

IDT AUSTRALIA LIMITED
ACN 006 522 970



**HALF YEAR REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

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DIRECTORS' REPORT

The Directors of IDT Australia Limited submit herewith the financial report of the Company for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

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

Mr G Kaufman (Chair)
Dr G L Blackman AO
Mr A D Fisher
Mr R Shigeno.

Mr G Lord (resigned 18 October 2016)
Mr H N Burrill
Dr P D R MacLeman (Managing Director)

Principal Activities

The principal activities of the Company are contract manufacturing and drug development services, including provision of research and development and other technical services for the pharmaceutical industry. The Company is also commercialising a range of generic proprietary pharmaceutical products, with the first of these products having been manufactured and launched in this reporting period.

Review of Operations

The net result of operations after applicable income tax expense was a profit of \$11,729,000 (31 December 2015 loss \$3,538,000).

First half highlights:

- Completed divestment of the initial 61% of CMAX
- Launched temozolomide, being the first of the Company's portfolio of finished dose form proprietary products
- Continued proprietary product development program to support further product launches in 2017 and subsequent years
- Facility redevelopment projects commenced.

In October 2016, the Company announced the divestment of the CMAX Clinical Trial business unit for consideration of \$14 million plus earn out provisions. The conditions precedent of this transaction were satisfied in December and consequently the initial cash payment of \$10 million for the first 61% of the business was received. A second payment of \$4 million plus an additional balance receivable should forecasted revenues be achieved over the financial year ended 30 June 2017, becomes due in the next 12 months to complete divestment of the remaining 39% of the business.

This divestment simplifies IDT's core business and enables resources to be focused on commercialisation of the Company's proprietary generic portfolio and supporting infrastructure projects at Boronia. Upgrade of the laboratory has commenced with more than \$1 million planned to be spent, with support from the Victorian Government's Future Industries Manufacturing Program. New tableting and blending equipment are also being purchased and commissioned in order to upgrade the Company's manufacturing capability and capacity.

In October 2016, IDT achieved a significant milestone through the first shipment of temozolomide to its US distribution partner, Mayne Pharma Group, as this product represents the Company's first proprietary generic product to be launched. The first products from the bundle of 23 ANDA products acquired are now planned for launch in the second half of this financial year with further products under development as part of the Company's proprietary portfolio strategy.

Matters Subsequent to the End of the Financial Half Year

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

Future Developments

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

Auditor's Independence Declaration

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

Rounding of Amounts

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

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

On behalf of the Directors



G.Kaufman
Chair
Melbourne, 21 February 2017

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

21 February 2017

Dear Board Members

IDT Australia Limited

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

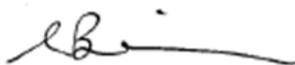
As lead audit partner for the review of the financial statements of IDT Australia Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of IDT Australia Limited, which comprises the condensed statement of financial position as at 31 December 2016, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 7 to 15.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IDT Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

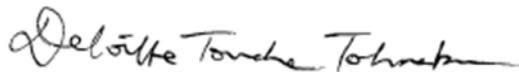
Auditor's Independence Declaration

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

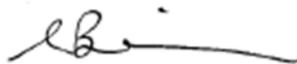
Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 21 February 2017

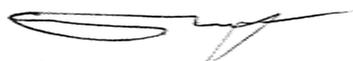
DIRECTORS' DECLARATION

The Directors declare that:

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

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

On behalf of the Directors,



G. Kaufman
Chair
Melbourne, 21 February 2017

IDT AUSTRALIA LIMITED (ACN 006 522 970)

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

		Half year ended 31 December	
	Note	2016 \$ 000	2015 \$ 000
Revenue		4,892	3,018
Raw materials		845	614
Employee benefits expense		5,134	3,971
Depreciation and amortisation expenses		1,063	1,057
Finance costs	2	4	17
Other operating expenses		1,411	1,206
Loss for the period before income tax benefit		(3,565)	(3,847)
Income tax (expense) / benefit		757	581
Loss for the period from continuing operations		(2,808)	(3,266)
Profit / (loss) for the period from discontinued operation	8	14,537	(272)
Profit / (loss) for the half year		11,729	(3,538)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the half year		11,729	(3,538)

Earnings per share		Cents	Cents
From continuing and discontinued operations			
Basic earnings per share		4.7¢	(1.8)¢
Diluted earnings per share		4.7¢	(1.8)¢
From continuing operations			
Basic earnings per share		(1.1)¢	(1.8)¢
Diluted earnings per share		(1.1)¢	(1.8)¢

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

IDT AUSTRALIA LIMITED (ACN 006 522 970)

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	31 December 2016 \$ 000	30 June 2016 \$ 000
Current assets			
Cash and cash equivalents	3	9,443	21
Trade and other receivables		5,594	6,586
Current tax asset		2,622	1,767
Inventories		907	1,196
		<u>18,566</u>	<u>9,570</u>
Assets classified as held for sale	8	<u>6,812</u>	-
Total current assets		<u>25,378</u>	<u>9,570</u>
Non-current assets			
Property, plant and equipment		19,183	22,204
Intangible assets	4	24,935	21,137
Total non-current assets		<u>44,118</u>	<u>43,341</u>
Total assets		<u>69,496</u>	<u>52,911</u>
Current liabilities			
Trade and other payables		3,864	2,911
Borrowings		4	2,575
Deferred revenue		507	654
Provisions		798	1,161
Total current liabilities		<u>5,173</u>	<u>7,301</u>
Non-current liabilities			
Borrowings		15	17
Deferred revenue		2,682	1,997
Provisions		259	220
Total non-current liabilities		<u>2,956</u>	<u>2,234</u>
Total liabilities		<u>8,129</u>	<u>9,535</u>
Net assets		<u>61,367</u>	<u>43,376</u>
Equity			
Issued capital	5	52,833	46,961
Reserves		4,694	4,304
Retained earnings / (accumulated losses)		3,840	(7,889)
Total equity		<u>61,367</u>	<u>43,376</u>

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

IDT AUSTRALIA LIMITED (ACN 006 522 970)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Issued Capital \$ 000	Asset Revaluation Reserve \$ 000	Share based Payment Reserve \$ 000	Retained Earnings \$ 000	Total Equity \$ 000
Balance at 1 July 2015	39,287	1,697	2,104	(3,883)	39,205
Profit / (loss) for the period	-	-	-	(3,538)	(3,538)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(3,538)	(3,538)
Vesting arrangements involving limited recourse loans	-	-	382	-	382
Shares issued during the period	7,688	-	-	-	7,688
Balance at 31 December 2015	46,975	1,697	2,486	(7,421)	43,737
Balance at 1 July 2016	46,961	1,809	2,495	(7,889)	43,376
Profit / (loss) for the period	-	-	-	11,729	11,729
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	11,729	11,729
Vesting arrangements involving limited recourse loans	-	-	390	-	390
Shares issued during the period	5,872	-	-	-	5,872
Balance at 31 December 2016	52,833	1,809	2,885	3,840	61,367

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

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	Half year ended	
		December 2016 \$ 000	December 2015 \$ 000
Cash flows from operating activities			
Receipts from customers		13,533	10,556
Payments to suppliers and employees		(13,160)	(9,867)
Interest received		7	9
Interest and other costs of finance paid		(4)	(17)
Research and development tax incentive		-	415
Net cash provided / (used) in operating activities		<u>376</u>	<u>1,096</u>
Cash flows from investing activities			
Payments for property, plant & equipment		(453)	(1,875)
Payments for intangible assets		(3,798)	(1,552)
Proceeds on divestment of business unit	8	10,000	-
Net cash provided/ (used) in investing activities		<u>5,749</u>	<u>(3,427)</u>
Cash flows from financing activities			
Repayment of borrowings		(2,575)	(400)
Proceeds from share issue		5,872	7,584
Net cash provided by financing activities		<u>3,297</u>	<u>7,184</u>
Net increase/(decrease) in cash held		9,422	4,853
Cash at the beginning of the reporting period		21	129
Cash and cash equivalents / (bank overdraft) at the end of the period		<u>9,443</u>	<u>4,982</u>

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Segment reporting

The CMAX business unit has previously been reported as a separate segment. Following its divestment on 15 December 2016, the results of this segment have been disclosed in Note 8.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) relevant to operations and effective for the current half year.

New and revised standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Company include:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.

The adoption of these standards does not have any material effect on the disclosures or the amounts recognised in the Company's condensed financial statements.

Going concern basis

The Company commenced the reporting period with bank loans and overdraft facilities net of cash balances totaling \$2.6 million and closed the period with \$9.4 million cash and deposits in hand net of borrowings. Key sources of cash during the period include:

- received \$10 million initial consideration for divestment of the first 61% of CMAX
- concluded \$5.87 million capital raising in July 2016.

Following the launch shipment of Temozolomide in October 2016 the Company plans to continue its product development program to support launches of additional generic proprietary products over the coming 12 months, and beyond, which are expected to favourably contribute to future forecasted profits and cashflows.

Early next financial year the Company expects to receive at least \$6.8 million being the final consideration for the remaining 39% of shares in CMAX, comprising the contracted \$4.0 million receivable plus a revenue based earn out.

The Company's bank facilities provide the Company with further flexibility and have been reestablished at a facility limit of \$2.5 million (including a \$1 million overdraft facility) following the CMAX divestment and are due for renegotiation by 31 October 2017. There is no reason to believe the facilities will not be rolled over in full at that time.

Having carefully assessed the Company's cash flow forecasts and available debt facilities, the Directors believe the Company will continue to operate as a going concern for at least the next 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Change in accounting policy

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

	31 December 2016 \$ 000	31 December 2015 \$ 000
2. INTEREST REVENUE AND EXPENSE		
Loss from the period before income tax is arrived at after:		
a. crediting interest as revenue	7	9
b. charging interest as an expense	4	17
3. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	1,858	21
Deposits	7,585	-
	9,443	21
	9,443	21

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	31 December 2016 \$ 000	31 December 2015 \$ 000
4. INTANGIBLE ASSETS		
Opening balance, 1 July	21,137	18,440
Additions during the period	3,845	1,553
Amortisation expense	<u>(47)</u>	<u>(47)</u>
Closing balance, 31 December	<u>24,935</u>	<u>19,946</u>

	Shares	\$ 000
5. ISSUED CAPITAL		
Opening balance 1 July 2015	191,281,032	39,287
Ordinary shares issued during period	22,857,287	7,688
Employee share plan	<u>5,216,979</u>	<u>-</u>
Closing balance 31 December 2015	<u>219,355,298</u>	<u>46,975</u>
Opening balance 1 July 2016	219,355,298	46,961
Ordinary shares issued during period	27,727,300	5,872
Employee share plan	1,794,413	-
Forfeited employee shares	<u>(443,108)</u>	<u>-</u>
Closing balance 31 December 2016	<u>248,433,903</u>	<u>52,833</u>

	31 December 2016 \$ 000	31 December 2015 \$ 000
6. DIVIDENDS		
Ordinary Shares		
Dividends provided for or paid during the half year	<u>-</u>	<u>-</u>

7. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of Key Management Personnel are disclosed in the Company's 2016 annual report. During the half year, the following cash performance bonuses were paid and shares were issued under the terms of the Employee Share Plan (ESP) to Key Management Personnel.

KMP Name	Performance Bonus \$	Number ESP shares issued
Dr Paul MacLeman	52,500	-
Dr David Sparling	51,000	272,369
Ms Joanna Johnson	28,125	241,598

8. DIVESTMENT OF CMAX

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

IDT has received cash payments totalling \$10,000,000 as consideration for the sale of 61% of CCR. A second payment for the remaining 39% will be a minimum of \$4,000,000 and is expected to increase subject to an earn-out provision based on CMAX exceeding a specified revenue target for the year ending 30 June 2017.

IDT AUSTRALIA LIMITED (ACN 006 522 970)

An additional consideration payment may become payable to IDT should CCR achieve additional revenues associated with a specific business milestone before the close of the 2018 financial year.

The profit on disposal of CCR was \$14,371,029, which includes payment for the remaining 39% shares in CCR, carried on IDT's Statement of financial position as an Asset held for sale at an estimated fair value of \$6,812,500.

Due to IDT's carried forward tax losses, no income tax is expected to be payable on this transaction.

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

	Period to 15 December 2016 \$ 000	31 December 2015 \$ 000
Revenue	5,905	3,431
Operating expenses	5,739	3,703
Operating profit / (loss)	166	(272)
Add Profit on disposal	14,371	-
Total profit / (loss) for the period from discontinued operation	14,537	(272)

9. FINANCIAL INSTRUMENTS

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

10. CONTINGENT LIABILITIES

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

11. CAPITAL COMMITMENTS

Infrastructure projects to enhance tableting capacity and upgrades to the laboratory facility have been commenced and as at reporting period the Company has capital commitments in relation to these projects totalling \$0.5 million.

12. EVENTS OCCURRING AFTER REPORTING DATE

There are no events arising after 31 December 2016 and prior to the signing of this report that would likely have a material impact on the financial results presented.

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

We have reviewed the accompanying half-year financial report of IDT Australia Limited, which comprises the condensed statement of financial position as at 31 December 2016, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 7 to 15.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IDT Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

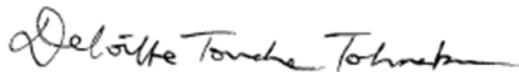
Auditor's Independence Declaration

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

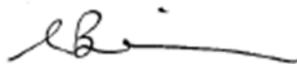
Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 21 February 2017