

IDT AUSTRALIA LTD



ANNUAL REPORT 2018

COMPANY INFORMATION**CONTENTS****Page No.****Directors**

Alan Fisher
BCom, FCA, MAICD
Chair

Hugh Burrill
BSc, MScSt, MBA, GAICD

Graeme Kaufman
BSc, MBA

Mary Sontrop
BAppSci, Grad Dip Quality Management, Grad Dip
Management (Health), MBA, GAICD

Chief Executive Officer / Company Secretary

Dr David Sparling
BVSc (Hons), LLB (Hons), GDipAppCor Gov

Chief Financial Officer / Company Secretary

Joanna Johnson
BEc, Grad Dip Management, ICAA

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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

Share Register

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

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

Website Address

www.idtaus.com.au

CHAIRMAN'S LETTER

On behalf of the Board of Directors of IDT Australia Limited I am pleased to present the Annual Report for the 2018 financial year. The year in review has been one of change and renewal at IDT and we have finished the year in a positive fashion. The Company has reported an operating profit after tax for the second half of the year of \$222,832 and has closed the year with a cash balance exceeding \$14 million. IDT's cash balance puts the Company in a good position to consider how best to maximise shareholder value.

During the first part of the year the Company undertook a strategic and operational review of the business. Key components of the review included a critical assessment of the sustainability of IDT's strategy and business model, the organisational structure of the business and the operational issues currently being faced by the Company. I would like to thank Mr Graeme Kaufman and Ms Mary Sontrop who both undertook executive roles during the year and for their valuable contribution to the strategic and operational review. I would also like to thank Graeme for his stewardship as Chairman of IDT from October 2013 through to November 2017.

Several key outcomes from the strategic and operational review were identified and implemented which included a change in executive leadership with the appointment of a new Chief Executive Officer along with a change in structure and composition of the senior leadership team. There was also a renewed focus on business operations and a re-setting of the Company's strategy to move away from non-specialised generic products.

I am pleased with the progress we have made throughout the year and I am looking forward to the year ahead.



Alan Fisher
Chair
21 August 2018



REPORT OF THE CHIEF EXECUTIVE OFFICER

This year has been a busy and challenging one for IDT Australia. Since stepping in as Chief Executive Officer in February 2018 the Company's focus has been on strengthening the foundations of IDT's business. The first task we set out to achieve was to materially improve the Company's operational execution and schedule adherence. Another key area of immediate focus was on cost containment. I am pleased to report an operating profit after tax for the second half of the 2018 financial year. Whilst modest, this profit highlights the strength of IDT's foundations and I am immensely proud of the team's focus and effort to deliver this result.

IDT also closed the year with a strong cash balance of \$14.03m. In late August 2017 the Company successfully closed the final tranche of the divestment of its clinical trials business CMAX to I'Rom Group Co Limited, bringing the total deal value to \$16.2m in cash. At the same time Mr Graeme Kaufman and Ms Mary Sontrop both stepped into the business in an executive capacity and oversaw a thorough review of IDT's strategy and operations. Mary and Graeme's hard work and experienced oversight formed a key plank in IDT's renewed selected generics strategy and operational focus; and I would like to take this opportunity to sincerely thank them for stepping into these roles during this time.

In April 2018 IDT divested its non-specialised generic product portfolio to its U.S. distribution partner ANI Pharmaceuticals Inc. This transaction signalled a move by IDT away from non-specialised generic products at a time when there is increasing levels of competition and downward pricing pressure in the U.S. and other markets. The divestment to ANI generated an additional USD 2.73m in cash, reflected in a small booked profit for IDT, along with a share of the profits to be generated by the sale of Prazosin for 60 months following the launch of the product. Another noteworthy feature of this divestment was IDT's ability to immediately reduce the operating cost base and commercialisation costs associated with owning a portfolio of 19 U.S. generic product filings.

On a disappointing note the Company received a Warning Letter from the U.S. Food and Drug Administration (FDA) in late May 2018. The Warning Letter followed the FDA's general compliance audit of IDT's facilities in December 2017 and identified the need by IDT to improve several of its processes and systems, along with the FDA's increased focus on data integrity. IDT commenced remediation activities immediately following the FDA audit. These activities have included top-down changes to IDT's quality and operational personnel as well as changes to processes and systems. In July 2018 the Company met with the FDA in Washington to outline and discuss IDT's Remediation and Action Plan. The dialogue during the meeting was positive and constructive and importantly the FDA confirmed that IDT remains free to continue to market its products into the United States. IDT's focus is now robustly executing the Remediation and Action Plan and then inviting the FDA to re-inspect the facilities and our operations with a view to having the Warning Letter lifted.

Looking to the year ahead IDT will continue to drive and grow the business whilst also pursuing high value selected generics opportunities as and when they arise. IDT's recently announced move into the exciting medicinal cannabis space in partnership with Cann Group Limited is a good example of how IDT can leverage off its decades of pharmaceutical manufacturing experience and accredited facilities to expand its service offerings into new products and markets.

I thank shareholders for their continued support.



David Sparling
Chief Executive Officer
21 August 2018



REPORT OF THE DIRECTORS - 30 JUNE 2018 (Including Remuneration Report)

The Directors present their report on the financial report of the company for the year ended 30 June 2018.

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

Alan Fisher	Chair from 21 November 2017, Non-Executive Director
Hugh Burrill	Non-Executive Director
Graeme Kaufman	Chair until 21 November 2017, Non-Executive Director
Paul MacLeman	Executive Director until 14 July 2017
Reo Shigeno	Non-Executive Director until 31 March 2018
Mary Sontrop	Non-Executive Director

For the period 14 July 2017 until 20 February 2018, Graeme Kaufman and Mary Sontrop formally assumed Executive roles. Therefore, neither Director is considered to be Independent for 3 years from the time they relinquished these Executive roles.

Except as noted above, the Directors held office during the whole of the financial year and since the end of the financial year.

Principal Activities

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

Review of Operations

The past 12 months reflects a consolidation of operations for IDT, firstly from the divestment of the CMAX Clinical Trial Unit and secondly from the divestment of the portfolio of non-specialised generic products, supported by operational and cash containment strategies.

The table below highlights the impact of these transformation transactions from the underlying profits of the Company:

	2017 \$000	2018 \$000	6 months to December 2017 \$000	6 months to June 2018 \$000
Revenue from ordinary activities	9,543	13,300	4,989	8,311
Profit / (Loss) for the Period	(773)	(16,979)	(17,202)	223
Profit from discontinued operation	13,730	-	-	-
Impairment of intangible assets	7,622	14,144	14,144	-
Underlying Profit / (Loss)	(6,881)	(2,835)	(3,058)	223

IDT's ordinary revenues are mainly derived from contract and fee for service research and development and the manufacture of active pharmaceutical ingredients for customers. These revenues have grown strongly over the year ended 30 June 2018 increasing by \$3.8 million to \$13.3 million, with \$8.3 million achieved in the second half. This revenue uplift, combined with cost containment strategies is reflected in a material improvement in the underlying profitability of the Company with the underlying loss reducing by \$4.0 million to \$2.0 million for the year ended 30 June 2018, with a profit of \$0.2 million achieved in the second half.

These operational results and capital transactions have enabled IDT to strengthen its cash position by \$5.6 million to \$14.0 million over the 12 months to June 2018.

A detailed review of operations is given in the Chairman's Letter and CEO reports on page 2-3 of this annual report.

Summary of FY18 financial performance

	30 June 2018 \$000	30 June 2017 \$000	Movement
Revenue (1)	13,300	9,543	3,757
Net profit / (loss) before tax – continuing operations	(18,575)	(14,846)	(3,730)
Net profit / (loss) before tax – discontinued operations	-	13,730	(13,730)
Net profit / (loss) after tax	(16,979)	(773)	16,206
Basic earnings per share	(6.9¢)	(0.3¢)	
Diluted earnings per share	(6.9¢)	(0.3¢)	

(1) excluding CMAX discontinued operations

Financial position

The Company has strong cash reserves of \$14.0 million as at balance date which is further supported by an unutilised and renewed facility of \$2.5 million with the National Australia Bank Ltd.

These cash reserves and debt facility are available to support the Company to continue to invest in projects to extend production and manufacturing capabilities and to develop and launch new specialty niche generic products.

Results

The net result of operations after applicable income tax was a loss of \$16.979 million (2016: \$0.773 million).

Dividends

No dividends were paid during 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 not otherwise disclosed in this report or the financial statements.

Matters Subsequent to the End of the Financial Year

David Sparling was appointed Interim CEO on 16 February 2018 and following consideration of his performance he was formally appointed to that role on 2 July 2018.

On 25 July 2018, commercial loan and overdraft facilities with the National Australia Bank totalling \$2.5 million were renewed through to 31 July 2019.

IDT announced on 7 August 2018 that it had entered into a contract with Cann Group Limited to provide manufacturing support in relation to medicinal cannabis-based products intended for supply to patients in Australia and overseas.

Other than the above, there has not been any matter or circumstance arising since the end of the financial year that has significantly affected or may significantly affect the operations, results of the operations or the of the Company.

Likely Developments

The company has successfully tendered for and won several new projects which will support and grow the level of revenue expected to be generated from contract and fee for service research and development over the coming financial year, including a contract with Cann Group for manufacturing support in relation to medicinal cannabis-based products. Supply contracts for the manufacture of Active Pharmaceutical Ingredients have been retained and activities supporting this revenue stream are expected to continue at a level similar to the year reported.

Following the divestment of the ANDA bundle to ANI Pharmaceuticals Inc in April 2018, the Company retains a single approved Finished Dose Form Product, Temozolomide, but additionally has agreed to support ANI's ongoing commercial requirements on a contract manufacturing basis. The company will also continue its program of selectively identifying and developing new Finished Dose Form proprietary products to expand its portfolio.

There will continue to be a strong focus on cost containment in order to realise profitability improvements.

Environmental Regulations

IDT Australia Ltd is subject to environmental regulations and other licenses in respect of its manufacturing facilities located in Boronia, Victoria. The Company monitors changes in its regulatory environment and ensures ongoing compliance with new requirements. It is subject to regular inspections and audits by responsible State and Federal authorities and by local and international clients. The Company considers it has complied with all necessary environmental regulations throughout the year ended 30 June 2018 and no related issues have arisen since the end of the financial year to the date of this report.

Following an audit conducted in December 2017 by the U.S. Food and Drug Administration (FDA), the Company received a Warning Letter dated 23 May 2018. This Warning Letter does not contain any enforcement conditions limiting the sale of IDT's products in the US. The company has committed to a remediation plan in order to prepare the facility for re-inspection by the FDA and having the Warning Letter lifted as soon as reasonably possible.

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 and Policies, 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 to insure Directors and Officers (D&O) of the Company. Under the terms of this policy the premium paid by the Company is not permitted to be disclosed.

The liabilities insured are legal costs which may be incurred in defending civil or criminal proceedings which may be brought against D&O in their capacity as D&O of the Company, and any other payments arising from liabilities incurred by D&O in connection with such proceedings, except for where such liabilities arise out of conduct involving a wilful breach of duty by D&O or improper use by D&O of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify a D&O of the company against a liability incurred.

Information about the Directors

ALAN D FISHER (Appointed Chair 21 November 2017)

Qualifications: BCom, FCA, MAICD

Experience: has extensive and proven experience in restoring and enhancing shareholder value. He spent 24 years at global accounting firm Coopers & Lybrand where he headed and grew the Melbourne Corporate Finance Division. Following this tenure, he has spent the last 21 years acting independently as a corporate advisor and professional director specialising in M&A, strategic advice, business restructurings and capital raisings.

Other Current Directorships: Non-Executive Chair Centrepoin Alliance Ltd, Non-Executive Director and Chair of Audit and Risk Committees of Bionomics Ltd and Thorney Technologies Ltd

Former Directorships in Last 3 Years: nil

Responsibilities: Chair, Non-Executive Director, member Audit and Risk Committee

Equity interests in company: nil

HUGH N BURRILL

Qualifications: BSc, MScSt, MBA, GAICD

Experience: formerly Corporate Vice President, Global Pharma Research & Development, Hospira Inc where he was responsible for overall pipeline portfolio management, and research and development of generic and specialty pharmaceuticals. Prior to this he held other senior international roles within Hospira Inc and the original Mayne Pharma Ltd and currently provides consulting services in pharmaceutical strategic management, product development, regulatory affairs and intellectual property

Other Current Directorships: Non-Executive Director and Deputy Chair Nova Aerospace Pty Ltd (since 2007)

Former Directorships in Last 3 Years: nil

Responsibilities: Non-Executive Director, Chair Audit and Risk Committee, Member Remuneration and Nomination Committee

Equity interests in company: nil

GRAEME KAUFMAN (Chair until 21 November 2017, Executive Director for the period 14 July 2017 to 20 February 2018, thereafter Non-Executive Director)

Qualifications: BSc, MBA

Experience: has wide ranging experience in the biotechnology sector, across scientific, commercial and financial areas. At CSL Limited, he was responsible for manufacturing facilities, operated a division in the high technology medical device market and as General Manager Finance was responsible for finance, strategy development, human resources and information technology. He was Executive Vice President Corporate Finance with Mesoblast Limited until 2013.

Other Current Directorships: Non-Executive Chair, Paradigm BioPharmaceuticals Limited (since 2014)

Former Directorships in Last 3 Years: Non-Executive Chair Bionomics Ltd (until August 2016)

Responsibilities: Non-Executive Director, Member of Audit and Risk and Nomination and Remuneration Committees

Equity interests in company: 405,000 fully paid ordinary shares

MARY SONTROP (Executive Director from 14 July 2017 until 20 February 2018, thereafter Non-Executive Director)

Qualifications: BAppSci, Grad Dip Quality Management, Grad Dip Management (Health), MBA, GAICD

Experience: experience in the biopharmaceutical sector across manufacturing operations, quality and business integration. Mary has held executive roles at CSL Limited where she participated in international acquisitions, turned around unprofitable manufacturing operations and established a globally integrated manufacturing network over four countries. As head of CSL's Australia and New Zealand pharmaceutical business she and her team successfully delivered the human papilloma virus immunisation programs and obtained FDA approval to manufacture and export seasonal and pandemic influenza vaccines.

Other Current Directorships: nil

Former Directorships in Last 3 Years: nil

Responsibilities: Non-Executive Director, Chair Remuneration and Nomination Committee

Equity interests in company: 275,000 fully paid ordinary shares (indirect)

Directors resigned during the financial year

PAUL MACLEMAN (Managing Director until 14 July 2017)

Qualifications: MBA, BVSc, Grad Dip Tech, Grad Cert Eng, GAICD

Other Current Directorships: AdAlta Ltd

Former Directorships in Last 3 Years: nil

REO SHIGENO (Non-Executive Director until 31 March 2018)

Qualifications: BA, Dip Financial Services

Other Current Directorships: CMAX Clinical Research Pty Ltd

Former Directorships in Last 3 Years: nil

Information on Secretaries

DR DAVID SPARLING (Chief Executive Officer)

Qualifications: BVSc (Hons), LLB (Hons), GDi pAppCor Gov

Experience: joined IDT in May 2013 as Vice President Legal and Corporate Development, with responsibility for identifying and executing major transactions in line with IDT's strategy for growth and expansion, business development, customer management, legal and compliance and was promoted to Interim CEO in February 2018. He is an experienced senior executive, having held roles at CEO and Chair level in ASX listed companies, including Chair FYI Resources Limited and Vice President Corporate Development, Genetic Technologies Limited.

JOANNA JOHNSON (Chief Financial Officer)

Qualifications: BEc, Grad Dip Management, CA

Experience: is a Chartered Accountant with more than 20 years of senior finance roles, specialising in the pharmaceuticals industry. Her first Pharma finance role was at FH Faulding & Co Ltd, progressing through to Commercial Manager for Mayne Pharma Ltd, ANZ and ultimately to Regional Finance Director, Asia Pacific, with Hospira Inc. Before joining IDT in 2014 her most recent role was as CFO and Company Secretary of Generic Health Pty Ltd, a subsidiary of Lupin Ltd.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2018, 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
Hugh Burrill	14	15	1	1	2	2
Alan Fisher	15	15	2	2	-	-
Graeme Kaufman	15	15	2	2	2	2
Paul MacLeman (until 14 July 2017)	-	1	-	-	-	-
Reo Shigeno (until 31 March 18)	12	12	1	1	2	-
Mary Sontrop	15	15	-	-	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 who have authority and are responsible for planning, directing and controlling the Company's activities, directly or indirectly, including any Director (whether executive or otherwise) of the Company and the broader remuneration policies and philosophy adopted by the Board.

There were no significant changes to remuneration policies during the year.

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, share ownership plans and the relationship between remuneration policy and Company performance.

At the last AGM held on 24 October 2017, the Company received a first strike on its 2017 Remuneration Report. At this meeting 51.2% of shareholders supported acceptance of the report, but this was short of the required 75% approval. A company which sustains a vote against the Remuneration Report of more than 25% in two successive annual general meetings is required to vote on a board spill, which if passed by more than 50 percent of votes, would require all Directors to stand for re-election at a general meeting of shareholders which must be held within 90 days.

In response to receiving this first strike, the Company has increased the level of detail in the disclosure of the remuneration setting process in this report. Additionally, Key Management Personnel (KMP) disclosure has been expanded to include all members of the Executive Leadership Team, all of whom now have a whole of business scope following the narrowing of organisational focus consequential from the divestment of CMAX finalised earlier in this financial year.

Directors' Remuneration

Fees and payments to Directors reflect the demands made on, and the responsibilities of, the Directors. Directors' fees are reviewed annually by the Remuneration and Nomination Committee, considering comparative remuneration data for the industry and size of the Company to attract Directors with relevant expertise in our industry as well as Australian capital markets.

The Non-Executive Directors' annual base fee is currently \$70,000 and the Chair \$120,000, inclusive of superannuation contributions, as required under the Australian superannuation guarantee legislation. Total 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 for Non-Executive Directors is \$400,000.

IDT has a small and focussed Board which works closely with Executive management. For seven months of this financial year, two of these Directors, Graeme Kaufman and Mary Sontrop, assumed Executive responsibilities to support the Company whilst recruitment of a new CEO was conducted. The Company is appreciative of their contributions which were made for no additional remuneration.

Having assumed these temporary Executive responsibilities neither Graeme Kaufman nor Mary Sontrop are considered to be Independent Directors for a period of three years, from the time they relinquished these additional Executive responsibilities in February 2018.

Executive Remuneration

Remuneration packages are set at levels intended to attract, retain and motivate high quality executives to manage the Company's operations and are linked to the Company's financial and operational performance. The Company is committed to adhering to Corporate Governance Standards for remuneration of executives.

The framework of executive remuneration and other terms of employment of the CEO are reviewed annually by the Remuneration and Nomination Committee and other executive remuneration is reviewed by the CEO with the oversight of the Remuneration and Nomination Committee having regard to performance against personal and company objectives established at the beginning of the year, relevant comparative information and independent expert advice is taken where necessary.

Remuneration and other key terms of employment for KMP are formalised in service agreements. Major provisions of these service agreements include the following fixed and performance-based elements:

- base salary plus statutory employer contributions to the superannuation fund of the employee's choice and statutory leave entitlements
- short term performance incentives payable as a cash bonus, based on achievement of company and individual performance objectives established at the beginning of the year. The CEO may receive up to 50% of his base salary as a short-term incentive whilst other KMP are eligible in the range of 15-20%
- long term incentives are available via invitation to participate in the Company's Loan Funded Employee Share Plan
- a KMP may be terminated at the Company's discretion by giving 3 months' notice
- for employment to be terminated at the discretion of the KMP, 3 months' written notice is required
- in the case of serious misconduct KMP forgo termination entitlements other than payment of applicable base salary to the date of termination and statutory leave and superannuation entitlements.

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 or within 90 days of an employee's termination.

Grants within the framework of the ESP are determined by the CEO together with the Remuneration and Nomination Committee and are subject to approval by the Board. To the extent shares may be offered to Directors such issues would require approval by 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 considering 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.

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

Remuneration Details 2018

	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
	\$	\$ (8)	\$	\$	\$	\$	\$
Non-executive Directors							
A D Fisher, Chair (1)	91,792	-	-	8,720	-	-	100,512
G Kaufman (2)	81,723	-	-	7,764	-	-	89,487
H N Burrill	63,927	-	-	6,073	-	-	70,000
R Shigeno	47,945	-	-	4,555	-	-	52,500
M E Sontrop (3)	63,927	-	-	6,073	-	-	70,000
Sub-total Non-executive Directors	349,314	-	-	33,185	-	-	382,499
Executive Director							
P MacLeman, MD (4)	177,253	-	-	5,012	-	-	182,265
Other key management personnel							
M Coffey, VP Quality and Regulatory (5)	175,000	12,625	-	16,625	568	11,510	216,328
J Johnson, Chief Financial Officer	209,168	12,292	-	19,871	4,417	13,758	259,506
D Savaglio, VP People and Change	130,343	8,340	-	12,383	2,275	9,334	162,675
J Susic, VP Operations, Supply and Infrastructure (6)	99,068	-	3,971	9,789	264	13,090	126,182
D Sparling, CEO (7)	257,032	-	-	23,544	10,991	15,191	306,758
Sub-total executive management	1,047,864	33,257	3,971	87,224	18,515	62,883	1,253,714
Total key management personnel compensation	1,397,178	33,257	3,971	120,409	18,515	62,883	1,636,213

(1) Mr Fisher assumed the Chair on 21 November 2017.

(2) Mr Kaufman was Executive Chair from 14 July 2017 through to 21 November 2017 and remained an Executive Director until 20 February 2018. He now serves the Company as a Non-Executive Director.

(3) Ms Sontrop was an Executive Director for the period 14 July 2017 to 20 February 2018, thereafter she is a Non-Executive Director.

(4) Dr MacLeman was an Executive Director until his resignation on 14 July 2017. His remuneration for 2018 includes payments associated with settlement of his employee entitlements and his notice period.

(5) Ms Coffey commenced on 28 March 2017 and is a KMP from 1 July 2017. In addition to her ordinary Short-Term Incentive Bonus, Ms Coffey received a sum of \$10,000 paid on 19 February 2018 as a sign on bonus following completion of her probationary period.

(6) Mr Susic joined IDT on 11 December 2017. Within the terms of company policy, he has elected for part of his salary to be attributed to the provision of a motor vehicle.

(7) Dr Sparling was appointed as Interim CEO on 16 February 2018 and formally appointed on 2 July 2018. Prior to this appointment he was Vice President Corporate and Business Development.

(8) Short Term Incentive Bonuses were paid on 22 February 2018.

Summary of Short Term Incentive Bonuses paid in 2018 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
M Coffey	20%	30%
J Johnson	20%	30%
D Savaglio	20%	30%

Remuneration Details 2017

	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	89,863	-	-	8,537	-	-	98,400
G L Blackman (1)	44,369	-	-	4,215	-	-	48,584
H N Burrill	47,975	-	-	4,558	-	-	52,533
A D Fisher	47,975	-	-	4,558	-	-	52,533
G F Lord (1)	13,333	-	-	1,267	-	-	14,600
R Shigeno	47,975	-	-	4,558	-	-	52,333
M E Sontrop (1)	21,308	-	-	2,024	-	-	23,333
Sub-total Non-executive Directors	312,798	-	-	29,717	-	-	342,515
Executive Director							
P MacLeman, MD (3)	370,459	52,500	-	14,712	16,867	100,828	555,365
Other key management personnel							
J Johnson, Chief Financial Officer (2)	204,866	28,125	-	19,462	5,433	34,551	292,408
D Sparling, VP Corporate and Business Development (2)	230,959	51,000	-	19,616	10,345	38,952	350,871
Sub-total executive management	806,284	131,625	-	53,790	32,645	174,331	1,198,675
Total key management personnel compensation	1,119,082	131,625	-	83,507	32,645	174,331	1,541,190

(1) Mr Lord resigned effective 18 October 2016, Dr Blackman resigned effective 13 June 2017, Ms Sontrop was appointed 1 March 2017.

(2) Ms Johnson and Dr Sparling were issued 241,598 and 272,369 shares respectively under the Employee Share Plan on 21 September 2016 with a five-year term. At the time of issue these shares were valued in line with the Employee Share Plan and \$73,503 recorded as a share-based payment expense in the current year.

(3) In the prior financial year, 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 over the seven-year term of the offer from the date the shares were issued.

Summary of Short Term Incentive Bonuses paid in 2017 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%	75%
J Johnson	20%	70%



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 Loan Shares granted within the framework of the Employee Share Plan.

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.

All shares issued to employees were made within the provisions of the Employee Share Plan funded by an interest free limited recourse loan from the Company.

2018

	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 Kaufman	405,000	-	-	405,000
R Shigeno	333,333	-	-	(1)
M E Sontrop	275,000	-	-	275,000
Executive Director				
P MacLeman	4,071,000	-	-	(1)
Other key management personnel				
M Coffey	-	234,940	-	234,940
J Johnson	787,886	280,812	-	1,068,678
D Savaglio (2)	298,638	190,527	-	489,165
J Susic	-	255,078	-	255,078
D Sparling	818,200	310,066	-	1,128,266
Total Holdings	6,989,057	1,271,423	-	3,856,147

(1) Mr Shigeno and Dr MacLeman resigned from office of Director during the current financial year and accordingly their shareholdings as at 30 June 2018 are not disclosed. 3,960,000 loan funded shares issued to Dr MacLeman were cancelled 90 days following cessation of his employment in accordance with the terms of their issue.

(2) Ms Savaglio became KMP on 1 July 2017 and accordingly previous ESP share issues made to her are reflected in the opening balance.

2017

	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	-	-	(2)
G Kaufman	285,000	-	120,000 (1)	405,000
G F Lord	6,831,907	-	-	(2)
R Shigeno	333,333	-	-	333,333
M E Sontrop	-	-	275,000 (1)	275,000
Executive Director				
P MacLeman	4,071,000	-	-	4,071,000
Other key management personnel				
D Sparling	545,831	272,369	-	818,200
J Johnson	546,288	241,598	-	787,886
Total Holdings	19,643,069	513,967	395,000	6,690,419

(1) Mr Kaufman and Ms Sontrop made on market share purchases within the provisions of the Company's Security Trading Policy.

(2) Dr Blackman and Mr Lord resigned from office of Director during the current financial year and accordingly their shareholdings as at 30 June 2017 are not disclosed.

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 2018.

	30 June 2018 \$000	30 June 2017 \$000	30 June 2016 \$000	30 June 2015 \$000	30 June 2014 \$000
Revenue (1)	13,300	9,543	16,914	15,720	13,374
Net profit / (loss) before tax (2)	(18,575)	(1,116)	(5,704)	(3,209)	(6,583)
Net profit / (loss) after tax	(16,979)	(773)	(4,006)	(2,992)	(6,626)
Share price at start of year	\$0.105	\$0.23	\$0.23	\$0.20	\$0.20
Share price at end of year	\$0.096	\$0.105	\$0.23	\$0.23	\$0.20
Final dividend	-	-	-	-	-
Basic earnings per share	(6.9¢)	(0.3¢)	(1.9¢)	(2.2¢)	(9.5¢)
Diluted earnings per share	(6.9¢)	(0.3¢)	(1.9¢)	(2.2¢)	(9.5¢)
# Shares on issue, 30 June	244,466,732	248,161,716	219,355,298	191,281,032	77,374,248
Market capitalisation, 30 June	\$23.47m	\$26.06m	\$50.45m	\$43.99m	\$15.47m

(1) CMAX Revenues have been excluded from the year ended 30 June 2017 and retained in the prior year comparatives

(2) Net profit / (loss) before tax includes intangible asset impairment adjustments of \$14.144 million and \$7.622 million for the years ended 30 June 2018 and 2017 respectively. Furthermore, the period ended 30 June 2017 includes \$13.718 million profit from the divestment of CMAX.

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 Company may decide to engage the external auditor on assignments additional to their statutory audit duties where the external auditor's expertise and experience with the Company is important.

Directors have considered the position and is satisfied that any provision of non-audit services is compatible with the general standard of independence for external auditors imposed by 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 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 (Rounding 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.

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 Alan Fisher

Chair

21 August 2018

Melbourne

21 August 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 audit of the financial statements of IDT Australia Limited for the financial year ended 30 June 2018, 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



Anneke Du Toit
Partner
Chartered Accountants

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018 \$000	2017 \$000
Revenue from ordinary activities	2	13,300	9,543
Raw materials		(2,428)	(1,953)
Employee benefits expense		(8,291)	(9,747)
Depreciation and amortisation expense		(2,625)	(2,163)
Finance costs		(32)	(15)
Impairment of intangible assets	10	(14,144)	(7,622)
Profit on divestment of intangible assets		55	-
Other operating expenses		(4,410)	(2,889)
Loss before income tax		(18,575)	(14,846)
Income tax benefit	4	1,596	343
Loss for the year from continuing operations		(16,979)	(14,503)
Profit from discontinued operation	19	-	13,730
Loss for the year		(16,979)	(773)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation gain on land and buildings		506	-
Income tax relating to components of other comprehensive income		(152)	-
Total comprehensive loss		(16,625)	(773)
Basic earnings per share	28	(6.9¢)	(0.3¢)
Diluted earnings per share	28	(6.9¢)	(0.3¢)

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

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	2018 \$000	2017 \$000
CURRENT ASSETS			
Cash and cash equivalents	5	14,027	8,417
Trade and other receivables	6	3,474	2,288
Current tax asset	7	396	2,208
Inventories	8	1,055	333
		<u>18,952</u>	<u>13,246</u>
Assets classified as held for sale	19	-	6,159
TOTAL CURRENT ASSETS		<u>18,952</u>	<u>19,405</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	18,709	19,525
Intangible assets	10	1,251	19,185
Deferred tax assets	11	-	-
TOTAL NON-CURRENT ASSETS		<u>19,960</u>	<u>38,710</u>
TOTAL ASSETS		<u>38,912</u>	<u>58,115</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	3,738	4,219
Borrowings	13	129	122
Unearned revenue	14	244	705
Provisions	15	714	840
TOTAL CURRENT LIABILITIES		<u>4,825</u>	<u>5,886</u>
NON-CURRENT LIABILITIES			
Borrowings	13	413	542
Unearned revenue	14	982	2,622
Provisions	15	236	147
TOTAL NON-CURRENT LIABILITIES		<u>1,631</u>	<u>3,311</u>
TOTAL LIABILITIES		<u>6,456</u>	<u>9,197</u>
NET ASSETS		<u>32,456</u>	<u>48,918</u>
EQUITY			
Contributed equity	16	52,833	52,833
Reserves	17	5,264	4,747
Accumulated losses	18	(25,641)	(8,662)
TOTAL EQUITY		<u>32,456</u>	<u>48,918</u>

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

STATEMENT OF CHANGES IN EQUITY

	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/(Loss) for the year	-	-	-	(773)	(773)
Shares issued during the year	5,872	-	-	-	5,872
Share based payments expense	-	-	443	-	443
Other comprehensive income for the year	-	-	-	-	-
Balance at 30 June 2017	52,833	1,809	2,938	(8,662)	48,918
Balance at 1 July 2017	52,833	1,809	2,938	(8,662)	48,918
Profit/(Loss) for the year	-	-	-	(16,979)	(16,979)
Shares issued during the year	-	-	-	-	-
Share based payments expense	-	-	163	-	163
Other comprehensive income for the year	-	354	-	-	354
Balance at 30 June 2018	52,833	2,163	3,101	(25,641)	32,456

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

STATEMENT OF CASH FLOWS

	Note	2018 \$000	2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		11,421	19,690
Payments to suppliers and employees (inclusive of goods and services tax)		(16,442)	(17,742)
		(5,021)	1,948
Interest and other costs of finance paid		(33)	(14)
Income tax refund received		3,256	-
Interest received		171	86
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	27	(1,627)	2,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(918)	(1,766)
Payments for development costs		(1,440)	(5,801)
Proceeds divestment - ANDA's		3,558	-
Proceeds divestment - CMAX		6,159	10,000
NET CASH INFLOW FROM INVESTING ACTIVITIES		7,359	2,433
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity		-	6,315
Payments for issue of equity		-	(443)
Repayment of borrowings		-	(2,554)
(Repayment of) / Proceeds from Finance Leases		(122)	626
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES		(122)	3,944
NET INCREASE / IN CASH AND CASH EQUIVALENTS HELD		5,610	8,396
Cash and cash equivalents at the beginning of the financial year		8,417	21
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	5	14,027	8,417

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.

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 comply 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, intangible assets 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, regardless of whether that price is directly observable or estimated using another technique.

A fair value measurement of a non-financial asset considers the Company's ability to generate economic benefits through use of the asset in its highest or best use or by selling it through an orderly transaction.

In estimating the fair value of an asset or liability, the Company considers the characteristics into account if market participants would take those characteristics into account when pricing the asset or liability at 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 realisable 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.

All amounts are presented in Australian dollars unless otherwise noted.

1.3 Going concern basis

For the year ended 30 June 2018, the Company incurred a loss after tax of \$16.979 million, including \$14.144 million recognised for impairment of intangible assets, and generated an increase in cash and cash equivalents of \$5.610 million.

As at 30 June 2018, the Company held cash reserves in excess of \$14 million which will enable the Company to fund planned capital projects as well as ongoing development of the Company's proprietary product portfolio.

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 forward forecasts, which include cash flow forecasts and forward sales orders received from customers.

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 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.

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, either 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 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 1.9. Disclosures required by these Standards that are applicable 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.

From time to time the company enters into 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires the Company to make estimates and judgements that may affect the reported values of assets, liabilities, revenues and expenses. Management continually evaluates estimates and judgements based on historical experience and other factors it believes to be reasonable under the circumstances, including expectations of future events that may have a financial impact on the entity.

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

Valuation of non-current assets

The Company applies AASB 136 Impairment of Assets to test the carrying value of non-current assets. Judgement is applied to make estimates of future cashflows to support the assessment of the appropriateness of the carrying value. Criteria considered include anticipated future sales prices, market size and expected share, future exchange rates and the discount rate.

In making these judgements, 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, the cost to complete the project, existence of an attractive commercial market, potential launch dates and sales expectations to conclude on the value of expected future economic benefits which would be expected to flow to the entity in order to calculate discounted cashflows.

Balanced and conservative estimates of these criteria have been made but key sensitivities could include changes to launch dates or more competitive market conditions which could result in higher than expected discounting required to achieve targeted market share.

At any time should the estimated value of future economic benefits relative to the asset's carrying value be considered insufficient relative to net book value, the Company would recognise impairment in accordance with AASB 136 Impairment of Assets.

1.8 Rounding of Amounts

The company is of a kind referred to in ASIC Corporations (Rounding 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.

1.9 Application of New and revised Accounting Standards

In the current year, the Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and are effective for the current reporting period. The adoption of these new and revised standards has resulted in no significant changes to the Company's accounting policies.

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

- AASB 9 Financial Instruments – applies for annual periods beginning on or after 1 January 2018 and brings together the classification and measurement, impairment and hedge accounting to replace AASB 139 Financial Instruments: Recognition and Measurement.

The Company does not expect there to be any material impact from the application of these new and revised accounting standards.

- AASB 15 Revenue from Contracts with Customers, applies for annual periods beginning on or after 1 January 2018 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.

Sales revenue is currently recognised with reference to stage of completion of fee for service projects and is deferred with reference to the completion of key milestones. The Company does not expect the adoption of AASB 15 to have a material impact on how sales revenue is recognised.

- AASB 16 Leases, the new Standard applies for annual periods commencing from 1 January 2019 and provides 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 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.

Management are in the process of determining the potential impact of this new standard.

	2018 \$000	2017 \$000
2. REVENUE		
Sales revenue	12,892	9,295
Other revenue		
- Management Fee received from Related Party	75	162
- Dividend	162	-
- Interest	171	86
Total revenue	13,300	9,543

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 which is determined with reference to completion of key project milestones within the total contract 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.

The Company is contractually entitled to receive profit share revenues from distribution partners in relation to its generic products. Profit shares are calculated by the distribution partner and remitted to the Company after the close of each quarter. Revenue has been recognised where our distribution partner has calculated and advised this value for the reporting period.

3. EXPENSES

Loss from ordinary activities before income tax expense includes the following expenses:

Cost of goods sold	3,826	1,953
Depreciation of property, plant and equipment	2,086	1,991
Amortisation		
- Finance leases capitalised	153	41
- Development costs	386	131
Repairs and maintenance	859	1,024
Impairment of intangible assets	14,144	7,622
Net foreign currency loss	99	79

	2018 \$000	2017 \$000
4. INCOME TAX		
(a) Income Tax Benefit		
Current tax	(396)	(2,208)
Deferred tax	370	362
(Under) / over recognised current tax asset in prior period	(1,048)	(36)
	(1,074)	(1,862)
(b) Numerical reconciliation of income tax expense to prima facie tax payable.		
Loss from ordinary activities before income tax expense	(18,575)	(1,116)
Prima facie tax benefit at 30%	(5,573)	(335)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	112	182
Research and development tax concessions	396	405
Employee share issue	49	132
Impairment losses	4,243	2,287
	(772)	2,671
(Under) / over recognised Current tax asset in prior period	(1,048)	(36)
Deferred tax losses (not) brought to account	224	(746)
Utilisation of prior year losses not brought to account	-	(2,232)
Income tax expense/(benefit) attributable to operating loss	(1,596)	(343)

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 which supports a R&D Tax Incentive Claim, refundable by the Australian Government at 43.5% for entities with a tax loss and revenues less than \$20 million. There are no unfulfilled conditions or other contingencies in relation to this incentive. This receivable balance is accounted for as a current tax asset and income tax expense / (benefit).

5. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	14,027	8,417
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Key Accounting Policies

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

6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	2,490	1,115
Less: Provision for doubtful debts	-	-
	2,490	1,115
Accrued revenue	-	529
Other receivables	44	-
Prepayments	940	644
	3,474	2,288

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	-	484
60-90 days	-	-
90+ days	21	30
	21	514

Key Accounting Policies

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

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

After 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, defaulted balances or client dispute and accordingly does not consider a provision for doubtful debts is necessary currently.

	2018	2017
	\$000	\$000
7. CURRENT ASSETS - CURRENT TAX ASSET		
Income tax receivable	396	2,208

Key Accounting Policies

The Company incurs eligible expenditure to support a R&D Tax Incentive Claim. The estimated amount of claim is recognised as a current tax asset and income tax expense / (benefit) in the year that the R&D was incurred.

8. CURRENT ASSETS – INVENTORIES

Raw materials - at cost	958	301
Less: Provision for stock obsolescence	(150)	(50)
Work in Progress	247	82
	<u>1,055</u>	<u>333</u>

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

Land and Buildings

Freehold land (at fair value)	4,380	4,380
Buildings (at fair value)	5,255	4,942
Less: Accumulated depreciation	(43)	(125)
Total Land and Buildings	<u>9,592</u>	<u>9,197</u>

Plant and Equipment

Plant and equipment – at cost	40,817	38,956
Less: Accumulated depreciation	(32,533)	(30,809)
Capital Work in Progress	313	1,507
	<u>8,597</u>	<u>9,654</u>

Plant and Equipment under Finance Lease

Capitalised cost	762	766
Less: Accumulated amortisation	(241)	(92)
	<u>521</u>	<u>674</u>

Total Plant & Equipment	9,118	10,328
Total Property, Plant and Equipment	<u>18,709</u>	<u>19,525</u>

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.

2018	Freehold Land \$000	Buildings \$000	Plant & Equipment \$000	Leased Plant & Equipment \$000	Total \$000
Carrying amount at start of year	4,380	4,817	9,654	674	19,525
Revaluation	-	506	-	-	506
Additions	-	15	903	-	918
Disposals	-	-	-	-	-
Depreciation expense	-	(126)	(1,960)	(153)	(2,239)
Carrying amount at end of year	4,380	5,212	8,597	521	18,709

2017	Freehold Land \$000	Buildings \$000	Plant & Equipment \$000	Leased Plant & Equipment \$000	Total \$000
Carrying amount at start of year	4,380	4,936	12,827	61	22,204
Revaluation	-	-	-	-	-
Additions	-	22	1,088	656	1,766
Disposals (*)	-	(16)	(2,263)	-	(2,279)
Depreciation expense	-	(125)	(1,998)	(43)	(2,166)
Carrying amount at end of year	4,380	4,817	9,654	674	19,525

* CMAX disposal

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 most recent fair value measurement by independent valuers was 19 February 2018. The valuation conforms to Australian Valuation Standards and was 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.

The revaluation increase arising on the revaluation of land and buildings is 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 to be recognised in profit or loss.

Plant and equipment are measured at cost less accumulated depreciation and any impairment adjustments which may have been identified. The cost of non-current assets constructed or developed 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
- Plant & Equipment 3-15 years
- Leased Plant & Equipment 3-15 years

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

Estimated useful lives, residual values and depreciation methods 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.

c) Impairment of property plant and equipment

Carrying amounts are reviewed at least annually or whenever there is an indicator the asset's fair value may be impaired. In assessing the asset's fair value, 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 is 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 2018, using a discounted cash flow model based on the five-year forecast. Future cash flows were discounted at an after-tax rate of 15%.

	2018 \$000	2017 \$000
10. NON CURRENT ASSETS – INTANGIBLE ASSETS		
Intangible assets separately acquired	-	12,324
Development expenditure capitalised	1,701	7,986
Less: Accumulated amortisation development costs	(450)	(1,125)
	<u>1,251</u>	<u>19,185</u>
Reconciliation of Intangible Assets		
Carrying amount at start of year	19,185	21,137
Purchase of intangible assets	-	-
Divested intangible assets	(4,844)	-
Development expenditure capitalised during the year	1,440	5,801
Amortisation of development costs during the year	(386)	(131)
Development costs impaired during the year	(14,144)	(7,622)
Carrying amount at end of year	<u>1,251</u>	<u>19,185</u>

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 of 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.

All acquired Intangible Assets were divested on 3 April 2018.

b) Internally generated Intangible Assets

Research expenditure is recognised as an expense as incurred.

An internally generated intangible asset arising from development is recognised as a non-current asset 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
- the intangible asset will generate probable future economic benefits for the Company
- 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 all of these criteria are recognised in profit or loss in the period in which incurred.

Development 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. 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

Carrying amounts are reviewed at least annually or whenever there is an indicator the asset's fair value may be impaired. In assessing the asset's fair value, 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 is less than the carrying amount, an impairment loss would be recognised immediately.

Further to the impairment recognised as at 30 June 2017, market conditions and expectations were further considered as at 31 December 2017 where it was identified the rate of increase of generic price discounting in the U.S. had exceeded previous expectations.

Furthermore, as reported as at 31 December 2017:

- Prazosin – launch date was delayed and third-party manufacturing costs were higher than expected
- Pindolol – our distributor's market share and pricing expectations had been impacted by recent tender results
- Mexilitine and Flecainide no longer had reasonably certain commercialisation paths and therefore their carrying value could no longer be supported.

Consequently, carrying values were formally reconsidered as at 31 December 2017 and an impairment of \$14.144 million reported (2017: \$7.622 million). 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.

d) Divestment – on 3 April 2018, the acquired intangible assets, subject to impairment adjustments as at 30 June 2017 and again on 31 December 2017 were divested to ANI Pharmaceuticals Inc for consideration of USD 2.7 million, returning a profit on disposal of \$0.05 million.

The Company retains Temozolomide and has other selected niche generic products currently under development.

	2018 \$000	2017 \$000
11. NON-CURRENT ASSETS - DEFERRED TAX ASSET / (LIABILITY)		
Deferred Liability	2,173	2,889
The balance comprises temporary differences attributable to:		
Depreciation	1,635	2,493
Asset revaluation	152	-
Prepayments	11	-
Development costs	375	396
	<u>2,173</u>	<u>2,889</u>
Movements		
Opening balance at 1 July	2,889	2,982
Increase/(reduction) current tax expense	1,596	343
Current year increase/(decrease not recognised)	(2,312)	(436)
Closing balance at 30 June	<u>2,173</u>	<u>2,889</u>
Deferred tax assets	2,173	2,889
The balance comprises temporary differences attributable to:		
Employee entitlements, accruals and other	309	414
Tax losses	1,864	2,475
	<u>2,173</u>	<u>2,889</u>
Movements		
Opening balance at 1 July	2,889	2,982
Increase/(reduction) current tax expense	(564)	(93)
Charged/(credited) to equity	(152)	-
Closing balance at 30 June	<u>2,173</u>	<u>2,889</u>
Net deferred assets / (liability)		
Deferred tax liability expected to settle within 12 months	-	-
Deferred tax liability expected to settle more than 12 months	2,173	2,889
	<u>2,173</u>	<u>2,889</u>
Deferred tax asset expected to be recovered within 12 months	-	-
Deferred tax asset expected to be recovered after more than 12 months	2,173	2,889
	<u>2,173</u>	<u>2,889</u>

Key Accounting Policies

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the 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.

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, the Company has further unrecognised tax losses relating to prior period tax losses.

As at 30 June 2018 the Company has gross carried forward tax losses amounting to \$14.4m (2017: \$14.2m) and a further \$12.3m (2017: nil) capital losses which have not been recognised as assets in these financial statements.

	2018 \$000	2017 \$000
12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables	576	683
Other payables	3,162	3,536
Total trade and other payables	3,738	4,219

13. BORROWINGS

Current

Lease liabilities (note 21)	129	122
Total current borrowings	129	122

Non Current

Lease liabilities (note 21)	413	542
Total non current borrowings	413	542

14. UNEARNED REVENUE

Current

Client prepayments	106	550
Contractual milestones received	138	155
Total current unearned revenue	244	705

Non-Current

Contractual milestones received	982	2,622
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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 may pay for such services before the work is conducted and this revenue is deferred until earned.

Contractual milestones have been received in accordance with the Company's long-term distribution agreements. As such milestones relate to the performance of the contract, revenue is recognised over the term of the distribution contract.

15. PROVISIONS

Current

Employee entitlements	714	840
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Non-Current

Employee entitlements	236	147
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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	2018 Shares	2017 Shares	2018 \$000	2017 \$000
Paid up capital - Ordinary shares, fully paid	244,446,732	248,161,716	52,833	52,833

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

		No. of Shares	\$000
1 July 2016	Opening balance	219,355,298	46,961
6 July 2016	Sophisticated Placement	27,727,300	5,872
3 August 2016	Employee share plan issue	208,300	-
21 September 2016	Employee share plan issue	1,350,254	-
21 September 2016	Forfeited employee shares	(443,108)	-
20 October 2016	Employee share plan issue	235,859	-
23 February 2016	Forfeited employee shares	(198,113)	-
13 June 2016	Forfeited employee shares	(74,074)	-
30 June 2017		248,161,716	52,833
1 November 2017	Employee share plan issue	1,275,044	-
21 November 2017	Employee share plan issue	618,750	-
17 January 2018	Employee share plan issue	255,078	-
17 January 2018	Forfeited employee shares	(5,430,092)	-
5 March 2018	Employee share plan issue	276,942	-
25 June 2018	Forfeited employee shares	(690,706)	-
30 June 2018		244,466,732	52,833

During the year 2,425,814 (2017: 1,794,413) ordinary shares were issued within the rules of the IDT Australia Limited Employee Share Plan. 2,520,798 (2017: 715,295) shares were forfeited due to former employees electing not to repay the interest free limited recourse loan within 90 days of cessation of employment. A further 3,600,000 shares issued to the former Managing Director were forfeited during the period.

17. RESERVES	2018 \$000	2017 \$000
Share-based payments reserve	3,101	2,938
Asset revaluation reserve	2,163	1,809
	5,264	4,747

The asset revaluation reserve is used to recognise fair value movements in respect of land and buildings owned by the Company valued by an independent third party valuer.

18. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(8,662)	(7,889)
Net loss attributable to members of IDT Australia Limited	(16,979)	(773)
Accumulated losses at the end of the financial year	(25,641)	(8,662)

19. DIVESTMENT OF CMAX

On 28 October 2016, the Company announced that I'rom Group Co., Ltd. would acquire the CMAX Clinical Research Pty Ltd (CCR). I'rom acquired the first 61% on 15 December 2016 for \$10,000,000 cash consideration. The transaction was concluded on 23 August 2017 with consideration of \$6,159,892 received for the final 39% of shares. A dividend of \$162,054 has been received by IDT in FY18 relating to the share of profits for the period of partial ownership.

The reported profit from the CMAX discontinued operation is as follows:

	Period to 15 December 2016 \$ 000	
Revenue	5,974	
Expenses	5,961	
Profit before tax	12	
Gain on disposal including selling cost	13,718	
Profit for the year from discontinued operation	13,730	
	2018 \$000	2017 \$000
Asset classified as held for sale	-	6,159
Dividend income received	162	-

	2018 \$000	2017 \$000
20. FINANCING ARRANGEMENTS		
Bank overdraft	-	-
Commercial loan	-	-
Lease liabilities (refer note 21)	542	664
Total secured liabilities (current and non current)	542	664

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

<u>Total facilities</u>		
- Bank Overdraft	1,000	1,000
- Lease Facility	800	800
- Flexible Rate Commercial Loan	1,500	1,500
- Bank Guarantee to CMAX Clinical Research Pty Ltd (1)	-	585
- Credit Card Facility	100	100

<u>Used at balance date</u>		
- Bank Overdraft	-	-
- Lease Facility	542	664
- Flexible Rate Commercial Loan	-	-
- Bank Guarantee to CMAX Clinical Research Pty Ltd Ltd (1)	-	585
- Credit Card Facility	32	36

(1) Bank Guarantee cancelled on completion of the CMAX divestment

<u>Available at balance date</u>		
- Bank Overdraft	1,000	1,000
- Lease Facility	272	136
- Flexible Rate Commercial Loan	1,500	1,500
- Credit Card Facility	68	64

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

Carrying value of assets pledged as Security		
- Freehold land and buildings	9,592	9,197
- Plant and equipment under finance lease	521	674
Total assets pledged as security	10,113	9,861

21. COMMITMENTS FOR EXPENDITURE

(a) Finance lease commitments

- Within one year	155	155
- Later than one year but not later than 5 years	447	602
Minimum lease payments	602	757
Less: future finance charges	60	93
Total finance lease liability	542	664

(b) Non- cancellable operating lease commitments

- Within one year	-	-
- Later than one year but not later than 5 years	-	-
- Later than 5 years	-	-
	-	-

(c) Capital Commitments

The Company has nil commitments for future capital expenditure outstanding as at 30 June 2018 (2017: 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

Total amounts receivable by Deloitte Touche Tohmatsu for:
(a) Audit and review of the company's financial statements
(b) Other services

2018 \$	2017 \$
111,500	116,900
-	-
<u>111,500</u>	<u>116,900</u>

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 minimise the impact of currency fluctuation it is Company policy to transact in Australian dollars wherever possible. From time to time the Company also transacts in foreign currencies, particularly Euro and US dollars, which can give rise to foreign exchange risk as exchange rates fluctuate.

Where material foreign currency denominated transactions have been identified, the Company manages exchange rate exposure through the use of forward exchange contracts designated as cash flow hedges. The Company does not enter into or trade financial instruments for speculative purposes. No hedges were in place at reporting date.

At balance date the Company has \$14.027 million Cash Reserves held in its operating bank account and short term bank deposits. Forward cashflow forecasts do not project use of the bank debt facilities. Therefore other than finance leases already in place the company does not foresee any increased borrowings or consequentially a material sensitivity from interest rates.

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. Customer credit worthiness is reviewed on an ongoing basis and exposure to any one customer is monitored. Collectability of debts is regularly reviewed and assessed and a Provision would be raised if there was any evidence the Company could not collect the Debt.

The Company does not have a history of defaulted balances nor does it carry a material level of overdue debtor balances.

c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and is the risk that the company is not able to pay its financial liabilities as when they fall due. 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 and scenario analysis. The Company manages liquidity risk by maintaining cash reserves and reserve borrowing facilities.

Rolling 18 month cashflow forecasts are prepared each month. Strategic planning also includes liquidity considerations and based on current strategies, no funding shortfalls have been identified.

In addition to funds on deposit, the Company currently has available banking facilities of \$2.5 million.

The Company holds the following financial instruments:

Liquid Financial Assets

	2018 \$000	2017 \$000
Cash and cash equivalents	14,027	8,417
Trade receivables and other	3,474	8,447
Total financial assets	<u>17,501</u>	<u>16,864</u>

Financial Liabilities

Trade and other payables	3,738	4,219
Borrowings, current and non current	542	664
Total financial liabilities	<u>4,280</u>	<u>4,883</u>
Net financial position	<u>13,221</u>	<u>11,981</u>

24. SHARE BASED PAYMENTS

The Employee Share Plan (ESP) was approved at the Annual General Meeting held on 18 November 2016.

During the year ended 30 June 2018, the Company issued 2,425,814 ordinary shares under the rules of the IDT Australia Limited ESP (2017: 1,794,413).

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

	2018 \$000	2017 \$000
Value of shares issued under employee share plan	163	277

Movement in number of shares issued under employee share plan:

	2018	2017
Opening balance	4,886,422	3,807,304
Employee share plan granted during the year	2,425,814	1,794,413
Forfeited during the year	(2,520,798)	(715,295)
Closing balance	4,791,438	4,886,422

Key Accounting Policies

Executive managers and Directors may be offered shares in the Company at the current market value at the date of issue, funded by an interest free limited recourse loan from the Company. Grants within the framework of the ESP are determined by the CEO together with the Remuneration and Nomination Committee and are subject to approval by the Board. To the extent shares are offered to Directors such issues must also be 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.

The ESP provides an annual value of up to \$1,000 of shares may be issued to eligible employees for no consideration. The value of shares issued is recognised in the income statement as employee benefit costs at the time 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 ESP shares rank equally with other fully-paid ordinary shares on issue.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Executive Director

Paul MacLeman, Managing Director until 14 July 2017

Non-Executive Directors

Alan Fisher, Chair
Hugh Burrill
Graeme Kaufman
Mary Sontrop
Reo Shigeno, until 31 March 2018

Mr Kaufman and Ms Sontrop assumed Executive roles for the period 14 July 2017 through to 20 February 2018 and consequently they are not considered to be Independent Directors for a period of 3 years after ceasing these temporary Executive roles.

Mr Fisher and Mr Burrill are Independent Directors.

Key Management Personnel

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

Michelle Coffey	Vice President Quality and Regulatory
Joanna Johnson	Chief Financial Officer, Joint Company Secretary
Danielle Savaglio	Vice President People and Change
Jim Sosis	Vice President Operations, Supply and Infrastructure
David Sparling	Chief Executive Officer, Joint Company Secretary

Directors and Key Management Personnel Compensation	2018 \$	2017 \$
Short term employee benefits	1,434,406	1,250,707
Post-employment benefits	120,409	83,507
Long term benefits	18,515	32,645
Share based payments	62,883	174,331
	1,636,213	1,541,190

26. RELATED PARTY TRANSACTIONS

Transactions of Directors and Key Management Personnel Concerning Shares

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

	2018 Shares	2017 Shares
Ordinary shares issued to KMP	1,271,423	513,967
Ordinary shares forfeited by KMPs	3,960,000	-
Ordinary shares acquired	-	395,000

Other than shares issued as described in Note 24, the terms and conditions of other 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 KMP holding office at balance date were as follows:

	2018	2017
Ordinary shares	3,856,147	6,690,419

There were no other transactions between the Company and Directors and Key Management Personnel in 2018 (2017: nil).

Transactions associated with CMAX Clinical Research Pty Ltd

For the period to 23 August 2017 the Company retained a 39% ownership interest in CMAX Clinical Research Pty Ltd (CCR). \$6,159,892 was received for divestment of the remaining shares.

During the reporting period the Company continued to provide ongoing operational support for which it earned a Management Fee of \$75,000 (2017: \$162,500) and received a dividend of \$162,054 (2017: nil).

To support CCR's initial working capital and overdraft the Company provided a bank guarantee of \$585,000 which was withdrawn when the remaining 39% shares were divested.

In addition to this operational and financial support, David Sparling remained a Director of CCR until 15 May 2018 and received Directors Fees, including statutory superannuation of \$11,563 (2017: \$7,119).

27. RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX	2018 \$000	2017 \$000
Net cash inflow /(outflow) from operating activities	(1,627)	2,019
Depreciation and amortisation	(2,625)	(2,163)
Profit on divestment - CMAX	-	13,718
Profit on Divestment – ANDA's	55	-
Non-cash share based payment	(163)	(443)
Impairment of intangible assets	(14,144)	(7,622)
Change in operating assets and liabilities:		
Increase/(decrease) in receivables	888	(4,298)
Increase/(decrease) in inventories	722	(863)
Increase/(decrease) in current tax asset	(1,812)	441
(Increase)/Decrease in payables	874	(1,280)
Increase in other provisions	36	394
Increase/(decrease) in unearned revenue	818	(677)
Operating loss after income tax	(16,979)	(773)

	2018	2017
28. EARNINGS PER SHARE		
Basic earnings per share	(6.9¢)	(0.3¢)
Diluted earnings per share	(6.9¢)	(0.3¢)
Weighted average number of ordinary shares on issue during the year used to calculate basic earnings per share	247,829,659	247,607,128
Weighted average number of ordinary shares on issue during the year used to calculate diluted earnings per share	247,829,659	247,607,128
	\$000	\$000
Basic Earnings per share		
Loss attributable to ordinary equity holders used in calculating basic earnings per share	(16,979)	(773)
Diluted earnings per share		
Loss attributable to ordinary equity holders used in calculating diluted earnings per share	(16,979)	(773)

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. EVENTS AFTER THE REPORTING PERIOD

David Sparling was appointed Interim CEO on 16 February 2018 and following consideration of his performance he was formally appointed to that role on 2 July 2018.

On 25 July 2018, commercial loan and overdraft facilities with the National Australia Bank totalling \$2.5 million were renewed through to 31 July 2019.

On 7 August 2018 it was announced that IDT has entered into a contract with Cann Group Limited to provide manufacturing support in relation to medicinal cannabis-based products intended for supply to patients in Australia and overseas.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affect, or may significantly affect the results of the operations of the Company.

30. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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 13 to 32 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 2018 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

A handwritten signature in black ink, appearing to read 'A Fisher', with a stylized flourish at the end.

Alan Fisher
Chair

Melbourne
21 August 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IDT Australia Limited (the "Company"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Company, 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 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying Value of non-current assets</p> <p><i>Refer Note 9 Property, plant and equipment, 10 Intangible assets and 1.7 Critical accounting estimates and judgements</i></p> <p>As disclosed in Note 10, the Company held property, plant and equipment of \$18,709 thousand and intangible assets of \$1,251 thousand at 30 June 2018 and has recognised an impairment expense of \$14,144 thousand during the financial year.</p> <p>The assessment of the recoverable amount of non current assets requires management to exercise significant judgement in identifying indicators of impairment and, where an impairment model is required, setting assumptions such as future sales prices, future exchange rates, and estimating the timing of future regulatory approvals for proprietary drugs and discount rate.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the existence of indicators of impairment, • Obtaining an understanding of the process undertaken by management to prepare fair value less costs to dispose models, • Agreeing as appropriate the inputs in the model to board approved forecasts, • In conjunction with our valuation specialists: <ul style="list-style-type: none"> ◦ assessing the appropriateness of the model used by management to calculate the recoverable amounts of the assets, ◦ assessing and challenging the key assumptions in the model as follows: <ul style="list-style-type: none"> ◦ future sales prices by comparing to distribution agreements and related correspondence, historical results and industry data, ◦ future exchange rates by comparing to market expectations, and ◦ discount rate by comparing with an independently developed rate. • Assessing the historical accuracy of the Company's forecasts, • Performing sensitivity analysis on the impairment model using varied discount rates and growth projections to simulate alternative market conditions and outcomes; and • Assessing the appropriateness of the disclosures to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8-12 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of IDT Australia Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants
Melbourne, 21 August 2018

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 8 August 2018

A. DISTRIBUTION OF EQUITY SECURITIES

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

	Holders 2018	Holders 2017
1 - 1,000	458	466
1,001 - 5,000	513	561
5,001 - 10,000	210	240
10,001 - 100,000	562	709
100,001+	212	283
	1,955	2,259

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
UBS NOMINEES PTY LTD	32,364,372	13.24
I'ROM GROUP CO LTD	15,793,001	6.46
CVC LIMITED	15,327,909	6.27
BRISPOI NOMINEES PTY LTD	11,671,173	4.77
ONE MANAGED INVT FUNDS LTD	10,920,606	4.47
CITICORP NOMINEES PTY LIMITED	10,813,196	4.42
MUTUAL TRUST PTY LTD	8,014,226	3.28
NATIONAL NOMINEES LIMITED	7,274,409	2.98
GRAEME LESLIE BLACKMAN	7,029,710	2.88
CS FOURTH NOMINEES PTY LIMITED	6,370,615	2.61
BELGRAVIA STRATEGIC EQUITIES PTY LTD	4,499,791	1.84
PAULENE BLACKMAN	4,457,737	1.82
RACT SUPER PTY LTD	3,750,000	1.53
MR ORLANDO BERARDINO DI IULIO & MS CATHARINA MARIA KOOPMAN	3,100,000	1.27
MR ANTHONY HUNTLEY	2,721,401	1.11
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,611,923	1.07
CS THIRD NOMINEES PTY LIMITED	2,520,000	1.03
KEYGROWTH PTY LTD	2,332,116	0.95
MR ANTHONY JOHN HUNTLEY	2,250,000	0.92
MR ALISTAIR DAVID STRONG	2,000,000	0.82
	157,822,185	64.58

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	24,749,237
Sandon Capital Pty Ltd	16,102,505
I'ROM GROUP CO LIMITED	15,793,001
CVC Limited	15,320,012

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.