

IDT AUSTRALIA LIMITED
ACN 006 522 970



**HALF YEAR REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2014**

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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 2014. 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:

Dr G L Blackman
Mr G F Lord
Mr R Shigeno

Mr G Kaufman
Dr P MacLeman
Mr D Williams.

Principal Activities

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

Review of Operations

The net result of operations after applicable income tax expense was a loss of \$3,080,829 (31 December 2013 loss \$2,176,140).

During the reporting period the Company continued to provide consulting research and development services and products for clients in the pharmaceutical and allied industries and the operational results are consistent with expectations in terms of value and timing.

Consistent with company plans at the commencement of the financial year, the operational result for the first half of the current financial year does not show improvement relative to the same period of the previous financial year. Firmed customer commitments are in hand to support the step up in activity in the second half to be matched with a solid improvement in profitability for the remainder of the current financial year, particularly at the Boronia manufacturing campus.

On 19 December 2014 the Company acquired 23 previously marketed US generic drug products strategically repositioning IDT as a manufacturer and supplier of its own specialty generic drugs. These products will materially increase future plant utilisation, expanding revenues, margins and profitability. This product acquisition was funded by a capital raising of \$17.015 million, supporting the initial contract payments of US\$13.5 million and funding integration of these products to IDT's Melbourne manufacturing facility.

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 Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order amounts in the Directors Report and half year financial report are rounded off to the nearest thousand dollars, unless stated otherwise.

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, 17 February 2015

17 February 2015

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

Dear Board Members

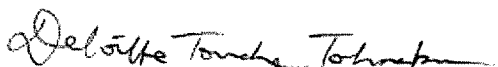
IDT Australia Limited

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

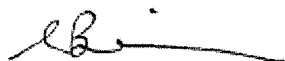
As lead audit partner for the review of the financial statements of IDT Australia Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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

Report on the Half-Year Financial Report

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 2014, 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, selected explanatory notes 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 IDT Australia Limited's financial position as at 31 December 2014 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.

Deloitte

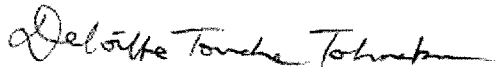
Auditor's Independence Declaration

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 2014 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, 17 February 2015

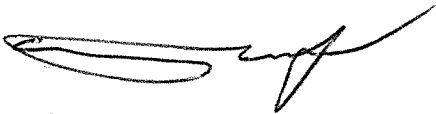
DIRECTORS' DECLARATION

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 s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors,



G. Kaufman
Chair

Melbourne, 17 February 2015

IDT AUSTRALIA LIMITED (ACN 006 522 970)

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

| | | Half year ended | |
|--|------|-----------------------|-----------------------|
| | Note | 2014 \$ 000 | 2013 \$ 000 |
| Revenue | 2 | 6,149 | 8,505 |
| Raw materials and consumables used | | 292 | 512 |
| Employee benefits expense | | 4,048 | 4,548 |
| Recruitment and training | | 55 | 130 |
| Repairs and maintenance | | 327 | 310 |
| Depreciation and amortisation expenses | | 1,134 | 1,299 |
| Finance costs | 2 | 18 | 34 |
| Utilities | | 361 | 332 |
| Subject and screening costs | | 1,506 | 2,291 |
| Travel | | 48 | 51 |
| Rent | | 181 | 152 |
| Consultants | | 240 | 354 |
| Insurance | | 158 | 183 |
| Other operating expenses | | 617 | 568 |
| Loss from period before income tax benefit | | <u>(2,836)</u> | <u>(2,259)</u> |
| Income tax (expense) / benefit | | (245) | 83 |
| Loss attributable to members of IDT Australia Limited | | (3,081) | (2,176) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the half year | | <u>(3,081)</u> | <u>(2,176)</u> |
| | | | |
| Earnings per share | | Cents | Cents |
| Basic earnings per share | | (3.3)¢ | (3.1)¢ |
| Diluted earnings per share | | (3.3)¢ | (3.1)¢ |

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

IDT AUSTRALIA LIMITED (ACN 006 522 970)

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

| | Note | 31 December 2014 \$ 000 | 30 June 2014 \$ 000 |
|--|------|-------------------------------|---------------------------|
| Current assets | | | |
| Cash and cash equivalents | 3 | 53 | 2,415 |
| Trade and other receivables | | 3,168 | 1,916 |
| Current tax asset | | 183 | 169 |
| Inventories | | 509 | 614 |
| Total current assets | | 3,913 | 5,147 |
| Non-current assets | | | |
| Property, plant and equipment | | 20,301 | 21,210 |
| Intangible assets | 4 | 17,642 | 1,938 |
| Deferred tax assets | | - | - |
| Total non-current assets | | 37,943 | 23,148 |
| Total assets | | 41,856 | 28,295 |
| Current liabilities | | | |
| Bank overdraft | | 461 | - |
| Trade and other payables | | 1,226 | 1,432 |
| Borrowings | | 36 | 39 |
| Provisions | | 1,022 | 1,048 |
| Total current liabilities | | 2,745 | 2,519 |
| Non-current liabilities | | | |
| Borrowings | | 32 | 49 |
| Provisions | | 154 | 176 |
| Total non-current liabilities | | 186 | 225 |
| Total liabilities | | 2,931 | 2,744 |
| Net assets | | 38,925 | 25,551 |
| Equity | | | |
| Issued capital | 5 | 39,288 | 22,877 |
| Reserves | | 3,609 | 3,565 |
| Retained earnings / (accumulated losses) | | (3,972) | (891) |
| Total equity | | 38,925 | 25,551 |

*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 2014

| | Issued Capital | Asset Revaluation Reserve | Share- Based Payment Reserve | Retained Earnings / (Accumulated Losses) | Total Equity |
|--|-------------------|---------------------------------|---------------------------------------|---|---------------|
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Balance at 1 July 2013 | 17,031 | 1,552 | 1,711 | 5,735 | 26,029 |
| Loss for the period | - | - | - | (2,176) | (2,176) |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | (2,176) | (2,176) |
| Share issued to employees | - | - | 46 | - | 46 |
| Shares issued during the period | 5,984 | - | - | - | 5,984 |
| Transaction costs | (414) | - | - | - | (414) |
| Balance at 31 December 2013 | 22,641 | 1,552 | 1,757 | 3,559 | 29,469 |
| Balance at 1 July 2014 | 22,877 | 1,552 | 2,013 | (891) | 25,551 |
| Loss for the period | - | - | - | (3,081) | (3,081) |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | (3,081) | (3,081) |
| Share issued to employees | - | - | 44 | - | 44 |
| Shares issued during the period | 17,016 | - | - | - | 17,016 |
| Transaction costs | (605) | - | - | - | (605) |
| Balance at 31 December 2014 | 39,288 | 1,552 | 2,057 | (3,972) | 38,925 |

*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 2014

| | | Half year ended | |
|--|------|-----------------|----------------|
| | Note | 2014 \$ 000 | 2013 \$ 000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 4,887 | 7,794 |
| Payments to suppliers and employees | | (7,888) | (7,837) |
| Interest received | | 11 | 18 |
| Interest and other costs of finance paid | | (18) | (33) |
| Net cash used in operating activities | | <u>(3,008)</u> | <u>(58)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant & equipment | | (195) | (65) |
| Payments for intangible assets | | (15,752) | (145) |
| Proceeds from sale of property, plant & equipment | | - | 11 |
| Net cash used in investing activities | | <u>(15,947)</u> | <u>(199)</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (21) | (1,898) |
| Proceeds from share issue | 5 | 16,151 | 5,616 |
| Net cash provided by financing activities | | <u>16,130</u> | <u>3,718</u> |
| Net increase/(decrease) in cash held | | (2,825) | 3,461 |
| Cash at the beginning of the reporting period | | 2,415 | 578 |
| Cash and cash equivalents / (bank overdraft) at the end of the period | | <u>(410)</u> | <u>4,039</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 2014

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, there having been no revaluation of non-current assets or 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 class order 98/100, dated 10 July 1998, and in accordance with that Class Order, 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 2014, 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.

Going concern basis

For the half year ended 31 December 2014, the Company incurred a loss before tax of \$2.836 million and experienced negative cash flows from operations of \$3.008 million which was significantly impacted by low revenues for the reporting period and temporary delays in collecting certain trade receivables. The Company expects cash generating activity in the organic business to significantly improve in the six months to 30 June 2015 and thereafter.

The Company is not only pursuing organic sales growth opportunities but has a core strategy of developing and acquiring new products in order to leverage existing manufacturing facilities and capabilities. The acquisition of 23 previously marketed US generic drugs is a key example of successful execution of this strategy and this will require the Company to invest in the development of these drugs.

These financial statements have been prepared 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.

The Directors believe the going concern basis of preparation to be appropriate given its budget and forecasts (including cash flow forecasts and forward sales orders) indicate that the results of the base operations of Company are expected to improve for the half year ending 30 June 2015 and beyond. As at 31 December 2014, the Company has available debt facilities of \$3.75 million of which only \$461,000 was drawn down.

Having carefully assessed the Company's cash flow forecasts and existing 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.

As disclosed in Note 10, associated with the acquisition of the 23 ANDA's, payment of US\$1.5 million is contingent on the company receiving the first FDA marketing re-approval. Re-approval is expected

to be achieved in the first half of the 2016 calendar year with payment due at that time. An additional three US\$1.0 million milestones are payable on achievement of cumulative sales milestones which are expected to be self-funding over a number of years.

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 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting '
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
 - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
 - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
 - Part C: 'Materiality'
- Interpretation 21 'Levies'

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.

Change in accounting policy

In the Annual Report 2014 the Company reported a change in accounting policy whereby costs incurred and subsequently passed through to customers are separately recorded as both revenue and expenditure rather than netted off as was previously the policy. For the half year ended 31 December 2013 both Sales and Operating Expenses were increased by \$1.966 million.

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

| | 31 December 2014 \$ 000 | 31 December 2013 \$ 000 |
|---|-------------------------------|-------------------------------|
| 2. INTEREST REVENUE AND EXPENSE | | |
| Loss from the period before income tax is arrived at after: | | |
| a. crediting interest as revenue | 11 | 18 |
| b. charging interest as an expense | 18 | 34 |
| | <u>11</u> | <u>34</u> |

IDT AUSTRALIA LIMITED (ACN 006 522 970)

| | 31 December 2014 \$ 000 | 30 June 2014 \$ 000 |
|-------------------------------------|--|------------------------------------|
| 3. CASH AND CASH EQUIVALENTS | | |
| Cash at bank and in hand | 53 | 2,415 |
| Deposits | - | - |
| | 52 | 2,415 |

| | 2014 \$ 000 | 2013 \$ 000 |
|---|------------------------|------------------------|
| 4. INTANGIBLE ASSETS | | |
| Opening balance, 1 July | 1,938 | 2,359 |
| Additions during the period | 47 | 144 |
| Amortisation expense | (47) | (169) |
| Asset acquisitions – cash paid (refer note 5) | 15,704 | - |
| Closing balance, 31 December | 23,095 | 2,334 |

| | Shares | \$000s |
|--------------------------------------|---------------|---------------|
| 5. EQUITY SECURITIES ISSUED | | |
| Opening balance 1 July 2013 | 53,192,059 | 17,031 |
| Ordinary shares issued during period | 22,161,141 | 5,984 |
| Transaction costs | - | (414) |
| Employee share plan | 206,235 | - |
| Closing balance 31 December 2013 | 75,559,435 | 22,641 |
| Opening balance 1 July 2014 | 77,374,248 | 22,877 |
| Ordinary shares issued during period | 113,440,096 | 17,016 |
| Transaction costs | - | (605) |
| Employee share plan | 360,000 | - |
| Closing balance 31 December 2014 | 191,174,344 | 39,288 |

On 18 December the Company completed the acquisition of 23 previously marketed US Generic Capsule and Tablet products for total contracted sum of US\$18 million, with US\$13.5 million (AUD15.7 million) paid on settlement and future commitments totalling US\$4.5m payable subject to achievement of regulatory and aggregate sales milestones.

This asset acquisition was funded through Placement of 100 million shares to sophisticated and professional investors raising \$15 million and a Share Purchase Plan offered to existing shareholders of 13.4 million shares raising \$2.0m.

| | 31 December 2014 \$ 000 | 31 December 2013 \$ 000 |
|---|--|--|
| 6. DIVIDENDS | | |
| Ordinary Shares | | |
| Dividends provided for or paid during the half year | - | - |

7. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the Company's annual financial report. During the half year, the Managing Director, Dr Paul MacLeman received a performance bonus of \$45,000 for achievement of performance objectives for the year ended 30 June 2014 and additionally 360,000 shares were issued to him under the terms of the Employee Share Plan and as resolved at the AGM. Furthermore Dr David Sparling received \$47,502 for achievement of performance objectives for the year ended 30 June 2014.

8. FINANCIAL REPORTING BY SEGMENTS

The Company operates predominantly in the pharmaceutical industry with the principal activities being provision of products and research and development and other technical services for the pharmaceutical and allied industries.

The Company operates predominantly in one geographical area being Australia, considered to be one segment for reporting purposes.

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

In connection with the acquisition of 23 previously marketed US Generic products the Company has a contractual obligation to pay US\$1.5m on achievement of the first FDA marketing re-approval, which is expected to occur in the first half of the calendar 2016 year. It also has further milestone payments totalling US\$3.0m subject to achievement of cumulative in market sales targets following product launch, which will be self-funding over a number of years.

11. EVENTS OCCURRING AFTER REPORTING DATE

There are no events arising after 31 December 2014 and prior to the signing of this report that would likely have a material impact on the financial results presented.