

IDT AUSTRALIA LIMITED
ACN 006 522 970



**HALF YEAR REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2019**

For personal use only

CONTENTS

| | Page Number |
|--|--------------------|
| Directors' Report | 2-3 |
| Auditor's Independence Declaration | 4 |
| Independent Review Report to the Members | 5-6 |
| Directors' Declaration | 7 |
| Condensed Statement of Profit or Loss and Other Comprehensive Income | 8 |
| Condensed Statement of Financial Position | 9 |
| Condensed Statement of Changes in Equity | 10 |
| Condensed Statement of Cash Flows | 11 |
| Notes to and Forming Part of the Condensed Financial Statements | 12-14 |

DIRECTORS' REPORT

The Directors of IDT Australia Limited ("IDT") submit herewith the financial report of the Company for the half year ended 31 December 2019. 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 (retired 18 November 2019) | 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

Reported revenue increased by 10% over the comparable period totalling \$7.16million for the half year ended 31 December 2019 (31 December 2018 revenue \$6.51 million). As a consequence of this revenue improvement the net result of operations was a loss after tax of \$1.183million, representing a year on year improvement of 51% (31 December 2018 loss \$2.39million). Before interest, taxation, depreciation, amortisation and impairment the Company generated positive earnings of \$0.61million for the half year ended 31 December 2019 a turn around of greater than 150% from the corresponding loss of \$1.13million reported as at 31 December 2018.

Revenue of \$7.16million includes \$0.91million previously capitalised milestones which were recognised into current year revenue following termination of the temozolomide distribution agreement in December 2019. Excluding this one off adjustment, the underlying Revenue from operations would have been slightly lower than the prior corresponding reporting period by \$0.26million (-4%) but the drive for higher value / high margin activities has delivered an improved Gross Margin of \$0.36million (+8%).

The Company's focus on cost containment has resulted in total Operating Expenses, including Salaries, being \$0.58million lower than the previous December reporting period. \$0.31m of this reduction in cost relates to the prior period's remediation activities incurred in association with the U.S. Food and Drug Administration (FDA) Warning Letter.

Whilst alternate commercialisation options are being explored for temozolomide following termination of the distribution agreement, an Impairment expense of \$0.74million has been recognised to reduce the carrying value of this Intangible asset to nil.

Having achieved positive earnings before interest, tax, depreciation, amortisation and impairment, the improvement in the total loss before taxation is summarised in the table below. On a year on year basis the underlying profitability, excluding the impact of one time temozolomide adjustments, has improved by \$0.95million, 40%, from a loss of \$2.39million reported as at December 2018 to an underlying loss of \$1.45million as at 31 December 2019. This is attributable to factors including IDT's ongoing focus on securing high quality / higher margin manufacturing revenue streams as well as continued close operational cost control, as reflected in the reduction in operating expenses.

| | |
|---|---------------|
| | <u>\$ 000</u> |
| Reported Loss before tax, December 2018 | (2,392) |
| Improved Gross margin | 362 |
| Cost reduction | <u>583</u> |
| Underlying loss before tax | (1,447) |
| One time adjustments relating to temozolomide | |
| Revenue – previously capitalised milestones | 910 |
| Impairment Intangible asset | <u>(736)</u> |
| Net temozolomide adjustment | 174 |
| Reported Loss before tax December 2019 | (1,273) |

In August 2019 the FDA formally notified IDT that they had restored IDT's facility inspection classification. The Warning Letter was officially lifted by the FDA in September 2019.

IDT continues to make strong inroads into the medicinal cannabis space and in May 2019 IDT secured its own medicinal cannabis manufacturing licence from the Department of Health - Office of Drug Control to manufacture and store cannabis extract. In August 2019 IDT secured the first in a series of medicinal cannabis manufacturing permits which allow IDT to undertake extraction and purification activities which is a precursor to developing and manufacturing finished dose form medicinal cannabis products for both domestic and export markets.

In December 2019 the first cGMP dried medicinal cannabis flower in a bottle product was manufactured at IDT for a client and the first commercial scale batches of solvent extracted medicinal cannabis resin from Australian grown dried flower were completed. It is expected that this cGMP medicinal cannabis resin will be further processed by IDT for a client into cGMP cannabis oil and bottled for commercial sale.

In October 2018 the Board of Directors concluded that the Company held cash reserves which exceeded forecasted operational requirements. It was resolved to return excess funds to shareholders through a small parcel share buy-back and an on market share buy-back within the "10/12 limit" as defined by the *Corporations Act 2001*. In the financial year ended 30 June 2019, \$1.6million was returned to shareholders through these buy backs. No shares were purchased in this current reporting period and the on market share buy-back was formally concluded in October 2019.

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

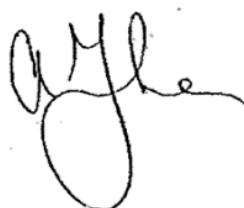
A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001*, is set out on page 4.

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 the 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



Alan Fisher
Chair
Melbourne, 21 February 2020

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 9671 7001
www.deloitte.com.au

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

21 February 2020

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 2019, 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

Belinda Abbott
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 2019, 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 14.

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 2019 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 2019 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

Belinda Abbott
Partner
Chartered Accountants
Melbourne, 21 February 2020

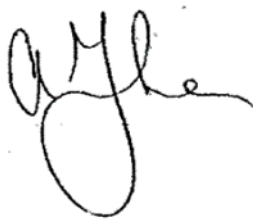
DIRECTORS' DECLARATION

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.

Alan Fisher
Chair
Melbourne, 21 February 2020

For personal use only

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

| | | Half Year ended 31 December | |
|--|------|--------------------------------|----------------|
| | Note | 2019 \$ 000 | 2018 \$ 000 |
| Revenue | | 7159 | 6,510 |
| Interest received | 2 | 54 | 162 |
| Raw materials | | 768 | 1,216 |
| Employee benefits expense | | 3,363 | 4,211 |
| Depreciation and amortisation expenses | | 1,155 | 1,262 |
| Finance costs | 2 | - | 14 |
| Impairment of intangible assets | 4 | 736 | - |
| Other operating expenses | | 2,464 | 2,363 |
| Loss for the period before income tax benefit | | (1,273) | (2,394) |
| Income tax benefit | | 90 | 2 |
| Loss for the half year | | (1,183) | (2,392) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the half year | | (1,183) | (2,392) |
| Earnings per share | | Cents | Cents |
| Basic loss per share | | (0.5¢) | (1.0¢) |
| Diluted loss per share | | (0.5¢) | (1.0¢) |

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 2019

| | Note | 31 December 2019 \$ 000 | 30 June 2019 \$ 000 Restated |
|--------------------------------------|------|-------------------------------|---------------------------------------|
| Current assets | | | |
| Cash and cash equivalents | 3 | 6,716 | 9,497 |
| Trade and other receivables | | 3,102 | 3,235 |
| Contract assets | | 1,844 | 175 |
| Current tax asset | | 113 | 23 |
| Inventories | | 380 | 489 |
| Total current assets | | <u>12,155</u> | <u>13,419</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 15,768 | 16,676 |
| Intangible assets | 4 | 268 | 1,106 |
| Total non-current assets | | <u>16,036</u> | <u>17,782</u> |
| Total assets | | <u>28,191</u> | <u>31,201</u> |
| Current liabilities | | | |
| Trade and other payables | | 3,144 | 4,148 |
| Borrowings | | 7 | 4 |
| Unearned revenue | | 140 | 151 |
| Provisions | | 654 | 657 |
| Total current liabilities | | <u>3,945</u> | <u>4,960</u> |
| Non-current liabilities | | | |
| Borrowings | | - | 5 |
| Unearned revenue | | - | 844 |
| Provisions | | 419 | 382 |
| Total non-current liabilities | | <u>419</u> | <u>1,231</u> |
| Total liabilities | | <u>4,364</u> | <u>6,191</u> |
| Net assets | | <u>23,827</u> | <u>25,010</u> |
| Equity | | | |
| Contributed Equity | 5 | 51,189 | 51,189 |
| Reserves | | 5,545 | 5,545 |
| Accumulated losses | | (32,907) | (31,724) |
| Total equity | | <u>23,827</u> | <u>25,010</u> |

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Contributed Capital \$ 000 | Asset Revaluation Reserve \$ 000 | Share based Payment Reserve \$ 000 | Accumulated Losses \$ 000 | Total Equity \$ 000 |
|--|----------------------------------|---|---|---------------------------------|---------------------------|
| Balance at 1 July 2018 | 52,833 | 2,163 | 3,101 | (25,641) | 32,456 |
| 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 |
| Balance at 31 December 2018 | 51,194 | 2,163 | 3,327 | (28,033) | 28,651 |
| Balance at 1 July 2019 | 51,189 | 2,163 | 3,382 | (31,724) | 25,010 |
| Loss for the period | - | - | - | (1,183) | (1,183) |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | (1,183) | (1,183) |
| Share based payments expense | - | - | - | - | - |
| Balance at 31 December 2019 | 51,189 | 2,163 | 3,382 | (32,907) | 23,827 |

*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 2019**

| | Half Year ended | |
|---|----------------------------|----------------------------|
| Note | December 2019 \$ 000 | December 2018 \$ 000 |
| Cash flows from operating activities | | |
| Receipts from customers | 4,729 | 4,922 |
| Payments to suppliers and employees | (7,417) | (8,001) |
| Research and development tax incentive | - | - |
| Net cash used in operating activities | <u>(2,688)</u> | <u>(3,079)</u> |
| Cash flows from investing activities | | |
| Interest received | 54 | 162 |
| Interest and other costs of finance paid | - | (14) |
| Payments for property, plant & equipment | (145) | (368) |
| Payments for intangible assets | - | (3) |
| Net cash provided/ (used) in investing activities | <u>(91)</u> | <u>(223)</u> |
| Cash flows from financing activities | | |
| Repayment of borrowings | (2) | (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 |
| Net cash used in financing activities | <u>(2)</u> | <u>(1,669)</u> |
| Net increase/(decrease) in cash held | (2,781) | (4,971) |
| Cash at the beginning of the reporting period | 9,497 | 14,027 |
| Cash and cash equivalents at the end of the period | <u>3 6,716</u> | <u>9,056</u> |

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

For personal use only

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 2019 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 2019. 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) that are relevant to its operations and which are effective for the current year.

AASB 16 *Leases* introduces a comprehensive model identifying lease arrangements and is effective for the period 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. As IDT has only a small number of low value leases, the impact from adopting the new standard is not material.

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.

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

Reclassification of contract assets

During the half year contract assets, being billable work-in-progress not yet invoiced was recorded in Contract assets. The comparative amount at 30 June 2019 of \$175,000 has been restated from Inventory to Contract assets in the Condensed Statement of Financial Position. There was no impact of the restatement on profit or cash flow.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern basis

The Company closed the reporting period with \$6.7million funds at bank and retains commercial loan and overdraft facilities with the National Australia Bank Ltd totaling \$2.5million which are presently undrawn and are scheduled for renewal in July 2020.

Having considered forward forecasts, including cashflow forecasts, the Directors believe the Company will continue to operate as a going concern and therefore it is appropriate for these financial statements to be 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 2019 \$ 000 | 31 December 2018 \$ 000 |
|---|--|--|
| 2. INTEREST REVENUE AND EXPENSE | | |
| Loss from the period before income tax is arrived at after: | | |
| a. crediting interest as revenue | 54 | 162 |
| b. charging interest as an expense | - | 14 |
| | | |
| | 31 December 2019 \$ 000 | 30 June 2019 \$ 000 |
| 3. CASH AND CASH EQUIVALENTS | | |
| Cash at bank and in hand | 6,716 | 9,497 |
| | | |
| 4. INTANGIBLE ASSETS | | |
| Opening balance, 1 July | 1,106 | 1,251 |
| Additions during the period | - | 58 |
| Amortisation expense | (102) | (203) |
| Impairment during the period | (736) | - |
| Closing balance, 31 December | <u>268</u> | <u>1,106</u> |

Whilst alternate commercialisation options are being explored, the Intangible asset in relation to temozolomide has been fully impaired following termination of the distribution agreement in December 2019.

| | Shares | \$ 000 |
|----------------------------------|--------------------|---------------|
| 5. CONTRIBUTED EQUITY | | |
| Opening balance 1 July 2018 | 244,466,732 | 52,833 |
| Employee share plan | 2,632,046 | - |
| Forfeited employee shares | (961,626) | - |
| Small parcel buy back | (659,381) | (111) |
| On market share buy back | (9,118,668) | (1,533) |
| Closing balance 30 June 2019 | <u>236,359,103</u> | <u>51,189</u> |
| | | |
| Opening balance 1 July 2019 | 236,359,103 | 51,189 |
| | | |
| Closing balance 31 December 2019 | <u>236,359,103</u> | <u>51,189</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 were bought back at 15.5cents per share in November 2018. The on market share buy back was conducted within the 10/12 limit defined in the *Corporations Act (2001)*, allowing the company to buy back up to 10% of Issued Capital over a period of 12 months. This 12 month period concluded in October 2019.

There was no movement in Issued Capital for the reporting period ended 31 December 2019 with no shares cancelled, acquired or issued.

| | 31 December 2019 \$ 000 | 30 June 2019 \$ 000 |
|---|--|------------------------------------|
| 6. DIVIDEND PAYABLE | | |
| Dividends provided for or paid during the half year | - | - |

7. KEY MANAGEMENT PERSONNEL

Remuneration arrangements in relation to Key Management Personnel (KMP) are disclosed in the Company's 2019 Annual Report.

The following table summarises cash bonuses paid to KMP in the reporting period following assessment of performance against individual and company objectives in place for the period ended 30 June 2019.

No shares were issued within the framework of the Employee Share Plan during the period.

| Key Management Personnel | Bonus Paid \$ |
|--|----------------------|
| J Johnson, Chief Financial Officer | 12,253 |
| D Savaglio, Vice President, People and Change | 6,128 |
| J Sosic, Vice President, Operations, Supply and Infrastructure | 12,435 |
| Total cash bonuses paid to KMP | 30,816 |

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 2019 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 \$0.1 million (December 2018: \$0.2 million).

For personal use only