



Company Announcements Office
Australian Stock Exchange Limited

26 February 2018

Dear Sir/Madam

IDT Australia Limited
Half Yearly Results

Please find attached the Appendix 4D Half Year Report, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half-year ended 31 December 2017.

This information should be read in conjunction the Company's 2017 Annual Report.

This announcement comprises the information required by ASX Listing Rule 4.2A and the statement required by Rule 4.2C.2.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J Johnson', is written over a vertical line.

Joanna Johnson
Company Secretary

APPENDIX 4D – Half year report

IDT Australia Limited
ASX Half Year report – 31 December 2017

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Results for Announcement to the Market

Periods

Report for the half year ended 31 December 2017

Previous corresponding period is the financial year ended 30 June 2017, and the half year ended 31 December 2016

				\$'000
Revenue from ordinary activities	Up	2%	to	4,989
Profit/(loss) from ordinary activities after tax attributable to members (before asset impairment and divestment of CMAX)	Up (*)	9%	to	(3,058)
Net profit/(loss) for the period attributable to members			to	(17,202) (relative to prior period profit \$11,729)

(*) increase in reported loss

For the period ended 31 December 2016 a profit of \$14.537million was recognised in relation to the operations and divestment of CMAX.

For the period ended 31 December 2017 Intangible Assets have been impaired by \$14.144million.

Excluding these items the underlying loss for the period was \$3.058million against a loss of \$2.808million for the prior period.

There are **no dividends** proposed or declared for the period.

Results Commentary

The financial information provided in the Appendix 4D should be read in conjunction with the half-year financial statements and Directors' report, prepared in accordance with Australian Accounting Standards.

Sales revenue showed a modest increase over the previous reported period with replenishment orders filled and profit shares received for both of our currently marketed finished dose products, Temozolomide and Pindolol.

Over the period there has been a large shift in buyer power in the US Generics market with the number of major US pharmaceutical wholesalers declining from 11 to 3. This along with a material reduction in FDA evaluation timelines has materially impacted the generics competitive environment that is experiencing an acceleration in price discounting.

In response to this significant deterioration in the US Generics market, management has conducted a comprehensive review of the carrying value of the Generics portfolio and the Company's ongoing strategy.

Of the 23 ANDAs acquired in December 2014 only one has been launched to date and a further 3 have been confirmed as commercially attractive with development plans progressing. As there are no current plans to commercialise the remainder of the purchased bundle, an impairment adjustment of \$14.1million has been recorded in the current period.

The Company will continue to selectively evaluate and pursue opportunities in the US Generics market where commercial considerations are attractive, particularly where such products have a strong fit with IDT's manufacturing capabilities.

The CMAX divestment was concluded on 28 August 2017 with \$6.8m received for the remaining 39% of equity. A dividend is also receivable in relation to the period of partial ownership.

Other Appendix 4D Information

Net Tangible Assets per Security

	2017	2016
Net tangible asset per security as at 31 December	1.0¢	1.2¢

Controlled entities acquired or disposed of

Divestment of CMAX was concluded in August 2017 with the remaining 39% sold.

Associates and Joint Venture Entities

IDT retains 39% of CMAX Clinical Research Pty Ltd until after 30 June 2017.

Discontinuing Operations

CMAX was categorised as a discontinued operation for the half year ended 31 December 2016.

Foreign Entity Accounting Standards

Not applicable

Audit

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement or an emphasis of matter. The independent audit review report is attached to the financial statements.

IDT AUSTRALIA LIMITED
ACN 006 522 970



**HALF YEAR REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2017**

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DIRECTORS' REPORT

The Directors of IDT Australia Limited submit herewith the financial report of the Company for the half year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The Directors of the Company during or since the end of the half year are:

Graeme Kaufman (Chair until 21 November 2017)	Hugh N Burrill
Alan D Fisher (Chair from 21 November 2017)	Paul D R MacLeman (resigned 14 July 2017)
Mary Sontrop	Reo Shigeno

Graeme Kaufman and Mary Sontrop were appointed as Executive Directors effective 14 July 2017 and resigned these Executive roles on 16 February 2018

Principal Activities

The principal activities of the Company are the supply of products and provision of research and development and other technical services for the pharmaceutical industry.

Review of Operations

The net result of operations after applicable income tax expense was a loss of \$17.2m and included impairment of intangible assets of \$14.1m, (31 December 2016 profit \$11.7m, including profit on divestment of CMAX \$14.5m).

Sales revenue showed a modest increase over the previous reported period with replenishment orders filled and profit shares received for both of our currently marketed finished dose products, Temozolomide and Pindolol.

Over the period there has been a large shift in buyer power in the US Generics market with the number of major US pharmaceutical wholesalers declining from 11 to 3. This along with a material reduction in FDA evaluation timelines has materially impacted the competitive environment for Generics that is experiencing an acceleration in price discounting.

In response to this significant deterioration in the US Generics market, management has conducted a comprehensive review of the carrying value of the Generics portfolio and the Company's ongoing strategy.

Of the 23 ANDAs acquired in December 2014 one has been launched to date and a further 3 have been confirmed as commercially attractive with development plans progressing. As there are no current plans to commercialise the remainder of the purchased bundle, an impairment adjustment of \$14.1million has been recorded in the current period.

The Company will continue to selectively evaluate and pursue opportunities in the US Generics market where commercial considerations are attractive, particularly where such products have a strong fit with IDT's manufacturing capabilities.

The CMAX divestment was concluded on 28 August 2017 with \$6.8m received for the remaining 39% share. A dividend is also receivable in relation to the period of partial ownership.

Matters Subsequent to the End of the Financial Half Year

On 16 February 2018 it was announced that Dr David Sparling had been appointed as Interim Chief Executive Officer with immediate effect. His previous role was Vice President of Corporate and Business Development.

Graeme Kaufman and Mary Sontrop resigned as Executive Directors on 16 February 2018. Both remain Directors of IDT Australia Ltd.

There are no other matters or circumstances subsequent to balance date which have, or may, significantly affect the operations of the Company or the state of affairs in subsequent financial periods.

Future Developments

At the date of this report, there are no likely developments in the operations of this Company required to be reported in accordance with sub-section 299(1)(e) of the *Corporations Act 2001*.

Auditor's Independence Declaration

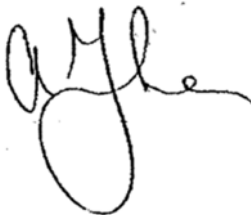
A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001*, is set out on page 4.

Rounding of Amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials / Directors Reports) Instrument 2016/191, dated March 2016 and in accordance with that Corporations Instrument, amounts in the Directors' Report and half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Alan Fisher
Chair
Melbourne, 26 February 2018

26 February 2018

The Board of Directors
IDT Australia Limited
45 Wadhurst Drive
BORONIA VIC 3155

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 review of the financial statements of IDT Australia Limited for the half-year ended 31 December 2017, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke Du Toit
Partner
Chartered Accountants

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Independent Auditor's Review Report to the members of IDT Australia Limited

We have reviewed the accompanying half-year financial report of IDT Australia Limited, which comprises the condensed statement of financial position as at 31 December 2017, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-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 7 to 15.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including, giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IDT Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IDT Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke Du Toit
Partner
Chartered Accountants
Melbourne, 26 February 2018

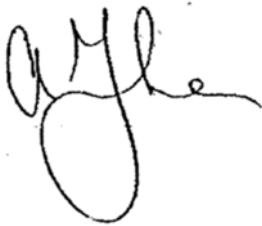
DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*; including compliance with accounting standards and giving a true and fair view of the Company's financial position and performance.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors,

A handwritten signature in black ink, appearing to read 'A Fisher', with a large loop at the end of the signature.

Alan Fisher
Chair
Melbourne, 26 February 2018

IDT AUSTRALIA LIMITED (ACN 006 522 970)

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	Half Year ended 31 December	
		2017 \$ 000	2016 \$ 000
Revenue from ordinary operations		4,989	4,886
Interest received	2	95	6
Dividend income	10	162	-
Raw materials		1,065	845
Employee benefits expense		4,331	5,134
Depreciation and amortisation expenses		1,328	1,063
Finance costs	2	18	4
Impairment of intangible assets	4	14,144	-
Other operating expenses		1,895	1,411
Loss for the period before income tax benefit		(17,535)	(3,565)
Income tax benefit		333	757
Loss for the period from continuing operations		(17,202)	(2,808)
Profit for the period from discontinued operation	10	-	14,537
Profit / (loss) for the half year		(17,202)	11,729
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the half year		(17,202)	11,729

Earnings per share	Cents	Cents
From continuing and discontinued operations		
Basic earnings per share	(6.9¢)	4.7¢
Diluted earnings per share	(6.9¢)	4.7¢
From continuing operations		
Basic earnings per share	(6.9¢)	(1.1)¢
Diluted earnings per share	(6.9¢)	(1.1)¢

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

IDT AUSTRALIA LIMITED (ACN 006 522 970)

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	31 December 2017 \$ 000	30 June 2017 \$ 000
Current assets			
Cash and cash equivalents	3	8,822	8,417
Trade and other receivables		3,613	2,288
Current tax asset		738	2,208
Inventories		1,673	333
		<u>14,846</u>	<u>13,246</u>
Assets classified as held for sale		-	6,159
Total current assets		<u>14,846</u>	<u>19,405</u>
Non-current assets			
Property, plant and equipment		18,910	19,525
Intangible assets	4	5,692	19,185
Total non-current assets		<u>24,602</u>	<u>38,710</u>
Total assets		<u>39,448</u>	<u>58,115</u>
Current liabilities			
Trade and other payables	5	3,137	4,219
Borrowings		125	122
Unearned revenue	6	295	705
Provisions		877	840
Total current liabilities		<u>4,434</u>	<u>5,886</u>
Non-current liabilities			
Borrowings		479	542
Unearned revenue	6	2,644	2,622
Provisions		37	147
Total non-current liabilities		<u>3,160</u>	<u>3,311</u>
Total liabilities		<u>7,594</u>	<u>9,197</u>
Net assets		<u>31,854</u>	<u>48,918</u>
Equity			
Contributed Equity	7	52,833	52,833
Reserves		4,885	4,747
Accumulated losses		(25,864)	(8,662)
Total equity		<u>31,854</u>	<u>48,918</u>

*The above condensed statement of financial position should
be read in conjunction with the accompanying notes.*

IDT AUSTRALIA LIMITED (ACN 006 522 970)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Contributed Capital \$ 000	Asset Revaluation Reserve \$ 000	Share based Payment Reserve \$ 000	Accumulated Losses \$ 000	Total Equity \$ 000
Balance at 1 July 2016	46,961	1,809	2,495	(7,889)	43,376
Profit for the period	-	-	-	11,729	11,729
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	11,729	11,729
Vesting arrangements involving limited recourse loans	-	-	390	-	390
Shares issued during the period	5,872	-	-	-	5,872
Balance at 31 December 2016	52,833	1,809	2,885	3,840	61,367
Balance at 1 July 2017	52,833	1,809	2,938	(8,662)	48,918
Loss for the period	-	-	-	(17,202)	(17,202)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(17,202)	(17,202)
Vesting arrangements involving limited recourse loans	-	-	138	-	138
Balance at 31 December 2017	52,833	1,809	3,076	(25,864)	31,854

*The above condensed statement of changes in equity should
be read in conjunction with the accompanying notes.*

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	Half Year ended	
		December 2017 \$ 000	December 2016 \$ 000
Cash flows from operating activities			
Receipts from customers		2,641	13,533
Payments to suppliers and employees		(8,849)	(13,160)
Interest received		95	7
Interest and other costs of finance paid		(18)	(4)
Research and development tax incentive		1,803	-
Net cash provided / (used) in operating activities		<u>(4,328)</u>	<u>376</u>
Cash flows from investing activities			
Payments for property, plant & equipment		(484)	(453)
Payments for intangible assets		(879)	(3,798)
Proceeds on divestment of business unit	10	6,159	10,000
Net cash provided/ (used) in investing activities		<u>4,797</u>	<u>5,749</u>
Cash flows from financing activities			
Repayment of borrowings		(64)	(2,575)
Proceeds from share issue		-	5,872
Net cash provided by financing activities		<u>(64)</u>	<u>3,297</u>
Net increase/(decrease) in cash held		405	9,422
Cash at the beginning of the reporting period		8,417	21
Cash and cash equivalents / (bank overdraft) at the end of the period		<u>8,822</u>	<u>9,443</u>

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and considered together with any public announcements made during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials / Directors' Reports) Instrument 2016/191, dated March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New accounting standards and interpretations

The list of standards issued but not yet effective includes three issued standards which could impact future financial reports – AASB 9 Financial Instruments (effective 1 July 2018), AASB 15 Revenue from Contracts with Customers (effective 1 July 2018) and AASB 16 Leases (effective 1 July 2019). Management has not yet completed a full assessment of the impact of these standards but does not consider that their adoption would have a material effect on the disclosures or the amounts recognised in the Company's condensed financial statements.

Going concern basis

The Company closed the reporting period with \$8.8m funds at bank and retains a bank loan and overdraft facility of \$2.5m which is presently undrawn.

The Company considers it has sufficient cash reserves to continue its product development program and investment in manufacturing and laboratory facilities necessary to support existing operations and the launch of additional generic proprietary products over the coming 12 months, and beyond.

Change in accounting policy

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

IDT AUSTRALIA LIMITED (ACN 006 522 970)

	31 December 2017 \$ 000	31 December 2016 \$ 000
2. INTEREST REVENUE AND EXPENSE		
Loss from the period before income tax is arrived at after:		
a. crediting interest as revenue	95	6
b. charging interest as an expense	18	4
	31 December 2017 \$ 000	30 June 2017 \$ 000
3. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	8,822	8,417
	31 December 2017 \$ 000	31 December 2016 \$ 000
4. INTANGIBLE ASSETS		
Opening balance, 1 July	19,185	21,137
Additions during the period	879	3,845
Amortisation expense	(228)	(47)
Impairment during the period	<u>(14,144)</u>	<u>-</u>
Closing balance, 31 December	<u>5,692</u>	<u>24,935</u>

An impairment adjustment of \$7,622,000 was made on 30 June 2017.

Impairment

The Company's accounting policies require carrying amounts of Intangible Assets to be tested at least annually or at a time where there is any indication they may have suffered impairment. Prevailing market conditions and expectations were recently reviewed within the scope of preparing a Strategic Plan and consequently carrying values have been formally reconsidered as at 31 December 2017.

The US generic market is experiencing a marked increase in price discounting due to new market entrants, consolidation of buying groups and a contraction in regulatory timelines. These conditions were evident as at 30 June 2017 and accordingly an impairment of \$7.6m was recognised, reducing the carrying value of the assets to \$19.2m at that time.

However, the rate of this discounting has continued at a rate exceeding our expectations and in addition the following factors impacting the valuation have also become evident:

- Prazosin – launch date delayed and third party manufacturing costs higher than expected
- Pindolol – our distributor's market share and pricing expectations have been impacted by recent tender results
- Mexilitine and Flecainide no longer have a reasonably certain commercialisation path and therefore no longer qualify to be carried at value.

In performing this review, a range of scenarios were contemplated including likely and more aggressive pricing and cost of manufacture assumptions and a valuation at the more conservative end of the range selected.

IDT AUSTRALIA LIMITED (ACN 006 522 970)

5. TRADE AND OTHER PAYABLES

Other payables as at 31 December 2017 and 30 June 2017 includes recognition of USD1.5million payable to Sandoz in relation to receipt the first FDA marketing reapproval associated with the ANDAs acquired in December 2014.

6. UNEARNED REVENUE

In previous reporting periods the Company has received contractual milestones in accordance with long term distribution agreements. Such milestones relate to the performance of the contract and revenue is recognised over the term of the distribution contracts.

7. CONTRIBUTED EQUITY	Shares	\$ 000
Opening balance 1 July 2016	219,355,298	46,961
Ordinary shares issued during period	27,727,300	5,872
Employee share plan	1,794,413	-
Forfeited employee shares	(443,108)	-
Closing balance 31 December 2016	248,433,903	52,833
Opening balance 1 July 2017	248,161,716	52,833
Employee share plan	1,893,794	-
Closing balance 31 December 2017	250,055,510	52,833
	31 December 2017 \$ 000	31 December 2016 \$ 000
8. DIVIDEND PAYABLE		
Ordinary Shares		
Dividends provided for or paid during the half year	-	-

9. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of Key Management Personnel are disclosed in the Company's 2017 annual report. During the half year, the following shares were issued under the terms of the Employee Share Plan (ESP) to Key Management Personnel.

KMP Name	Number ESP shares issued to December 2017	Number ESP shares issued to December 2016
Dr David Sparling	310,066	272,369
Ms Joanna Johnson	280,812	241,598

10. DIVESTMENT OF CMAX

On 28 October 2016, the Company announced that I'rom Group Co., Ltd. would acquire the CMAX Clinical Trial business which was historically operated as a business unit of IDT Australia Ltd. In order to effect this transaction, assets and liabilities associated with CMAX were transferred into a new subsidiary of IDT Australia Ltd, CMAX Clinical Research Pty Ltd (CCR). I'rom acquired 61% of the shares of CCR on 15 December 2016 and the remaining 39% on 23 August 2017.

IDT has received cash payments totalling \$10,000,000 as consideration for the sale of the initial 61% of CCR and \$6,159,892 for the remaining 39%. A dividend of \$162,054 has been declared and is payable to IDT in relation to the share of profits for the period of partial ownership.

11. FINANCIAL INSTRUMENTS

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements to approximate their fair values.

12. CONTINGENT LIABILITIES

There are three milestone payments of US\$1.0 million which become payable to Sandoz on achievement of cumulative sales milestones in relation to the ANDA's purchased in December 2014.

13. CAPITAL COMMITMENTS

The Company has capital commitments totalling \$0.1 million (December 2016 \$0.5m).

14. EVENTS OCCURRING AFTER REPORTING DATE

On 16 February 2018 it was announced that Dr David Sparling had been appointed as Interim Chief Executive Officer with immediate effect. His previous role was Vice President of Corporate and Business Development.

Graeme Kaufman and Mary Sontrop resigned as Executive Directors on 16 February 2018. Both remain Directors of IDT Australia Ltd.

There are no other events arising after 31 December 2017 and up to the signing of this report that would likely have a material impact on the financial results presented.