

**IDT AUSTRALIA LIMITED**  
ACN 006 522 970



**HALF YEAR REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2018**

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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 2018. 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:

Hugh Burrill	Alan Fisher
Graeme Kaufman	Mary Sontrop

### Principal Activities

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

### Review of Operations

The net result of operations after applicable income tax was a loss of \$2.39m, (31 December 2017 loss \$17.20m, which included impairment of intangible assets of \$14.14m).

The first half results for financial year 2019 reflect an improved trading result over the comparable reporting period in the preceding year. The results highlight IDT's renewed focus on profitability and securing high quality (high margin) manufacturing content. Year on year revenues have increased by \$1.6m (up 30%) and operating costs have been carefully controlled. Consequently, a reduction in operating loss has been reported, despite \$0.3m being spent on remediation activities associated with the U.S. Food and Drug Administration (FDA) Warning Letter. During the reporting period there was a reduction in cash balances held of \$4.9m, which includes \$1.6m returned to shareholders through small parcel and on market share buy backs implemented in the period.

Following on from the manufacturing partnership with Cann Group Ltd announced in August 2018, IDT is continuing to make strong inroads into the medicinal cannabis space. IDT is leveraging off the Company's audited and accredited pharmaceutical manufacturing facilities to manufacture finished cannabis products for domestic and export markets. In May 2018 IDT applied to the Office of Drug Control (ODC) for a licence to manufacture medicinal cannabis and is currently standing-by for a final determination from the ODC. If granted the licence will allow IDT to manufacture medicinal cannabis products in its own right.

During the reporting period IDT has met all of its commitments outlined in the Remediation and Action Plan which details the roadmap for the Company to address the observations noted by the FDA during their December 2017 general compliance audit and subsequent Warning Letter. IDT is now progressing its Audit Readiness Plan with a view to inviting the FDA back for a re-inspection of the Company's facilities in the first half of calendar 2019, which if successful will lead to the lifting of the Warning Letter.

Following divestment of CMAX and the ANDA assets, concluded in the prior financial year, and a strategic and operational review of business operations it was considered that the Company holds cash reserves exceeding projected requirements. The Company has resolved for excess funds to be returned to shareholders and accordingly has commenced a buy-back of unmarketable parcels and an on market buy-back within the framework of the "10/12 limit" as defined by the *Corporations Act 2001*. To 31 December 2018, 9,043,138 shares have been bought back under the on market share buy-back for consideration of \$1,516,645, representing 37% of the available capacity. Additionally, a small parcel buy back has been concluded with 659,381 shares bought back for a total consideration of \$102,204; reducing IDT's total number of shareholders by 598 (30%).

### Matters Subsequent to the End of the Financial Half Year

There are no matters or circumstances occurring subsequent to the end of the period that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs in future 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**

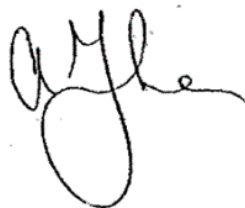
A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001*, is set out on page 4.

**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 24 March 2016, and accordingly amounts in the Directors' Report and the 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

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

Alan Fisher  
Chair  
Melbourne, 19 February 2019

19 February 2019

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 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Anneke Du Toit  
Partner  
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

## **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 2018, 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 2018 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 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke Du Toit  
Partner  
Chartered Accountants  
Melbourne, 19 February 2019

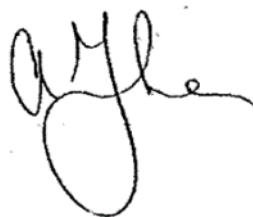
**DIRECTORS' DECLARATION**

The Directors declare that:

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

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

On behalf of the Directors,

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

Alan Fisher  
Chair  
Melbourne, 19 February 2019



**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

		<b>Half Year ended 31 December</b>	
	<b>Note</b>	<b>2018 \$ 000</b>	<b>2017 \$ 000</b>
Revenue		6,510	4,989
Interest received	2	162	95
Dividend income		-	162
Raw materials		1,216	1,065
Employee benefits expense		4,211	4,331
Depreciation and amortisation expenses		1,262	1,328
Finance costs	2	14	18
Impairment of intangible assets	4	-	14,144
Other operating expenses		2,363	1,895
<b>Loss for the period before income tax benefit</b>		<b>(2,394)</b>	<b>(17,535)</b>
Income tax benefit		2	333
<b>Loss for the half year</b>		<b>(2,392)</b>	<b>(17,202)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the half year</b>		<b>(2,392)</b>	<b>(17,202)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(1.0¢)	(6.9¢)
Diluted earnings per share		(1.0¢)	(6.9¢)

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

CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018

	Note	31 December 2018 \$ 000	30 June 2018 \$ 000
<b>Current assets</b>			
Cash and cash equivalents	3	9,056	14,027
Trade and other receivables		5,072	3,474
Current tax asset		398	396
Inventories		1,180	1,055
<b>Total current assets</b>		<u>15,706</u>	<u>18,952</u>
<b>Non-current assets</b>			
Property, plant and equipment		17,916	18,709
Intangible assets	4	1,153	1,251
<b>Total non-current assets</b>		<u>19,069</u>	<u>19,960</u>
<b>Total assets</b>		<u>34,775</u>	<u>38,912</u>
<b>Current liabilities</b>			
Trade and other payables		3,282	3,738
Borrowings		132	129
Unearned revenue		416	244
Provisions		721	714
<b>Total current liabilities</b>		<u>4,551</u>	<u>4,825</u>
<b>Non-current liabilities</b>			
Borrowings		346	413
Unearned revenue		913	982
Provisions		314	236
<b>Total non-current liabilities</b>		<u>1,573</u>	<u>1,631</u>
<b>Total liabilities</b>		<u>6,124</u>	<u>6,456</u>
<b>Net assets</b>		<u>28,651</u>	<u>32,456</u>
<b>Equity</b>			
Contributed Equity	5	51,194	52,833
Reserves		5,490	5,264
Accumulated losses		(28,033)	(25,641)
<b>Total equity</b>		<u>28,651</u>	<u>32,456</u>

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

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**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	<b>Contributed Capital</b>	<b>Asset Revaluation Reserve</b>	<b>Share based Payment Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>
<b>Balance at 1 July 2017</b>	<b>52,833</b>	<b>1,809</b>	<b>2,938</b>	<b>(8,662)</b>	<b>48,918</b>
Loss for the period	-	-	-	(17,202)	(17,202)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(17,202)	(17,202)
Share based payments expense	-	-	138	-	138
<b>Balance at 31 December 2017</b>	<b>52,833</b>	<b>1,809</b>	<b>3,076</b>	<b>(25,864)</b>	<b>31,854</b>
<b>Balance at 1 July 2018</b>	<b>52,833</b>	<b>2,163</b>	<b>3,101</b>	<b>(25,641)</b>	<b>32,456</b>
Loss for the period	-	-	-	(2,392)	(2,392)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(2,392)	(2,392)
On market share buy back	(1,528)	-	-	-	(1,528)
Small parcel buy back	(111)	-	-	-	(111)
Share based payments expense	-	-	226	-	226
<b>Balance at 31 December 2018</b>	<b>51,194</b>	<b>2,163</b>	<b>3,327</b>	<b>(28,033)</b>	<b>28,651</b>

*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 2018**

	Note	Half Year ended	
		December 2018 \$ 000	December 2017 \$ 000
<b>Cash flows from operating activities</b>			
Receipts from customers		4,922	2,641
Payments to suppliers and employees		(8,001)	(8,849)
Research and development tax incentive		-	1,803
<b>Net cash used in operating activities</b>		<u>(3,079)</u>	<u>(4,405)</u>
<b>Cash flows from investing activities</b>			
Interest received		162	95
Interest and other costs of finance paid		(14)	(18)
Payments for property, plant & equipment		(368)	(484)
Payments for intangible assets		(3)	(879)
Proceeds on divestment of business unit		-	6,159
<b>Net cash provided/ (used) in investing activities</b>		<u>(223)</u>	<u>4,874</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(64)	(64)
Payments for small parcel share buy back	5	(111)	-
Payments for on market share buy back	5	(1,528)	-
Proceeds repayment limited recourse loans		34	-
<b>Net cash used in financing activities</b>		<u>(1,669)</u>	<u>(64)</u>
<b>Net increase/(decrease) in cash held</b>		(4,971)	405
Cash at the beginning of the reporting period		<u>14,027</u>	<u>8,417</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>9,056</u>	<u>8,822</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 2018**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

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

The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and considered together with any public announcements made during the half year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

**Basis of preparation**

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

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials / Directors' Reports) Instrument 2016/191, dated 24 March 2016, and accordingly 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 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**New accounting standards and interpretations**

The Company has adopted all new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) as are relevant to its operations and which are effective for the current year.

The following accounting standards become effective for the first time in the reporting period:

- AASB9 Financial Instruments, replaces AASB 139 Financial Instruments: requires companies to raise a provision for potential credit loss based on historical experience. As the Company does not have a history of uncollectible balances no additional provision is required and the impact of adopting the new Standard is not material,
- AASB15 Revenue from Contracts with Customers, replaces AASB 118 Revenue: the Company considers its existing revenue recognition practices comply with the requirements of AASB15 and accordingly application of this new Standard does not impact amounts recognised in the Company's financial statements. The Company has two key types of arrangements with Clients. Firstly, Fee for Service Revenue is generated from Works Orders which have been agreed with clients and Revenue is recognised over the term of the project as the specific performance obligations are completed (i.e. over time). Secondly, certain manufacturing activities, particularly the manufacture of Active Pharmaceutical Ingredients, are conducted based on Supply Agreements and Purchase Orders are received from clients. Revenue from these activities is recognised after product has been released by Quality Assurance and shipped in accordance with client instructions (i.e. point in time).

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AASB 16 Leases introduces a comprehensive model for identification of lease arrangements and is effective for periods commencing 1 July 2019. The distinction between operating and financial leases is removed and replaced by a model where a right of use asset and a corresponding liability is recognised for all leases other than short term leases and leases of low value assets. Management is currently in the process of completing a full assessment of the potential impact.

### Change in accounting policy

All new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and are effective for the current accounting period have been adopted. AASB9 Financial Instruments and AASB15 Revenue from Contracts with Customers, become applicable for the first time in this reporting period, and their adoption has been outlined above.

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

### Going concern basis

The Company closed the reporting period with \$9.056m funds at bank and retains commercial loan and overdraft facilities totaling \$2.5million which are presently undrawn.

Future cash requirements have been analysed and excess cash reserves have been identified and are being returned to shareholders through the small parcel buy back and the on market share buy back. Accordingly these financial statements are 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.

	31 December 2018 \$ 000	31 December 2017 \$ 000
<b>2. INTEREST REVENUE AND EXPENSE</b>		
Loss from the period before income tax is arrived at after:		
a. crediting interest as revenue	162	95
b. charging interest as an expense	14	18
	<b>31 December 2018 \$ 000</b>	<b>31 December 2017 \$ 000</b>
<b>3. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	9,056	8,822
	<b>31 December 2018 \$ 000</b>	<b>31 December 2017 \$ 000</b>
<b>4. INTANGIBLE ASSETS</b>		
Opening balance, 1 July	1,251	19,185
Additions during the period	3	879
Amortisation expense	(101)	(228)
Impairment during the period	-	(14,144)
Closing balance, 31 December	1,153	5,692

**IDT AUSTRALIA LIMITED (ACN 006 522 970)**

	<b>Shares</b>	<b>\$ 000</b>
<b>5. CONTRIBUTED EQUITY</b>		
Opening balance 1 July 2017	248,161,716	52,833
Employee share plan	1,893,794	-
Closing balance 31 December 2017	<u>250,055,510</u>	<u>52,833</u>
Opening balance 1 July 2018	244,466,732	52,833
Employee share plan	2,291,421	-
Forfeited employee shares	(74,074)	-
Small parcel buy back	(659,381)	(111)
On market share buy back	(9,043,138)	(1,528)
Closing balance 31 December 2018	<u>236,981,560</u>	<u>51,194</u>

On 26 September 2018 the Company announced it would conduct a small parcel buy back and an on market share buy back.

Within the terms of the small parcel buy back, 659,381 Ordinary Shares held by 598 shareholders were bought back at a price of 15.5cents per share.

An on market share buy back is being conducted within the 10/12 limit as defined in the *Corporations Act (2001)* which allows the company to buy back up to 10% of Issued Capital over a period of 12 months. The Company may buy back up to 24,439,265 shares over 12 months commencing 10 October 2018. To 31 December 2018, 9,043,138 shares have been acquired for total consideration of \$1,527,775.

2,291,421 shares were issued under the terms of the Employee Share Plan in the reporting period and 74,074 shares were forfeited within the Plan's provisions.

	<b>31 December 2018 \$ 000</b>	<b>31 December 2017 \$ 000</b>
<b>6. DIVIDEND PAYABLE</b>		
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 2018 Annual Report.

The table below summarises shares were issued to Key Management Personnel within the framework of the Employee Share Plan as well as cash bonuses paid following assessment of performance against objectives in place for the period ended 30 June 2018 and paid in the reporting period.

<b>Key Management Personnel</b>	<b>Employee Share Plan Shares Issued</b>	<b>Cash Bonus Paid \$</b>
M Coffey, Vice President, Quality and Regulatory	391,071	28,700
J Johnson, Chief Financial Officer	452,700	32,630
D Savaglio, Vice President, People and Change	291,793	21,032
J Susic, Vice President, Operations, Supply and Infrastructure	411,214	15,580
D Sparling, Chief Executive Officer	744,643	37,612
<b>Total cash bonuses paid to KMP</b>	<b>2,291,421</b>	<b>\$135,554</b>

**8. FINANCIAL INSTRUMENTS**

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

**9. EVENTS OCCURRING AFTER REPORTING DATE**

There are no events arising after 31 December 2018 and up to the signing of this report that would likely have a material impact on the financial results presented.

**10. CAPITAL COMMITMENTS**

The Company has capital commitments totalling \$0.2 million (December 2017: \$0.1 million).