and development of the first of the ANDA's nearing finalisation, the first IDT proprietary product launches are planned for the coming financial year. These proprietary launches bring together the strategy of enhancing plant utilisation and improving profitability.

In order to support this proprietary portfolio development and increased working capital requirements, particularly associated with the temozolomide launch, the company completed a $6.1 million capital raising in July 2016. All borrowings have been repaid and the Company's forward forecasts support cashflows safely within the existing facilities for at least the next 12 months to 31 August 2017.

These financial statements have been prepared on a going concern basis contemplating continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe the going concern basis of preparation to be appropriate in the light of its budget and forecasts, which include cash flow forecasts and customer confirmed forward sales orders, which indicate the Company's base operations are expected to continue to grow.

Having carefully assessed the Company's cash flow forecasts and available debt facilities, the Directors believe the Company will continue to operate as a going concern for at least the next 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis.

1.4 Impairment of Tangible and Intangible Assets

Assets, including Intangible Assets not yet available for use, are tested for impairment at least annually and whenever there is an indication the asset may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When 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.

In testing for impairment, the recoverable amount of the Company's Property Plant and Equipment is determined using a fair value less cost to dispose approach (excess earnings methodology) based on discounted cash flows for each project, using a fair value less costs of disposal approach, based on either independent valuations or insured replacement cost.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss immediately after identification and the asset is derecognised if no future economic benefits are estimated from use or disposal.

1.5 Change in Accounting Policy

The Company has adopted new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the previous reporting period and are detailed in Note 1.8. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent significant change in information from that previously made available.

There have been no other significant changes in accounting policies during the reporting period.

1.6 Foreign Currency Translation

Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Foreign exchange gains and losses resulting from settlement of such transactions and translation at period end exchange rates of foreign currency monetary assets and liabilities are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except for exchange differences on transactions entered into in order to hedge certain material foreign currency risks.

The company has entered a number of forward foreign exchange hedge contracts to manage its exposure to foreign exchange risk. Such contracts are initially recognised at fair value at the date they were initiated and subsequently remeasured to their fair value at the end of the reporting period with the resulting unrealised gain or loss recognised in profit or loss.

1.7 Rounding of Amounts

The company is of a kind referred to in ASIC Corporations (Round in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

1.8 Application of New and Revised Accounting Standards

In the current year, the Company has applied amended reporting requirements to AASBs which is mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end :

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The following relevant standards were available for early adoption, but not applied by the Company:

- AASB 9 Financial Instruments - the final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 Financial Instruments: Recognition and Measurement.
- AASB 15 Revenue from Contracts with Customers, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- AASB 117 Leases, - the new Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The new Standard introduces three main changes:
  - Enhanced guidance on identifying whether a contract contains a lease;
  - A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; and
  - Enhanced disclosures.

2 REVENUE

	2016 $000	2015 $000
Sales revenue	16,877	15,703
Other revenue		
- Government grants	-	5
- Disposal Plant and Equipment	9	-
- Interest	28	12
Total revenue	**16,914**	**15,720**

Key Accounting Policies

Revenue is measured at the fair value of the consideration received or receivable. A sale is recorded when the significant risks and rewards of ownership of manufactured goods have passed to the customer, including despatch to a customer pursuant to a sales order. Revenue from a contract to provide services is recognised in accordance with the stage of completion of the contract. The stage of completion is determined with reference to key project milestones achieved to date within the total contractual value.

It must also be probable that the economic benefits of the transaction will flow to the Company and the amount of revenue can be measured reliably.

3 EXPENSES

	2016 $000	2015 $000
Loss from ordinary activities before income tax expense includes the following expenses:		
Cost of goods sold	5,630	4,638
Depreciation of property, plant and equipment	2,137	2,146
Amortisation		
– Finance leases capitalised	25	27
– Development costs	94	94
Repairs and maintenance	1,123	702
Net foreign currency loss / (gain)	(28)	101

4 INCOME TAX

(a) Income Tax expense		
Current tax	(1,767)	(430)
Deferred tax	83	182
Under/(over) provided in prior years	(14)	31
	(1,698)	**(217)**
(b) Numerical reconciliation of income tax expense to prima facie tax payable.		
Loss from ordinary activities before income tax expense	(5,704)	(3,209)
Prima facie tax benefit at 30%	(1,711)	(963)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenses	3	2
Research and development tax concessions	962	70
Employee share issue	110	27
	(636)	**(864)**
Under/(over) provision in previous year	(14)	-
Deferred tax losses not brought to account	(989)	647
Utilisation of prior year losses not brought to account	(59)	-
Income tax expense/(benefit) attributable to operating profit	**(1,698)**	**(217)**

Key Accounting Policies

The income tax expense or benefit for the period is the tax payable/receivable on the current period's taxable income/(loss) based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company incurs eligible expenditure to support a R&D Tax Incentive Claim. This receivable balance is accounted for as a current tax asset and income tax expense.

5 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2016 $000	2015 $000
Cash at bank and on hand	21	129

Key Accounting Policies

For purposes of the statement of cashflows, cash and cash equivalents includes deposits which are readily convertible to cash on hand and in banks and which are used in the cash management function on a day-to-day basis.

6 CURRENT ASSETS – TRADE RECEIVABLES AND OTHER

Trade receivables	5,244	3,334
Less: Provision for doubtful debts	-	-
	5,244	**3,334**
Accrued revenue	605	156
Other receivables	161	9
Prepayments	576	432
	6,586	**3,931**

The average collection period for invoices is 30-60 days from invoice date and interest is not charged on overdue balances.

Age of receivables which are past due, but not impaired		
30-60 days	491	301
60-90 days	-	245
90+ days	15	-
	506	**546**

Key Accounting Policies

Trade receivables represent amounts receivable relating to the provision of goods and services pursuant to a valid order or contract. All receivables are recognised at the full amounts receivable, as they are due for settlement within 60 days of invoice date and therefore do not require re-measurement.

Accrued revenue reflects progress completion and work performed but not yet invoiced on client projects.

Subsequent to initial measurement, the collectability of receivable balances is reviewed on an ongoing basis and a provision raised where collection in full is no longer considered probable. Debts which are known to be uncollectable are written off. The Company does not have a history of collection delays or defaulted balances and accordingly does not consider a provision for doubtful debts is necessary at this time.

7 CURRENT ASSET - CURRENT TAX ASSET

	2016 $000	2015 $000
Income tax receivable	1,767	430

Key Accounting Policies

The Company incurs eligible expenditure to support a R&D Tax Incentive Claim. This receivable balance is accounted for as a current tax asset and income tax expense.

8 CURRENT ASSETS – INVENTORIES

Raw materials - at cost	1,246	347
Less: Provision for stock obsolescence	50	-
	1,196	**347**

Key Accounting Policies

Inventories are valued at the lower of cost and net realisable value with the cost determined on a first-in-first-out basis. Net realisable value reflects the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Subsequent to initial measurement, balances held in inventory are reviewed at least annually and a provision raised where future use is no longer considered probable, principally due to reasons of obsolescence or product dating.

9 NON CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2016 $000	2015 $000
Land and Buildings		
Freehold land (at fair value)	4,380	4,380
Buildings (at fair value)	4,936	4,920
Less: Accumulated depreciation	-	(36)
Total Land and Buildings	**9,316**	**9,264**
Plant and Equipment		
Plant and equipment – at cost	42,082	39,134
Less: Accumulated depreciation	(30,005)	(28,920)
Capital Work in Progress	750	383
	12,827	**10,597**
Plant and Equipment under Finance Lease		
Capitalised cost	106	106
Less: Accumulated amortisation	(45)	(44)
	61	**62**
Total Plant & Equipment	**12,888**	**10,659**
Total Property, Plant and Equipment	**22,204**	**19,923**

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

2016

	Freehold Land $000	Buildings $000	Plant & Equipment $000*	Leased Plant & Equipment $000	Total $000
Carrying amount at start of year	4,380	4,884	10,597	62	19,923
Revaluation	-	-	-	-	-
Additions	-	52	4,391	-	4,443
Transfer between categories	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation expense	-	-	(2,161)	(1)	(2,162)
Carrying amount at end of year	**4,380**	**4,936**	**12,827**	**61**	**22,204**

* In April, CMAX moved to new premises resulting in the scrapping of Leasehold Improvements and other redundant Plant and Equipment with an initial purchase cost of approximately $1 million. As this move had been planned and the assets held for many years, the written down value at the time of relocation was nil.

2015

	Freehold Land $000	Buildings $000	Plant & Equipment $000	Leased Plant & Equipment $000	Total $000
Carrying amount at start of year	4,380	4,796	11,939	95	21,210
Revaluation	-	207	-	-	207
Additions	-	6	676	-	682
Transfer between categories			7	(7)	-
Disposals	-	-	(2)	-	(2)
Depreciation expense	-	(125)	(2,023)	(26)	(2,174)
Carrying amount at end of year	**4,380**	**4,884**	**10,597**	**62**	**19,923**

Key Accounting Policies

Freehold land and buildings are shown at revalued amounts being the fair value (level 3) at date of revaluation less subsequent depreciation for buildings. The fair value measurement was performed by independent valuers effective 25 May 2016. The valuations conform to Australian Valuation Standards and were calculated based on the fair value of the land and depreciated replacement cost of the buildings. As revaluations are performed regularly, carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in the revaluation reserve within equity. Decreases that offset previous increases of the same asset are recognised against revaluation reserve directly in equity; all other decreases are recognised in profit or loss.

Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment, if identified. The cost of non-current assets constructed by the company includes the costs of all materials used in construction, direct labour on the project and an appropriate proportion of directly attributable variable and fixed overheads.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land) over their estimated useful lives, net of their residual values, using the straight line method, as follows:

- Buildings 40 years
- Machinery 10-15 years
- Vehicles 3-5 years
- Furniture, fittings and equipment 3-10 years
- Leasehold improvements 15 years

Assets held under finance leases are depreciated over their expected useful lives over the same basis as owned assets.

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant is regularly overhauled through an ongoing cyclical maintenance program. Routine operating maintenance, repair costs and minor renewals are charged as expenses as incurred.

An item of property, plant and equipment is derecognised upon disposal or where no future economic benefits are expected to arise from its continued use. Any gain or loss arising on disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

10 NON CURRENT ASSETS – INTANGIBLE ASSETS

	2016 $000	2015 $000
Intangible assets separately acquired	15,704	15,704
Development expenditure capitalised	6,427	3,636
Less: Accumulated amortisation development costs	(994)	(900)
	21,137	**18,440**
Reconciliation of Intangible Assets		
Carrying amount at start of year	18,440	1,938
Purchase of intangible assets	-	15,704
Development expenditure capitalised during the year	2,791	892
Amortisation of development costs during the year	(94)	(94)
Development costs impaired during the year	-	-
Carrying amount at end of year	**21,137**	**18,440**

Key Accounting Policies

a) **Intangible Assets acquired separately**

Intangible assets that are acquired separately are carried at cost less accumulated amortisation and any applicable impairment loss.

Amortisation on separately acquired assets will commence once development activities are completed and products launched. At this time the assets' useful life will be assessed, with amortisation to be applied on a straight line basis and reviewed at the end of each reporting period.

b) **Internally generated Intangible Assets**

Research expenditure is recognised as an expense as incurred.

An internally generated intangible asset arising from development is recognised where all of the following conditions can be demonstrated :

- technical feasibility of completing the project that it will be available for use or sale
- intention to complete the intangible asset and use it or sell it
- ability to use the intangible asset
- the intangible asset will generate probable future economic benefits
- availability of adequate technical, financial and other resources to complete the development
- and the ability to measure reliably the expenditure attributable to the development of the asset.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date the asset first met the recognition criteria listed above. Development expenditures that do not meet these criteria are recognised in profit or loss in the period in which incurred.

Developments costs previously recognised as an expense may not be recognised as an asset in a subsequent period.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation from the date the intangible asset first meets the recognition criteria, on the same basis as intangible assets which are acquired separately. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any change accounted for on a prospective basis.

c) **Impairment of intangible assets**

The carrying amounts of assets are reviewed at least annually for any indication they may have suffered an impairment loss. In assessing the asset's fair value, the estimated future cashflows are estimated and discounted to their present value using a post-tax discount rate reflecting current market estimates of the time value of money and risks specific to the asset tested. If this calculated recoverable amount was less than the carrying amount, an impairment loss would be recognised immediately.

The Company has prepared fair value less cost to dispose models (level 3) for the purpose of impairment testing as at 30 June 2016, using 10-15 year discounted cash flow models and the terms of executed distribution agreements. The future cash flows are based on an exchange rate of 0.75 AUD/USD and discounted at a post tax rate of 15% for upcoming launches and 15-20% for products forecasted for launch in two or more year's time. The Company's impairment testing resulted in no impairment at 30 June 2016.

11 NON CURRENT - DEFERRED TAX ASSET / (LIABILITIES)

	2016 $000	2015 $000
Deferred Liability	**2,982**	**2,895**
The balance comprises temporary differences attributable to:		
Depreciation	2,187	2,359
Asset revaluation	48	(62)
Prepayments	-	12
Development costs	747	586
	2,982	**2,895**
Movements		
Opening balance at 1 July	2,895	2,772
Increase/(reduction) current tax expense	116	261
Current year increase/(decrease) not recognised	(29)	(138)
Closing balance at 30 June	2,982	2,895
Deferred tax assets	**2,982**	**2,895**
The balance comprises temporary differences attributable to:		
Employee entitlements	414	390
Tax losses	2,568	2,505
	2,982	**2,895**
Opening balance at 1 July	2,895	2,772
Increase/(reduction) current tax expense	199	261
Charged/(credited) to equity	(112)	(138)
Closing balance at 30 June	**2,982**	**2,895**
Net deferred tax assets/(liability)	**-**	**-**
Deferred tax liability expected to settle within 12 months	-	-
Deferred tax liability expected to settle more than 12 months	2,982	2,895
	2,982	**2,895**
Deferred tax asset expected to be recovered within 12 months	-	-
Deferred tax asset expected to be recovered after more than 12 months	2,982	2,895
	2,982	**2,895**

Key Accounting Policies

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when assets are recovered or liabilities settled. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. In addition to the above deferred tax assets recognised in relation to carry forward tax losses, the company has further unrecognised tax losses relating to prior period losses.

Deferred tax assets will only be recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. In addition to the above deferred tax assets recognised in relation to carry forward tax losses, the company has further unrecognised tax losses relating to prior period losses.

12 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2016 $000	2015 $000
Trade payables	1,497	847
Other payables	1,414	1,394
Total current liabilities	**2,911**	**2,241**

13 BORROWINGS

Current		
Lease liabilities (note 21)	21	31
Bank overdraft	904	-
Commercial loan	1,650	405
Total current borrowings	**2,575**	**436**
Non Current		
Lease liabilities (note 21)	17	18
Total non current borrowings	**17**	**18**

14 UNEARNED REVENUE

	2016 $000	2015 $000
Current		
Client prepayments	609	-
Contractual milestones received	45	-
Total current unearned revenue	**654**	**-**
Non Current		
Contractual milestones received	**1,997**	**-**

Key Accounting Policies

Revenue from a client contract to provide services is recognised with reference to stage of completion of the contract. In some cases the client will pay for such services before the work is conducted and this revenue is deferred until earned.

Two key long term distribution contracts relating to the company's proprietary products were executed during the reporting period and milestones received in accordance with the terms of those contracts. As such milestones relate to the performance of the contract, future revenue will be recognised over the term of the distribution contract.

15 PROVISIONS

	2016 $000	2015 $000
Current		
Employee entitlements	**1,161**	**1,164**
Non Current		
Employee entitlements	**220**	**136**

Key Accounting Policies

The provision for employee entitlements represents annual leave, vested long service leave and an estimate of long service leave payable to employees which has not yet vested.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they can be reliably measured.

Liabilities recognised in respect of short term employee benefits are classified as current liabilities and measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are classified as non current liabilities and measured at the present value of the estimated future outflows to be made by the Company in respect of services provided by employees up to reporting date.

16 CONTRIBUTED EQUITY

	2016 Shares	2015 Shares	2016 $000	2015 $000
Paid up capital - Ordinary shares, fully paid	219,355,298	191,281,032	46,961	39,287

Movements in ordinary share capital of the company during the past two years were as follows:

Date	Details	Notes	No. of Shares	$000
1 July 2014	Opening balance		77,374,248	22,877
24 October 2014	Employee share plan issue	(a)	360,000	-
18 December 2014	Share placement to sophisticated investors		100,000,000	15,000
30 December 2014	Share purchase plan		13,440,096	2,016
	Costs associated with share issue		-	(606)
23 February 2015	Forfeited employee shares	(a)	(74,074)	-
27 April 2015	Employee share plan issue	(a)	180,762	-
30 June 2015			**191,281,032**	**39,287**
21 July 2015	Employee share plan issue	(a)	1,772,164	-
25 November 2015	Issue of loan shares		3,600,000	-
25 November 2015	Sophisticated placement		17,142,857	6,000
10 December 2015	Forfeited employee shares	(a)	(155,185)	-
24 December 2015	Share purchase plan	(a)	5,714,430	2,000
	Costs associated with share issue		-	(326)
30 June 2016			**219,355,298**	**46,961**

IDT Employee Share Plan

(a) During the year 1,772,164 (2015: 540,762) ordinary shares were issued within the rules of the IDT Australia Limited Employee Share Plan. 155,185 (2014: 74,074) shares were forfeited with former employees electing not to repay the interest free limited recourse loan following cessation of employment.

17 RESERVES

	2016 $000	2015 $000
Share-based payments reserve	2,495	2,104
Asset revaluation reserve	1,809	1,697
	4,304	**3,801**

The asset revaluation reserve is used to recognise the value of land and buildings owned by IDT Australia Limited and valued by an independent third party valuer.

18 ACCUMULATED LOSSES

	2016 $000	2015 $000
Retained profits/(accumulated losses) at the beginning of the financial year	(3,883)	(891)
Net loss attributable to members of IDT Australia Limited	(4,006)	(2,992)
Accumulated losses at the end of the financial year	**(7,889)**	**(3,883)**

19 FINANCING ARRANGEMENTS

Bank overdraft	904	-
Commercial loan	1,650	405
Lease liabilities (refer note 21)	38	49
Total secured liabilities (current and non current)	**2,592**	**454**

Unrestricted access was available at balance date to the following credit facilities with the National Australia Bank Ltd:

Total facilities		
- Bank Overdraft	1,000	1,000
- Lease Facility	450	450
- Flexible Rate Commercial Loan	3,250	2,750
- Credit Card Facility	100	100
Used at balance date		
- Bank Overdraft	904	-
- Lease Facility – Finance Leases	38	49
- Lease Facility – Operating Leases	32	68
- Flexible Rate Commercial Loan	1,650	405
- Credit Card Facility	38	74
Available at balance date		
- Bank Overdraft	96	1,000
- Lease Facility	380	333
- Flexible Rate Commercial Loan	1,600	2,345
- Credit Card Facility	62	26

Security for Borrowings

The bank overdraft, lease and business loan facilities are secured by the following:

- A Registered Mortgage over property situated at 39 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 41 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 43-49 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 51-57 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 68 Wadhurst Drive, Boronia

	2016 $000	2015 $000
Carrying value of assets pledged as Security		
- Freehold land and buildings	9,300	9,264
- Plant and equipment under finance lease	42	62
Total assets pledged as security	**9,342**	**9,326**

20 FINANCIAL REPORTING BY SEGMENTS

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the activities of CMAX, a clinical trial facility in Adelaide, South Australia, and an integrated manufacturing, development and corporate facility at Boronia, Victoria. Segment profit represents the profit before tax earnt by each segment without allocation of Corporate costs and is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Reportable segments have been revised from one to two segments in the current year due to an increase in CMAX operations with the new facility in Adelaide being opened in the current year. As result information presented to the CODM in relation to CMAX has increased requiring separate reporting.

The accounting policies of the reportable segments are the same as those applied to the Company as a whole.

Revenue by segment:		
CMAX	9,257	9,380
Boronia	7,620	6,328
Corporate / Unallocated	37	12
Total Revenue	**16,914**	**15,720**
Profit before tax by segment:		
CMAX	75	1,785
Boronia	(3,981)	(3,605)
Corporate / Unallocated	(1,798)	(1,389)
Total Profit before tax	**(5,704)**	**(3,209)**

At CMAX the current financial year has been impacted by increased expenses and operational interruption associated with the relocation and fit out of the new clinic. At Boronia, development work to support the first proprietary product launches is reflected in an expansion of Inventory and Intangible Assets. Additionally, milestones associated with our US distributors have been received to be taken to revenue over the contracted term.

Included CMAX's total revenue of $9.26m, are projects to the value of $3.99m managed through a single local sponsor typically appointed by a separate head sponsor. No other single customer contributed 10% or more to the Company's revenue.

21 COMMITMENTS FOR EXPENDITURE

	2016 $000	2015 $000
(a) Finance lease commitments		
- Within one year	23	34
- Later than one year but not later than 5 years	19	18
Minimum lease payments	**42**	**52**
Less: future finance charges	(4)	(3)
Total finance lease liability	**38**	**49**

(b) Non cancellable operating lease commitments		
- Within one year	590	546
- Later than one year but not later than 5 years	2,221	2,289
- Later than 5 years	-	-
	2,811	**2,835**

(c) Capital Commitments

The Company is acquiring a new tableting machine and the remaining balance of GBP193,878 is payable once the equipment is received on site (2015: nil).

Key Accounting Policies

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised as Assets at fair value at the lease's inception, or if lower, at the present value of the minimum lease payments. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

22 AUDITOR'S REMUNERATION

	2016 $000	2015 $000
Total amounts receivable by Deloitte Touche Tohmatsu for:		
(a) Audit and review of the company's financial statements	84,500	81,500
(b) Other services – Employee Share Plan valuation advice	13,200	-
Total Audit Services	**97,700**	**81,500**

23 FINANCIAL RISK MANAGEMENT

Financial risks impacting the Company's activities fall into three categories:

a) market risk – foreign exchange and interest rate
b) credit risk
c) liquidity risk

a) Market risk

In order to minimize the impact of currency fluctuation it is Company policy to contract in Australian dollars where possible. However the Company also transacts in foreign currencies, particularly Euro and US dollars, which give rise to foreign exchange risk as exchange rates fluctuate.

Future material foreign exchange transactions associated with product development pipeline and contracted acquisition of plant and equipment have been identified and the Company manages exchange rate exposure through the use of forward exchange contracts. Such contracts are designated as cash flow hedges. The Company does not enter into or trade financial instruments for speculative purposes.

Although as at reporting date the Company had borrowings totaling $2.575m, exposure to interest rate risk is limited because a $6.1m capital raising was completed on 6 July 2016. These funds were used to repay all bank loans as well as provide the necessary working capital to support the Company's product development pipeline.

Current forecasts indicate the Company is funded to support its ongoing operations including planned development and purchase of required plant and equipment, and is only expected to need to draw on the bank facility late in the 2017 financial year. Following the capital raising completed in July 2016, the Company currently has no debt, other than finance leases. However if the existing Variable Rate Commercial Loan was fully drawn and interest rates increased by 50 basis points the monthly interest payable on the Company's bank facility would be $15,451.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company. Credit risk is closely managed and the Company has procedures to deal with credit worthy counterparties, review customer credit worthiness on an ongoing basis and to monitor exposure to any one customer.

The Company does not have a history of defaulted balances.

c) Liquidity risk

Liquidity risk is the risk that the company is not able to pay its debts as and when they fall due and the ultimate responsibility for liquidity risk management rests with the Board of Directors which has established a framework for management of the Company's requirements over time through continuous monitoring of historical and anticipated cash flows, scenario analysis and maintaining adequate reserves. The Company currently has significant undrawn banking facilities.

The Company holds the following financial instruments:

	2016 $000	2015 $000
Financial Assets		
Cash and cash equivalents	21	129
Trade receivables and other	6,586	3,931
Total financial assets	**6,607**	**4,060**
Financial Liabilities		
Trade and other payables	2,911	2,241
Borrowings, current and non current	2,592	454
Total financial liabilities	**5,503**	**2,695**
Net financial position	**1,104**	**1,365**

24 SHARE BASED PAYMENTS

The Employee Share Plan (ESP) was approved at the Annual General Meeting held on 20 November 2013 and is due for renewal in 2016.

During the year ended 30 June 2016, the Company issued 1,772,164 ordinary shares under the rules of the IDT Australia Limited ESP (2015: 540,762) and 3,600,000 loan shares approved at the Annual General Meeting held on 19 November 2015.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

	2016 $000	2015 $000
Shares issued under employee share plan	381	91

Movement in number of shares issued under employee share plan:	2016 Shares	2015 Shares
Opening balance	2,190,325	1,723,637
Employee share plan granted during the year	1,772,164	540,762
Lapsed during the year	(155,185)	(74,074)
Closing balance	**3,807,304**	**2,190,325**

Key Accounting Policies

The ESP provides an annual value of up to $1,000 of shares which may be issued to eligible employees for no consideration. The value of shares issued is recognised in the income statement as part of employee benefit costs as the shares are granted. Such shares may not be sold until the earlier of three years after issue or cessation of employment with the Company. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

Within the ESP, executive managers and Directors may be offered shares in the Company at the current market value at the date of issue and funded by an interest free limited recourse loan from the Company. Grants within the framework of the ESP are determined by the MD together with the Remuneration and Nomination Committee, and subject to approval by the Board, and to the extent offered to the MD, approved as a resolution at a General Meeting of shareholders.

Amounts disclosed for emoluments relating to these shares are the assessed fair values at issue date determined using a Black-Scholes pricing model taking into account the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the arrangement.

25 KEY MANAGEMENT PERSONNEL DISCLOSURES

The following persons were Directors of IDT Australia Limited during the financial year:

Executive Director

P MacLeman, Managing Director

222 Directors

G Kaufman, Chair	A Fisher	H Burrill (appointed 8 October 2015)
G Blackman	G Lord, Deputy Chair	R Shigeno

Key Management Personnel

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

J Johnson	Chief Financial Officer, Joint Company Secretary
D Sparling	Vice President, Corporate and Business Development, Joint Company Secretary

	2016 $000	2015 $000
Directors and Key Management Personnel Compensation		
Short term employee benefits	1,165,085	1,013,141
Post employment benefits	83,517	105,577
Long term benefits	9,712	3,409
Share based payments	128,661	43,804
	1,386,975	**1,165,931**

26 RELATED PARTY TRANSACTIONS

Transactions of Directors and Key Management Personnel Concerning Shares or Share Options

Aggregate numbers of shares acquired and disposed of by Directors or Key Management Personnel were as follows:

	2016 Shares	2015 Shares
Ordinary shares issued	4,048,132	360,000
Ordinary shares acquired	28,572	600,001
Ordinary shares disposed	-	-

Other than shares issued as described in Note 24, the terms and conditions of transactions relating to shares were on the same basis as similar transactions with other shareholders.

Aggregate numbers of shares of IDT Australia Limited held directly, indirectly or beneficially by Directors or Key Management Personnel at balance date were as follows:

Ordinary shares	19,309,736	15,566,365
Options	500,000	500,000

There were no other transactions between the Company and Directors and Key Management Personnel in 2016 (nil: 2015).

27 RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

	2016 $000	2015 $000
Net cash outflow from operating activities	(2,825)	(1,786)
Depreciation and amortisation	(2,256)	(2,267)
Fair value adjustment	-	62
Non-cash share based payment	(374)	(91)
Change in operating assets and liabilities:		
Increase/(decrease) in receivables	2,809	1,858
Increase/(decrease) in inventories	693	(144)
Increase/(decrease) in current tax asset	1,338	261
(Increase)/Decrease in payables	(670)	(809)
Increase in other provisions	(81)	(76)
Increase in unearned revenue	(2,650)	-
Operating loss after income tax	**(4,006)**	**(2,992)**

28 EARNINGS PER SHARE

Basic earnings per share	(1.9¢)	(2.2¢)
Diluted earnings per share	(1.9¢)	(2.2¢)
Weighted average number of ordinary shares on issue during the year used to calculate basic earnings per share	208,171,371	137,699,014
Weighted average number of ordinary shares on issue during the year used to calculate diluted earnings per share	208,171,371	137,699,014

	$000	$000
Basic Earnings per share		
Loss attributable to ordinary equity holders used in calculating basic earnings per share	(4,006)	(2,992)
Diluted earnings per share		
Loss attributable to ordinary equity holders used in calculating diluted earnings per share	(4,006)	(2,992)

Options granted under the IDT Australia Limited Executive Share Option Plan could be considered dilutive to ordinary shares if the exercise price was less than the share price as at 30 June 2016. Accordingly no options have been included in the determination of basic earnings per share.

Key Accounting Policies

(i) Basic Earnings per Share - Basic earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share - Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

29 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 following critical judgements have been made in application of the Company's accounting policies and have the most significant effect on the amounts recognised in the Company's financial statements.

Revenue recognition

Estimates of proportional completion on client projects are made and revenue may be either accrued or deferred depending on the progress relative to billing milestones outlined in the customer agreed proposal.

Contractual milestones have been received after signing long term distribution partnerships. Recognition of income associated with these milestones has been deferred to be recognised over the term of the contractual relationship.

Recoverability of intangible assets

The Company applies AASB 136 Impairment of Intangible Assets to test the carrying value of the acquired intangibles and capitalised development costs. Judgement is applied to make estimates of future cashflows to support the assessment of the appropriateness of the carrying value. Criteria considered include market conditions, anticipated costs of manufacture, launch timelines and further development costs.

In making this judgement, the Company makes reasonable and supportable assumptions to represent management's estimate of the conditions that will exist over the useful life of the asset. Amongst other factors the Company evaluates technical feasibility to complete the project, existence of a commercial market and sales expectations to conclude on the probability that expected future economic benefits will flow to the entity.

The Company has a number of products for which it has launch plans over the next two years and for which distributors for the US market have been appointed. In conjunction with our distributors, existing and projected market conditions have been assessed for each product and used to support estimates of development costs, launch dates, sales volumes, pricing and discounting whilst cost of goods sold has been estimated based on supply contracts, batch sizes, labour and overhead rates. These values have been used to calculate discounted cashflows.

Balanced and conservative estimates of these criteria have been made but key sensitivities could include changes to launch dates or higher than expected discounts required to achieve market share.

Should the value of future economic benefits relative to the asset's carrying value be considered insufficient, the Company would recognise impairment in accordance with AASB 136 Impairment of Assets.

30 EVENTS AFTER THE REPORTING PERIOD

On 6 July 2016, the Company completed a $6.1 million capital raising (27,727,300 ordinary shares) in the form of private placement shares to institutional and sophisticated investors. Proceeds to fund the US launch of temozolomide, accelerate commercialisation of the generic drug portfolio and repay borrowings.

On 8 August 2016, the commercial loan and overdraft facilities totalling $4.25m with National Australia Bank Limited were renewed through to 31 October 2017. As part of this renewal process, the asset financing facility was expanded to $0.8m in anticipation of future equipment leases associated with the development of tableting capacity.

31 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Company has a contractual obligation to pay Sandoz the following milestones in association with the purchase of ANDAs effective December 2014:

- On receipt of FDA marketing re-approval for the first product, payable USD1,500,000;
- Achievement of cumulative in market product revenues exceeding USD20,000,000, payable USD1,000,000;
- Achievement of cumulative in market product revenues exceeding USD40,000,000, payable USD1,000,000;
- Achievement of cumulative in market product revenues exceeding USD60,000,000, payable USD1,000,000.

The distribution agreement with Mayne Pharma Ltd provides for a milestone of USD500,000 to be payable to IDT Australia Ltd at the time of first commercial supply of temozolomide. Following receipt of FDA approval for this product, manufacture has commenced ahead of anticipated supply in coming months.

The distribution agreement with ANI Pharmaceuticals Inc provides for a non refundable product launch milestone of USD125,000 to be payable to IDT Australia Ltd for each product, other than doxazosin mesylate, following reapproval by the FDA of each contracted products' ANDA. Such approvals are expected to commence in the financial year ended June 2017.

Other than above the Company has no contingent assets or liabilities to disclose at the date of this report.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 18 to 44 are in accordance with the Corporations Act 2001, including:
  (i) complying with Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance, as represented by the result of its operations, changes in equity and cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the financial statements and notes thereto also comply with International Financial Reporting Standards as disclosed in Note 1.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors

Graeme Kaufman
Chairman

Dr Paul MacLeman
Managing Director

Melbourne
24 August 2015

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Independent Auditor's
to the members of IDT Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of IDT Australia Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 18 to 44.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Deloitte.

Opinion

In our opinion:

(a) the financial report of IDT Australia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of IDT Australia Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 24 August 2016

Shareholder Information

The shareholder information set out below was applicable as at 10 August 2016

A DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Holders 2016	Holders 2015
1 -1,000	471	439
1,001 - 5,000	606	627
5,001 - 10,000	263	237
10,001 - 100,000	731	604
100,001 - over	239	190
	2,310	**2,097**

B TWENTY LARGEST INDIVIDUAL SHAREHOLDERS

The names of the twenty largest individual holders of ordinary shares are listed below:

		Number Held	Percentage of Issued Shares
1	NATIONAL NOMINEES LIMITED	37,309,293	15.09
2	UBS NOMINEES PTY LTD	28,392,579	11.48
3	CITICORP NOMINEES PTY LIMITED	16,720,000	6.76
4	I'ROM GROUP CO LTD	15,793,001	6.39
5	CS FOURTH NOMINEES PTY LIMITED	9,370,615	3.79
6	MUTUAL TRUST PTY LTD	8,712,546	3.52
7	GRAEME LESLIE BLACKMAN	7,029,710	2.84
8	PAULENE BLACKMAN	4,457,737	1.80
9	PAUL MACLEMAN	4,071,000	1.65
10	RACT SUPER PTY LTD	3,523,852	1.42
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	2,520,000	1.02
12	G & N LORD SUPERANNUATION PTY LTD	2,500,000	1.01
13	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,383,515	0.96
14	KEYGROWTH PTY LTD	2,332,116	0.94
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,179,556	0.88
16	MR ANTHONY HUNTLEY	2,110,147	0.85
17	BNP PARIBAS NOMS PTY LTD	2,026,503	0.82
18	MR ANTHONY JOHN HUNTLEY	1,839,450	0.74
19	G & N LORD SUPERANNUATION PTY LTD	1,703,372	0.69
20	MR DAVID TERRENCE HAMILTON CLARKE & MRS JUDITH MARGARET CLARKE	1,619,142	0.65
		156,594,134	**63.32**

Since balance date the Company issued 27,727,300 shares on 6 July in the form of a private placement of shares to institutional and sophisticated investors raising $6.1 million and issued 208,300 shares on 3 August in accordance with the terms of the Company's Employee Share Plan.

C SUBSTANTIAL HOLDERS

The following parties have declared a relevant interest in the number of ordinary shares at the date of giving the notice under Part 6C.1 of the Corporations Act.

	Number Held
Regal Funds Management Pty Ltd	21,453,332
I'ROM GROUP., LIMITED	15,793,001
National Nominees Ltd as custodian for Australian Ethical Smaller Companies Trust	14,272,698

D VOTING RIGHTS

A registered holder of shares in the company may attend general meetings of the company in person or by proxy and on a poll may exercise one vote for each share held. Option holders have no voting rights.

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