idt australia limited

Annual Report 2019

Company Information

Directors

Alan Fisher
BCom, FCA, MAICD
(Chair)

Hugh Burrill
BSc, MScSt, MBA, FAICD

Graeme Kaufman
BSc, MBA

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

Secretaries

Joanna Johnson
BEc, Grad Dip Management, CA

Dr David Sparling
BVSc (Hons), LLB (Hons), GDi pAppCor Gov

Share Register

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

Bankers

National Australia Bank Limited
NAB Health
Level 2, 151 Rathdowne Street
CARLTON, VICTORIA, 3053

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
MELBOURNE, VICTORIA, 3000

Stock Exchange

Australian Stock Exchange Limited
530 Collins Street
MELBOURNE, VICTORIA, 3000
(ASX Code : IDT)

Registered Office and Principal Place of Business

45 Wadhurst Drive
BORONIA, VICTORIA, 3155
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Website Address

www.idtaus.com.au

Contents

Letter from the Chair and Chief Executive Officer

The year in review has been a challenging, but ultimately a rewarding time for IDT Australia Limited. In May 2018, the Company received a Warning Letter from the United States Food and Drug Administration (FDA). This was a very hard blow; and perhaps one of the darkest chapters in IDT's history, certainly from a global regulatory perspective. The Company set itself the goal of remediating the Warning Letter, whilst at the same time running the base business, and with an objective to successfully completing an FDA re-inspection within twelve months. This goal was very aggressive. Many companies faced with FDA Warning Letters either close their operations, or take several years to complete remediation activities, or both.

In late May 2019, the FDA returned to re-inspect IDT's facilities and we have just received formal correspondence from the FDA stating that they have closed-out the inspection and determined that the inspection classification of IDT's facility be restored to Voluntary Action Indicated ("VAI") from Official Action Indicated ("OAI"). This is a positive development for IDT and vindicates all of the hard work IDT's quality, operations and infrastructure teams, as well as our external consultants have put in to achieve this goal. The Company will continue to meet the commitments made to the FDA and we are standing-by for what we hope to be a positive outcome on the status of the Warning Letter.

Despite the significant headwinds arising from IDT's focus and effort on the Warning Letter remediation activities, the Company continued to progress its other stated goal of strengthening and expanding the foundations of IDT's business. In May 2018, IDT applied to the Department of Health - Office of Drug Control for a medicinal cannabis manufacturing licence in its own right. In May 2019 IDT announced that it had secured its own Medicinal Cannabis Manufacturing Licence.

Medicinal cannabis manufacturing is a perfect strategic fit for IDT. The Company has a long history in GMP manufacture of both Active Pharmaceutical Ingredients (API's) and Finished Dosage Forms and decades of experience working with botanically derived compounds. Being vertically integrated in our ability to produce both API's and Finished Dosage Forms puts the Company in a strong position to capture the opportunities that will arise in the rapidly evolving medicinal cannabis market. IDT's GMP manufacturing credentials are another key differentiator on the global stage, with GMP manufacturing requirements becoming increasingly important as the cannabis industry expands from its lesser regulated origins into more regulated markets.

IDT already has the critical equipment installed, commissioned and validated, with little or no facility modifications required. IDT's manufacturing suites and operations are designed to allow for the safe processing of large volumes of solvent and the Company is currently developing manufacturing processes which have the potential to convert tonnage quantities of medicinal cannabis biomass. This capability puts IDT in a unique position in the Australian scene, and ahead of many global participants.

IDT finished the year with a strong cash balance of $9.5million, having returned $1.644 million equity to shareholders through an On Market Share Buy Back and a Small Parcel Share Buy Back.

On a year on year basis, IDT's operating revenue was down 9% to $12.13 million. A contributing factor to this reduction in revenue was the impact the FDA Warning Letter had on IDT's ability to secure new work, but also the additional workload the Warning Letter remediation efforts had on IDT's ability to execute work in hand. Additionally, the timing of the receipt of certain medicinal cannabis licensure limited the amount of development and commercial work able to be conducted during the reporting period.

As highlighted in the Director's Report, the underlying loss for the year is slightly less than the previous year after excluding material one off transactions, such as FDA Warning Letter remediation expenses and loss on divestment of surplus manufacturing equipment.

Looking ahead the Company's focus will be on putting the FDA Warning Letter behind us and growing the business. Now that all of the requisite licensure is in place, a key element of IDT's growth strategy will be to further expand our capabilities and product offerings in GMP medicinal cannabis manufacture. We believe that IDT is well placed to become a centre of excellence in GMP medicinal cannabis manufacturing on the global stage.

We thank shareholders for their continued support.

Alan Fisher
Chair

David Sparling
Chief Executive Officer

29 August 2019

Report of the Directors – 30 June 2019

(Including Remuneration Report)

The Directors present their report on the financial report of the company for the year ended 30 June 2019.

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

Alan Fisher

Hugh Burrill

Graeme Kaufman

Mary Sontrop

The Directors held office during the whole of the financial year and since the end of the financial year.

Principal Activities

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

Review of Operations

The table below, which includes non-IFRS information, isolates key one time transactions from the reported results to show that the underlying profitability is slightly improved when considered on a year on year basis:

	30 June 2019 $000	30 June 2018 $000
Reported revenue	12,130	13,300
Reported net profit / (loss) after tax	(6,083)	(16,979)
FDA Warning Letter remediation expenses	1,357	-
Impairment of intangible assets	-	14,144
Loss on divestment surplus plant and equipment	530	-
Reduction in income tax benefit	1,560	-
Underlying profit / (loss)	(2,636)	(2,835)

Whilst total revenue was down $1.307 million on a year on year basis, income earned from fee for service research and development services and manufacture of active pharmaceutical ingredients increased by $0.406 million, 4%.

IDT divested its portfolio of non-specialised generic products in April 2018, which together with continued increased competitiveness in the U.S. market for Temozolomide, contributed to a reduction in finished dose form revenues totalling $1.382 million.

In May 2019, IDT announced that the Australian Government Department of Health - Office of Drug Control granted the Company a Medicinal Cannabis Manufacturing Licence under the *Narcotic Drugs Act 1967*. The licence allows IDT to manufacture and perform activities relating to such manufacture (such as package, supply, store, destroy and transport) extracts and tinctures of cannabis resin in the Company's GMP facilities. This license was complemented by the issuance of the Company's first medicinal cannabis manufacturing permit in August 2019. To date IDT has secured two strategic manufacturing and product development partnerships in medicinal cannabis and the Company has the manufacturing facilities and requisite licensure in place to capitalise on this emerging market in the coming years.

IDT received a Warning Letter from the U.S. Food and Drug Administration (FDA) in May 2018 and a remediation action plan was presented to the FDA in July 2018. The plan contained a comprehensive list of activities directed at fully addressing the concerns expressed by the FDA. The Warning Letter remediation plan and audit readiness activities included engagement of external contractors and consultants as well as the efforts of many members of IDT's quality, operations and infrastructure teams. It is estimated that the Warning Letter remediation expenses incurred through 2019 totalled $1.357 million plus $0.216 million capital expenditure (2018: nil).

Report of the Directors – 30 June 2019 (Including Remuneration Report) continued

The FDA re-inspected IDT's facilities and quality systems during the period 20-31 May 2019. In August 2019 IDT received official correspondence from the FDA that this inspection is now closed and the FDA determined that the inspection classification of IDT's facilities be restored from Official Action Indicated (OAI) to Voluntary Action Indicated (VAI), and that further correspondence, including details for the closeout of the Warning Letter will be forthcoming.

As the Warning Letter included no enforcement action (such as a U.S. import ban), performance of IDT's existing manufacturing and development contracts were for the most part unaffected; however as a fee for service contract manufacturer, having a Warning Letter in place created uncertainty which the Company believes influenced IDT's ability to win and execute new projects.

Following divestment of the non-specialised generic products, surplus tableting equipment was monetised and finance leases repaid, resulting in a onetime loss on disposal of $0.530 million. The disposal of this surplus tableting equipment will however deliver future operating cost savings through avoidance of future finance lease commitments, depreciation and equipment maintenance whilst also freeing manufacturing space for more productive activities. Cessation of proprietary product development activities associated with these divested non-specialised generic products also resulted in a material reduction in IDT's product development expenditure and the estimated value receivable under the Federal Government's R&D Tax Concession Incentive.

Through an On Market Share Buyback and Small Parcel Share Buy Back, $1.644 million equity was returned to shareholders.

Summary of Financial Performance

	30 June 2019 $000	30 June 2018 $000	Movement
Revenue	12,130	13,300	(1,170)
Net profit / (loss) before tax	(6,119)	(18,575)	12,457
Net profit / (loss) after tax	(6,083)	(16,979)	10,897
Basic earnings per share	(2.5¢)	(6.9¢)	
Diluted earnings per share	(2.5¢)	(6.9¢)	

Financial Position

The Company has cash reserves of $9.497 million as at balance date, further supported by an unutilised facility of $2.5 million with the National Australia Bank Ltd next due for renewal on 31 July 2020. These cash reserves and debt facility are available to support the Company execute strategies and projects to extend production and manufacturing capabilities.

After the prior financial year's divestment of CMAX and the non specialised generic product portfolio, a strategic and operational review of business operations was conducted and it was concluded that the Company held cash reserves exceeding projected requirements, leading to the implementation of a Small Parcel Buy Back and an On Market Buy-Back within the framework of the "10/12 limit" as defined by the *Corporations Act 2001*, returning $1.644 million to shareholders.

Results

The net result of operations after applicable income tax was a loss of $6.083 million (2018: $16.979 million).

Dividends

No dividends were paid during the financial year. There are no dividends or distributions recommended or declared for payment to members, but not yet paid, during the year.

Significant Changes in the State of Affairs

In the opinion of the Directors, there have been no significant changes in the state of affairs of the Company during the financial year not otherwise disclosed in this report or the financial statements.

Matters Subsequent to the End of the Financial Year

In a letter from the U.S. Food and Drug Administration (FDA), Director of the FDA's Division of Drug Quality Office of Manufacturing Quality Office of Compliance, dated 23 August 2019, IDT was advised that the FDA had closed out its inspection of the Company's facility which occurred over the period 20-31 May 2019. Furthermore, the FDA has determined that IDT's facility inspection classification be restored from Official Action Indicated (OAI) to Voluntary Action Indicated (VAI) and have confirmed that further correspondence, including details of the close out for the Warning Letter will be forthcoming.

On 26 August 2019, the Australian Government Department of Health – Office of Drug Control granted IDT its first Medicinal Cannabis Manufacturing Permit under the *Narcotic Drugs Act 1967*. This permit allows IDT to manufacture and store cannabis extract in quantities specified by the permit and supports the Company's strategies to advance GMP Medicinal Cannabis Manufacturing.

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

Likely Developments

With Federal licensure from the Office of Drug Control in place and with commissioned equipment capable of processing large volumes of biomass in site, IDT is well placed to exploit opportunities in the emerging local and international medicinal cannabis markets.

Environmental Regulations

IDT Australia Ltd is subject to environmental regulations and other licenses in respect of its manufacturing facilities located in Boronia, Victoria. The Company monitors changes in its regulatory environment and ensures ongoing compliance with new requirements. It is subject to regular inspections and audits by responsible State and Federal authorities and by local and international clients. The Company considers it has complied with all necessary environmental regulations throughout the year ended 30 June 2019 and no related issues have arisen since the end of the financial year to the date of this report.

Corporate Governance Statement

The Company complies with the Australian Stock Exchange Corporate Governance Principles and Recommendations, 3rd edition (ASX Principles). The Company's Corporate Governance Statements and Policies, including disclosures required by the ASX Principles, may be viewed on the Company's website, www.idtaus.com.au/investors/corporate-governance/.

Indemnification of Officers

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

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

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

Information about the Directors

ALAN D FISHER

Qualifications: BCom, FCA, MAICD
Experience: Extensive and proven experience in restoring and enhancing shareholder value. He spent 24 years at global accounting firm Coopers & Lybrand where he headed and grew the Melbourne Corporate Finance Division. Following this tenure, he developed his own corporate advisory business specialising in M&A, strategic advice, business restructurings and capital raisings.
Other Current Directorships: Non-Executive Chair Centrepoint Alliance Ltd, Non-Executive Director and Chair of Audit and Risk Committees of Bionomics Ltd, Thorney Technologies Ltd and Simavita Ltd
Former Directorships in Last 3 Years: Nil
Responsibilities: Chair, Non-Executive Director, member Audit and Risk Committee
Equity interests in company: Nil

HUGH N BURRILL

Qualifications: BSc, MScSt, MBA, FAICD
Experience: Formerly Corporate Vice President, Global Pharma Research & Development, Hospira Inc where he was responsible for overall pipeline portfolio management, and research and development of generic and specialty pharmaceuticals. Prior to this he held senior international roles within Hospira Inc and the original Mayne Pharma Ltd and currently provides consulting services in pharmaceutical strategic management, product development, regulatory affairs and intellectual property.
Other Current Directorships: Non-Executive Director and Deputy Chair Nova Aerospace Pty Ltd since 2007
Former Directorships in Last 3 Years: Nil
Responsibilities: Non-Executive Director, Chair Audit and Risk Committee, Member Remuneration and Nomination Committee
Equity interests in company: Nil

GRAEME KAUFMAN

Qualifications: BSc, MBA
Experience: Wide ranging experience in the biotechnology sector, across scientific, commercial and financial areas. At CSL Limited, he was responsible for manufacturing facilities, operated a division in the high technology medical device market and as General Manager Finance was responsible for finance, strategy development, human resources and information technology. He was Executive Vice President Corporate Finance with Mesoblast Limited until 2013.
Other Current Directorships: Non-Executive Chair, Paradigm BioPharmaceuticals Limited (since 2014)
Former Directorships in Last 3 Years: Non-Executive Chair, Bionomics Ltd (until August 2016)
Responsibilities: Non-Executive Director, Member of Audit and Risk and Nomination and Remuneration Committees
Equity interests in company: 405,000 fully paid ordinary shares

MARY SONTROP

Qualifications: BAppSci, Grad Dip Quality Management, Grad Dip Management (Health), MBA, GAICD
Experience: Experience in the biopharmaceutical sector across manufacturing operations, quality and business integration. Mary has held executive roles at CSL Limited where she participated in international acquisitions, turned around unprofitable manufacturing operations and established a globally integrated manufacturing network over four countries. As head of CSL's Australia and New Zealand pharmaceutical business she and her team successfully delivered the human papilloma virus immunisation programs and obtained FDA approval to manufacture and export seasonal and pandemic influenza vaccines.
Other Current Directorships: Nil
Former Directorships in Last 3 Years: Nil
Responsibilities: Non-Executive Director, Chair Remuneration and Nomination Committee
Equity interests in company: 275,000 fully paid ordinary shares (indirect)

Information about the Secretaries

DR DAVID SPARLING (Chief Executive Officer)

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

JOANNA JOHNSON (Chief Financial Officer)

Qualifications: BEc, Grad Dip Management, CA
Experience: Is a Chartered Accountant with more than 20 years of senior finance roles in the pharmaceutical industry. Her first role in the pharmaceuticals industry was in the Injectables Business Unit of FH Faulding & Co Ltd, progressing to appointment as Commercial Manager, ANZ for the original Mayne Pharma Ltd and ultimately to Regional Finance Director, Asia Pacific, with Hospira Inc. Before joining IDT in 2014 her most recent role was CFO and Company Secretary of Generic Health Pty Ltd, a subsidiary of Lupin Ltd.

Meetings of Directors

The following table sets out the number of meetings the Company's Directors held during the year ended 30 June 2019, and the number of meetings attended by each Director.

Director	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Hugh Burrill	13	13	2	2	2	2
Alan Fisher	13	13	2	2	-	-
Graeme Kaufman	13	13	2	2	2	2
Mary Sontrop	12	13	-	-	2	2

A Meetings attended while a director or committee member.
B Meetings held while a director or committee member.

Renumeration Report

The Directors of the Company are pleased to present the following Remuneration Report which forms part of the Report of Directors prepared in accordance with s300A of the *Corporations Act 2001*.

The Remuneration Report has been audited as required by s308 (3C) of the *Corporations Act 2001* and sets out remuneration information for the Company's key management personnel who have authority and are responsible for planning, directing and controlling the Company's activities, directly or indirectly, including any Director (whether executive or otherwise) of the Company and the broader remuneration policies and philosophy adopted by the Board.

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

The Remuneration and Nomination Committee advises the Board on remuneration policies and practices generally, making specific recommendations on the remuneration framework and other terms of employment for Executive Directors, Non-Executive Directors and Senior Executives, including incentives, share ownership plans and the relationship between remuneration policy and Company performance.

At the last Annual General Meeting (AGM) held on 23 October 2018, the Company received 67% support on its 2018 Remuneration Report, short of the required 75%. As a first strike had been recorded at the prior year's AGM, a resolution was put to the AGM to consider whether an Extraordinary General Meeting (EGM) should be convened for the purpose of appointing persons to the position of Director. This resolution was not carried and accordingly an EGM was not required.

Directors' Remuneration

IDT has a small and focussed Board which works closely with Executive management. Fees and payments to Directors reflect the demands made on, and the responsibilities of, the Directors. Directors' fees are reviewed annually by the Remuneration and Nomination Committee, considering comparative remuneration data for the industry and size of the Company to attract Directors with relevant expertise in our industry as well as Australian capital markets.

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

Total Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, periodically referred for approval by shareholders. The current maximum aggregate Directors' fee pool for Non-Executive Directors is $400,000.

Executive Remuneration

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

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

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

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

Share-based Compensation

From time to time, Executive Management and Directors may be invited to participate in the Employee Share Plan (ESP) whereby fully paid ordinary shares of the Company are issued at the market value at the date of issue and funded by an interest free limited recourse loan from the Company, which is repayable at any time or within 90 days of an employee's termination.

Grants within the framework of the ESP are determined by the CEO together with the Remuneration and Nomination Committee and are subject to approval of the Board.

Amounts disclosed for emoluments relating to these shares are the assessed fair values at issue date determined using a Black-Scholes pricing model considering the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the arrangement.

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

Remuneration Details 2019

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Salary and fees $	**Cash bonus $[1]**	**Non monetary $**	**Super-annuation $**	**Long Service Leave $**	**Shares $**	**Total $**
Non-executive Directors							
A D Fisher, Chair	109,589	-	-	10,411	-	-	120,000
G Kaufman	63,927	-	-	6,073	-	-	70,000
H N Burrill	63,927	-	-	6,073	-	-	70,000
M E Sontrop	63,924	-	-	6,073	-	-	69,997
Sub-total Non-executive Directors	**301,367**	**-**	**-**	**28,630**	**-**	**-**	**329,997**
Other key management personnel							
M Coffey, Vice President Quality and Regulatory[2]	194,181	43,700	-	15,973	-	32,738	286,592
J Johnson, Chief Financial Officer	211,260	32,630	-	20,070	5,793	37,897	307,650
D Savaglio, Vice President People and Change	96,018	21,032	-	9,122	2,703	24,427	153,302
J Sosic, Vice President Operations, Supply and Infrastructure	196,079	15,580	5,152	18,628	902	34,424	270,765
D Sparling, Chief Executive Officer	355,754	37,612	-	22,008	17,815	63,336	496,525
Sub-total executive management	**1,053,292**	**150,554**	**5,152**	**85,801**	**27,213**	**192,822**	**1,514,834**
Total key management personnel compensation	**1,354,659**	**150,554**	**5,152**	**114,431**	**27,213**	**192,822**	**1,844,831**

1 Short term incentive bonuses were paid on 28 August and 30 October 2018.
2 Ms Coffey was VP Quality and Regulatory until her resignation on 7 June 2019.

Renumeration Report continued

Summary of Short Term Incentive Bonuses paid in 2019 in relation to achievement of objectives established at the beginning of the previous financial year

	Potential of fixed remuneration	Achievement of objectives as set at the start of the year
M Coffey[1]	20%	82%
J Johnson	20%	78%
D Savaglio	20%	78%
J Sosic[2]	20%	41%
D Sparling[3]	50%	32%

1 On 15 January 2019 Ms Coffey also received $15,000 as a special bonus payable following finalisation of the FDA remediation response by the end of December 2018.
2 Mr Sosic's bonus was prorataed because he was employed by IDT for only part of the financial year ended 30 June 2018.
3 Dr Sparling potential Short Term Incentive Bonus increased to 50% following his appointment as CEO in February 2018. Before assuming the CEO role he was eligible at the previous potential of 40%. The STI paid was prorated between the potential entitlements of both roles applicable during the prior financial year.

Remuneration Details 2018

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

1 Short Term Incentive Bonuses were paid on 22 February 2018.
2 Mr Fisher assumed the Chair on 21 November 2017.
3 Mr Kaufman was Executive Chair from 14 July 2017 through to 21 November 2017 and remained an Executive Director until 20 February 2018. He now serves the Company as a Non-Executive Director.
4 Ms Sontrop was an Executive Director for the period 14 July 2017 to 20 February 2018, thereafter she is a Non-Executive Director.
5 Dr MacLeman was an Executive Director until his resignation on 14 July 2017. His remuneration for 2018 includes payments associated with settlement of his employee entitlements and his notice period.
6 Ms Coffey commenced on 28 March 2017 and is a KMP from 1 July 2017. In addition to her ordinary Short-Term Incentive Bonus, Ms Coffey received $10,000 as a sign on bonus following completion of her probationary period.
7 Mr Sosic joined IDT on 11 December 2017. Within the terms of company policy, he elected for part of his salary to be attributed to the provision of a motor vehicle.
8 Dr Sparling was appointed as Interim CEO on 16 February 2018 and formally appointed on 2 July 2018. Prior to this appointment he was Vice President Corporate and Business Development.

Renumeration Report continued

Summary of Short Term Incentive Bonuses paid in 2018 in relation to achievement of objectives established at the beginning of the previous financial year

	Potential of fixed remuneration	Achievement of objectives as set at the start of the year
M Coffey	20%	30%
J Johnson	20%	30%
D Savaglio	20%	30%

Other Transactions with Key Management Personnel

No other transactions or loans were provided to key management personnel other than interest free limited recourse loans provided in association with the Loan Shares granted within the framework of the Employee Share Plan.

Key Management Personnel Holdings of Ordinary Shares

The number of ordinary shares in the Company held during the financial year by Directors and each of the specified executives are set out below.

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

2019

	Balance at start of year	Shares issued to employees	Other changes during the year	Balance at the end of the year
Non-executive Directors				
G Kaufman	405,000	-	-	405,000
M E Sontrop	275,000	-	-	275,000
Other key management personnel				
M Coffey	234,940	391,071	-	626,011
J Johnson[1]	1,068,678	452,700	(222,222)	1,299,156
D Savaglio[2]	489,165	291,793	(190,527)	590,431
J Sosic	255,078	411,214	-	666,292
D Sparling[1]	1,128,266	744,643	(222,222)	1,650,687
Total Holdings	**3,856,127**	**2,291,421**	**(634,971)**	**5,512,577**

1 As the underlying loans on the ESP shares which had been issued to Dr Sparling and Ms Johnson on 15 April 2014 were not repaid, the shares were cancelled following expiration of the Limited Recourse Loan Agreement.
2 The Limited Recourse Loan on the shares issued to Ms Savaglio on 1 November 2017 was repaid on 15 November 2018. This allowed Ms Savaglio to dispose of the shares.

2018

	Balance at start of year	Shares issued to employees	Other changes during the year	Balance at the end of the year
Non-executive Directors				
G Kaufman	405,000	-	-	405,000
R Shigeno	333,333	-	-	(1)
M E Sontrop	275,000	-	-	275,000
Executive Director				
P MacLeman	4,071,000	-	-	(1)
Other key management personnel				
M Coffey	-	234,940	-	234,940
J Johnson	787,886	280,812	-	1,068,678
D Savaglio	298,638	190,527	-	489,165
J Sosic	-	255,078	-	255,078
D Sparling	818,200	310,066	-	1,128,266
Total Holdings	**6,989,057**	**1,271,423**	**-**	**3,856,127**

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

Company performance

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2019.

	30 June 2019 $000	30 June 2018 $000	30 June 2017 $000	30 June 2016 $000	30 June 2015 $000
Revenue[1]	12,130	13,300	9,543	16,914	15,720
Net profit / (loss) before tax[2]	(6,118)	(18,575)	(1,116)	(5,704)	(3,209)
Net profit / (loss) after tax	(6,083)	(16,979)	(773)	(4,006)	(2,992)
Share price at start of year	$0.096	$0.105	$0.23	$0.23	$0.20
Share price at end of year	$0.165	$0.096	$0.105	$0.23	$0.23
Final dividend	-	-	-	-	-
Basic earnings per share	(2.5¢)	(6.9¢)	(0.3¢)	(1.9¢)	(2.2¢)
Diluted earnings per share	(2.5¢)	(6.9¢)	(0.3¢)	(1.9¢)	(2.2¢)
# Shares on issue, 30 June	236,359,103	244,466,732	248,161,716	219,355,298	191,281,032
Market capitalisation, 30 June	$39.00m	$23.47m	$26.06m	$50.45m	$43.99m

1 CMAX Revenues are excluded from the year ended 30 June 2017 due to divestment but are retained in prior year comparatives.
2 No asset impairment was recorded for the year ended 30 June 2019, but for the years ended 30 June 2018 and 2017, the net profit / (loss) before tax includes asset impairment adjustments of $14.144 million and $7.622 million respectively. The year ended 30 June 2017 includes $13.718 million profit from divestment of CMAX.

Non-Audit Services

Details of amounts paid or payable to the auditor for services provided during the year are outlined in note 21 to the financial statements.

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

Directors have considered the position and is satisfied that any provision of non-audit services is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is included after this report.

Proceedings on Behalf of the Company

The *Corporations Act 2001* allows specified persons to bring, or intervene in, proceedings on behalf of the company.

No proceedings have been brought, or intervened in, on behalf of the company with leave of the court under Section 237 of the *Corporations Act 2001*.

Rounding of Amounts

The company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Report of Directors. Amounts in the Report of Directors have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Directors Resolution

This report is made in accordance with a resolution of the Directors made pursuant to s298(2) of the *Corporations Act 2001*.

Alan Fisher
Chair

29 August 2019

Auditors Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Australia

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29 August 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 audit of the financial statements of IDT Australia Limited for the financial year ended 30 June 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 audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke Du Toit
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

	Note	2019 $000	2018 $000
Revenue from ordinary activities	2	12,130	13,300
Raw materials		(2,620)	(2,428)
Employee benefits expense		(8,059)	(8,291)
Depreciation and amortisation expense		(2,518)	(2,625)
Finance costs		(24)	(32)
Impairment of intangible assets	10	-	(14,144)
Loss on disposal plant and equipment		(530)	-
Profit on divestment of intangible assets		-	55
Other operating expenses		(4,498)	(4,410)
Loss before income tax		**(6,119)**	**(18,575)**
Income tax benefit	4	36	1,596
Loss for the year		**(6,083)**	**(16,979)**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation gain on land and buildings		-	506
Income tax relating to components of other comprehensive income		-	(152)
Total comprehensive loss		**(6,083)**	**(16,625)**
Basic earnings per share	28	(2.5¢)	(6.9¢)
Diluted earnings per share	28	(2.5¢)	(6.9¢)

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

Statement of Financial Position

	Note	2019 $000	2018 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	9,497	14,027
Trade and other receivables	6	3,235	3,474
Current tax asset	7	23	396
Inventories	8	664	1,055
TOTAL CURRENT ASSETS		**13,419**	**18,952**
NON-CURRENT ASSETS			
Property, plant and equipment	9	16,676	18,709
Intangible assets	10	1,106	1,251
Deferred tax assets	11	-	-
TOTAL NON-CURRENT ASSETS		**17,782**	**19,960**
TOTAL ASSETS		**31,201**	**38,912**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	4,148	3,738
Borrowings	13	4	129
Unearned revenue	14	151	244
Provisions	15	657	714
TOTAL CURRENT LIABILITIES		**4,960**	**4,825**
NON CURRENT LIABILITIES			
Borrowings	13	5	413
Unearned revenue	14	844	982
Provisions	15	382	236
TOTAL NON-CURRENT LIABILITIES		**1,231**	**1,631**
TOTAL LIABILITIES		**6,191**	**6,456**
NET ASSETS		**25,010**	**32,456**
EQUITY			
Contributed equity	16	51,189	52,833
Reserves	17	5,545	5,264
Accumulated losses	18	(31,724)	(25,641)
TOTAL EQUITY		**25,010**	**32,456**

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

Statement of Changes in Equity

	Contributed Capital $000	Asset Revaluation Reserve $000	Share-based Payment Reserve $000	Accumulated Losses $000	Total Equity $000
Balance at 1 July 2017	**52,833**	**1,809**	**2,938**	**(8,662)**	**48,918**
Profit/(Loss) for the year	-	-	-	(16,979)	(16,979)
Shares issued during the year		-	-	-	-
Share based payments expense	-	-	163	-	163
Other comprehensive income for the year	-	354	-	-	354
Balance at 30 June 2018	**52,833**	**2,163**	**3,101**	**(25,641)**	**32,456**
Balance at 1 July 2018	**52,833**	**2,163**	**3,101**	**(25,641)**	**32,456**
Profit/(Loss) for the year	-	-	-	(6,083)	(6,083)
Shares issued during the year	-	-	-	-	-
Small parcel share buy back	(111)	-	-	-	(111)
On market share buy back	(1,533)	-	-	-	(1,533)
Share based payments expense	-	-	246	-	246
Limited recourse loans repaid	-	-	35	-	35
Balance at 30 June 2019	**51,189**	**2,163**	**3,382**	**(31,724)**	**25,010**

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

Statement of Cash Flows

	Note	2019 $000	2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		12,492	11,421
Payments to suppliers and employees (inclusive of goods and services tax)		(14,642)	(16,442)
		(2,150)	**(5,021)**
Interest and other costs of finance paid		(24)	(33)
Income tax refund received		410	3,256
Interest received		248	171
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**26**	**(1,516)**	**(1,627)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,143)	(918)
Proceeds from sale of property, plant and equipment		330	-
Payments for development costs		(58)	(1,440)
Proceeds divestment - ANDA's		-	3,558
Proceeds divestment - CMAX		-	6,159
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		**(871)**	**7,359**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity		34	-
Payments associated with share buy backs		(1,644)	-
Repayment of borrowings		-	-
Repayment of finance leases		(533)	(122)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES		**(2,143)**	**(122)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(4,530)**	**5,610**
Cash and cash equivalents at the beginning of the financial year		14,027	8,417
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**5**	**9,497**	**14,027**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are outlined in this section and have been consistently applied to all the periods presented, unless otherwise stated.

1.1 Statement of Compliance

These financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and comply with International Financial Reporting Standards and other requirements of the law.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

1.2 Basis of Preparation

These financial statements have been prepared under the basis of historical cost, except for certain financial instruments, intangible assets and land and buildings that are measured at fair value.

Historical cost is generally based on fair values of the consideration given in exchange for goods and services, being the price that would be received in an orderly transaction at the measurement date, regardless of whether that price is directly observable or estimated using another technique.

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

In estimating the fair value of an asset or liability, the Company considers the characteristics market participants would take into account when pricing the asset or liability at measurement date. Fair value has been used in these financial statements except for transactions within the scope of AASB 2 Share Based Payments, AASB 117 Leases and measurements that have some similarities to fair value but are not fair value, such as net realiseable value in AASB 102 Inventories or fair value less cost to dispose in AASB 136 Impairment of Assets.

For financial reporting purposes fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

All amounts are presented in Australian dollars unless otherwise noted.

1.3 Going Concern Basis

For the year ended 30 June 2019, the Company incurred a loss after tax of $6.083 million and held cash reserves of $9.457 million, after distributing $1.644 million funds to shareholders through on market buy back and small parcel buy back, which is sufficient to fund planned strategic initiatives, capital and other development projects for at least the 12 month period from the date of this report.

Having carefully assessed the Company's budget and forward forecasts, including cash flow forecasts which reflect forward sales orders received from customers as well as available funding facilities, the Directors believe the Company will continue to operate as a going concern and therefore it is appropriate to prepare the financial statements on a going concern basis contemplating continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

1.4 Impairment of Non-Current Assets

Non-Current Assets are tested for impairment at least annually and whenever there is an indication the asset may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

In testing for impairment, the recoverable amount of the Company's Property Plant and Equipment is determined using a fair value less cost to dispose approach (excess earnings methodology). This is based on discounted cash flows using a fair value less costs of disposal approach and independent valuations or insured replacement cost.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss immediately after identification and the asset is derecognised if no future economic benefits are estimated from use or disposal.

1.5 Change in Accounting Policy

The Company has adopted new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the previous reporting period and are detailed in Note 1.9. Disclosures required by these Standards have been included in this financial report on the basis they represent significant change in information from that previously made available.

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

1.6 Foreign Currency Translation

Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Foreign exchange gains and losses resulting from settlement of such transactions and translation at period end exchange rates of foreign currency monetary assets and liabilities are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

1.7 Critical Accounting Estimates and Judgements

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

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

Valuation of non-current assets

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

In making these judgements, the Company makes reasonable and supportable assumptions to represent management's estimate of the conditions that will exist over the useful life of the asset. Amongst other factors the Company evaluates technical feasibility, the cost to complete the project, existence of an attractive commercial market, potential launch dates and sales expectations to conclude on the value of expected future economic benefits which would be expected to flow to the entity in order to calculate discounted cashflows.

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

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

1.8 Rounding of Amounts

The company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

1.9 Application of New and revised Accounting Standards

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:

- AASB 9 Financial Instruments, replaces AASB 139 Financial Instruments and requires companies to raise a provision for potential credit loss based on historical losses incurred. As the Company does not have a history of uncollectible balances no additional provision is required and there is no impact from adopting the new Standard,
- AASB 15 Revenue from Contracts with Customers, replaces AASB 118 Revenue. The Company considers its existing revenue recognition practices comply with the requirements of AASB 15 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; 1) Fee for Service Revenue generated in accordance with a Scope of Works agreed with clients before project commencement and recognised over the term of the project as specific performance obligations are completed (i.e. over time), 2) Manufacturing activities, particularly manufacture of Active Pharmaceutical Ingredients, conducted based on Supply Agreements and Purchase Orders 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).

1.10 New and Revised Accounting Standards on issue but not yet effective

AASB 16 Leases becomes effective for periods commencing 1 July 2019 and introduces a comprehensive model for identification of lease arrangements. 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 the Company currently reports one finance lease and has seven further operating leases of low value assets, management does not consider adoption of these new guidelines will have material impact on the reported financial results of the Company.

2 REVENUE

	2019 $000	2018 $000
Sales revenue	11,882	12,892
Other revenue		
- Management Fee received from Related Party	-	75
- Dividend	-	162
- Interest	248	171
Total revenue	**12,130**	**13,300**

Key Accounting Policies

The Company has two key types of arrangements with Clients; 1) Fee for Service Revenue generated in accordance with a Scope of Works agreed with clients before project commencement and recognised over the term of the project as specific performance obligations are completed (i.e. over time), 2) Manufacturing activities, particularly manufacture of Active Pharmaceutical Ingredients, conducted based on Supply Agreements and Purchase Orders 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).

It must also be probable that the economic benefits of the transaction will flow to the Company and the amount of revenue can be measured reliably.

3 EXPENSES

Loss from ordinary activities before income tax expense includes the following expenses:		
Cost of goods sold	3,949	3,826
Depreciation of property, plant and equipment	2,171	2,086
Amortisation		
- Finance leases capitalised	144	153
- Development costs	203	386
Repairs and maintenance	756	859
Impairment of intangible assets	-	14,144
Net foreign currency loss	51	99

4 INCOME TAX

	2019 $000	2018 $000
(a) Income Tax Benefit		
Current tax	(23)	(396)
Deferred tax	(1,151)	370
(Under) / over recognised current tax asset in prior period	(13)	(1,048)
	(1,187)	**(1,074)**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from ordinary activities before income tax expense	(6,119)	(18,575)
Prima facie tax benefit at 27.5% (2018: 30%)	(1,682)	(5,573)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	9	112
Research and development tax concessions	23	396
Employee share issue	68	49
Impairment losses	-	4,243
	(1,582)	**(772)**
(Under) / over recognised Current tax asset in prior period	(13)	(1,048)
Deferred tax losses (not) brought to account	1,559	224
Utilisation of prior year losses not brought to account	-	-
Income tax expense/(benefit) attributable to operating loss	**(36)**	**(1,596)**

Key Accounting Policies

The income tax expense or benefit for the period is the tax payable / receivable on the current period's taxable income / (loss) based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

5 CASH AND CASH EQUIVALENTS

	2019 $000	2018 $000
Cash at bank and on hand	9,497	14,027

Key Accounting Policies

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

6 TRADE AND OTHER RECEIVABLES

Trade receivables	2,232	2,490
Less: Provision for expected credit losses	-	-
	2,232	**2,490**
Accrued revenue	-	-
Other receivables	27	44
Prepayments	976	940
	3,235	**3,474**

The average collection period for invoices is 30-60 days from invoice date and interest is not charged on overdue balances.

Age of receivables which are past due, but not impaired:		
30-60 days	-	-
60-90 days	-	-
90+ days	1	21
	1	**21**

Key Accounting Policies

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

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

After initial measurement, the collectability of receivable balances is reviewed on an ongoing basis and a provision raised if collection in full is no longer considered probable. Debts which are known to be uncollectable are written off. The Company does not have a history of collection delays, defaulted balances or client dispute and accordingly does not consider a provision for expected credit losses is currently necessary.

7 CURRENT TAX ASSET

	2019 $000	2018 $000
Income tax receivable	23	396

Key Accounting Policies

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

8 INVENTORIES

Raw materials - at cost	963	958
Less: Provision for stock obsolescence	(474)	(150)
Work in progress	175	247
	664	**1,055**

Key Accounting Policies

Inventories are valued at the lower of cost and net realisable value with the cost determined on a first-in-first-out basis. Net realisable value reflects the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Subsequent to initial measurement, balances held in inventory are reviewed at least annually and a provision raised where future use is no longer considered probable, principally due to reasons of obsolescence or product dating.

9 PROPERTY, PLANT AND EQUIPMENT

Land and Buildings		
Freehold land (at fair value)	4,380	4,380
Buildings (at fair value)	5,255	5,255
Less: Accumulated depreciation	(164)	(43)
Total Land and Buildings	**9,471**	**9,592**
Plant and Equipment		
Plant and equipment – at cost	41,610	40,817
Less: Accumulated depreciation	(34,568)	(32,533)
Capital Work in Progress	159	313
	7,201	**8,597**
Right of Use Assets		
Capitalised cost	23	762
Less: Accumulated amortisation	(19)	(241)
	4	**521**
Total Plant & Equipment	**7,205**	**9,118**
Total Property, Plant and Equipment	**16,676**	**18,710**

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

2019

	Freehold Land $000	Buildings $000	Plant & Equipment $000	Right of Use Assets $000	Total $000
Carrying amount at start of year	4,380	5,212	8,597	521	18,710
Revaluation	-	-	-	-	-
Additions	-	-	1,143	-	1,143
Disposals	-	-	(489)	(373)	(862)
Depreciation expense	-	(121)	(2,050)	(144)	(2,315)
Carrying amount at end of year	**4,380**	**5,091**	**7,201**	**4**	**16,676**

2018

	Freehold Land $000	Buildings $000	Plant & Equipment $000	Right of Use Assets $000	Total $000
Carrying amount at start of year	4,380	4,817	9,654	674	19,525
Revaluation	-	506	-	-	506
Additions	-	15	903	-	919
Disposals	-	-	-	-	-
Depreciation expense	-	(126)	(1,960)	(153)	(2,239)
Carrying amount at end of year	**4,380**	**5,212**	**8,597**	**521**	**18,710**

Key Accounting Policies

Freehold land and buildings are shown at revalued amounts being the fair value (level 3) at date of revaluation less subsequent depreciation for buildings. The most recent fair value measurement by independent valuers was 19 February 2018. The valuation conforms to Australian Valuation Standards and was calculated based on the fair value of the land and depreciated replacement cost of the buildings. As revaluations are performed regularly, carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

The revaluation increase arising on the revaluation of land and buildings is accumulated in the revaluation reserve within equity. Decreases that offset previous increases of the same asset are recognised against revaluation reserve directly in equity; all other decreases are to be recognised in profit or loss.

Plant and equipment, including Right of Use Assets, are measured at cost less accumulated depreciation and any impairment adjustments which may have been identified. The cost of non-current assets constructed or developed by the company includes the costs of all materials used in construction, direct labour on the project and an appropriate proportion of directly attributable variable and fixed overheads.

Depreciation is recognised so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, net of their residual values, using the straight-line method, as follows:

- Buildings 40 years
- Plant & Equipment 3-15 years

Estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant is regularly overhauled through an ongoing cyclical maintenance program. Routine operating maintenance, repair costs and minor renewals are charged as expenses as incurred.

An item of property, plant and equipment is derecognised upon disposal or where no future economic benefits are expected to arise from continued use. Any gain or loss arising on disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Impairment of property plant and equipment

Carrying amounts are reviewed at least annually or whenever there is an indicator the asset's fair value may be impaired. In assessing the asset's fair value, future cashflows are estimated and discounted to their present value using a post-tax discount rate reflecting current market estimates of the time value of money and risks specific to the asset tested. If this calculated recoverable amount is less than the carrying amount, an impairment loss would be recognised immediately.

The Company has prepared fair value less cost to dispose models (level 3) for the purpose of impairment testing as at 30 June 2019, using a discounted cash flow model based on the five-year forecast. Future cash flows were discounted at an after-tax rate of 15%.

10 INTANGIBLE ASSETS

	2019 $000	2018 $000
Development expenditure capitalised	1,759	1,701
Less: Accumulated amortisation development costs	(653)	(450)
	1,106	**1,251**
Reconciliation of Intangible Assets		
Carrying amount at start of year	1,251	19,185
Divested intangible assets	-	(4,844)
Development expenditure capitalised during the year	58	1,440
Amortisation of development costs during the year	(203)	(386)
Development costs impaired during the year	-	(14,144)
Carrying amount at end of year	**1,106**	**1,251**

Key Accounting Policies

a) **Internally Generated Intangible Assets**

Research expenditure is recognised as an expense as incurred.

An internally generated intangible asset arising from development is recognised as a non-current asset where all of the following conditions can be demonstrated:

- technical feasibility of completing the project that it will be available for use or sale
- intention to complete the intangible asset and use it or sell it
- the intangible asset will generate probable future economic benefits for the Company
- availability of adequate technical, financial and other resources to complete the development, and
- the ability to measure reliably the expenditure attributable to the development of the asset.

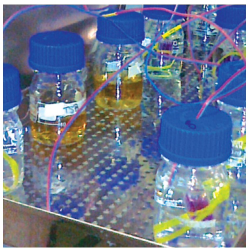
The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date the asset first met the recognition criteria listed above. Development expenditures that do not meet all of these criteria are recognised in profit or loss in the period in which incurred.

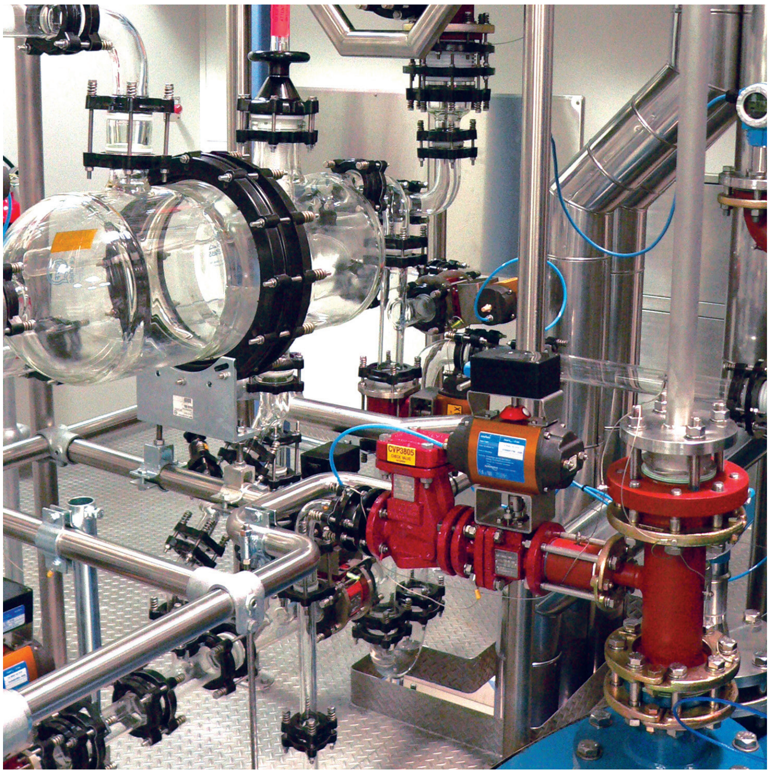
Development costs previously recognised as an expense may not be recognised as an asset in a subsequent period.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation from the date the intangible asset first meets the recognition criteria. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any change accounted for on a prospective basis.

b) **Impairment of Intangible Assets**

Carrying amounts are reviewed at least annually or whenever there is an indicator the asset's fair value may be impaired. In assessing the asset's fair value, future cashflows are estimated and discounted to their present value using a post-tax discount rate reflecting current market estimates of the time value of money and risks specific to the asset tested. If this calculated recoverable amount is less than the carrying amount, an impairment loss would be recognised immediately.





11 DEFERRED TAX ASSET / (LIABILITY)

	2019 $000	2018 $000
Deferred Liability	**1,621**	**2,173**
The balance comprises temporary differences attributable to:		
Depreciation	1,317	1,635
Asset revaluation	-	152
Prepayments	-	11
Development costs	304	375
	1,621	**2,173**
Movements		
Opening balance at 1 July	2,173	2,889
Increase/(reduction) current tax expense	36	1,596
Current year increase/(decrease) not recognised	(588)	(2,312)
Closing balance at 30 June	**1,621**	**2,173**
Deferred Tax Assets	**1,621**	**2,173**
The balance comprises temporary differences attributable to:		
Employee entitlements, accruals and other	331	309
Tax losses	1,290	1,864
	1,621	**2,173**
Movements		
Opening balance at 1 July	2,173	2,889
Increase/(reduction) current tax expense	(552)	(564)
Charged/(credited) to equity	-	(152)
Closing balance at 30 June	**1,621**	**2,173**
Net Deferred Assets / (Liability)		
Deferred tax liability expected to settle within 12 months	-	-
Deferred tax liability expected to settle more than 12 months	1,621	2,173
	1,621	**2,173**
Deferred tax asset expected to be recovered within 12 months	-	-
Deferred tax asset expected to be recovered after more than 12 months	1,621	2,173
	1,621	**2,173**

Key Accounting Policies

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets will only be recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. In addition to the above deferred tax assets recognised, the Company has further unrecognised tax losses relating to prior period tax losses.

As at 30 June 2019 the Company has gross carried forward tax losses amounting to $19.0m (2018: $14.4m) and a further $12.3m (2018: $12.3m) capital losses which have not been recognised as assets in these financial statements.

12 TRADE AND OTHER PAYABLES

	2019 $000	2018 $000
Trade payables	433	576
Other payables	3,715	3,162
Total trade and other payables	**4,148**	**3,738**

13 BORROWINGS

	2019 $000	2018 $000
Current		
Lease liabilities (note 20)	4	129
Total current borrowings	**4**	**129**
Non Current		
Lease liabilities (note 20)	5	413
Total non current borrowings	**5**	**413**

14 UNEARNED REVENUE

	2019 $000	2018 $000
Current		
Client prepayments	14	106
Contractual milestones received	137	138
Total current unearned revenue	**151**	**244**
Non Current		
Contractual milestones received	**844**	**982**

Key Accounting Policies

Fee for Service Revenue generated in accordance with a Scope of Works agreed with clients before project commencement and recognised over the term of the project as specific performance obligations are completed (i.e. over time). In some cases the client may pay for services before the work is conducted and this revenue is deferred until earned.

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

15 PROVISIONS

Current		
Employee entitlements	**657**	**714**
Non Current		
Employee entitlements	**382**	**236**

Key Accounting Policies

The provision for employee entitlements represents annual leave, vested long service leave and an estimate of the future value of long service leave which has not yet vested but is expected to be payable to employees.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they can be reliably measured.

Liabilities recognised in respect of short term employee benefits are classified as current liabilities and measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are classified as non-current liabilities and measured at the present value of the estimated future outflows to be made by the Company in respect of services provided by employees up to reporting date.

16 CONTRIBUTED EQUITY

	2019 Shares	2018 Shares	2019 $000	2018 $000
Paid up capital - Ordinary shares, fully paid	236,359,103	244,446,732	51,189	52,833

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

Date	Details	Shares	$000
1 July 2017	Opening balance	248,161,716	52,833
	Employee share plan issues	2,425,814	-
	Forfeited employee shares	(6,120,798)	-
30 June 2018	**Closing balance**	**244,466,732**	**52,833**
1 July 2018	Employee share plan issues	2,632,046	-
	Forfeited employee shares	(961,626)	-
	Small parcel share buy back	(659,381)	(111)
	On market share buy back	(9,118,668)	(1,533)
30 June 2019	**Closing balance**	**236,359,103**	**51,189**

During the year 2,632,046 (2018: 2,425,814) ordinary shares were issued within the rules of the IDT Australia Limited Employee Share Plan. 961,626 (2018: 6,120,798) shares were forfeited because the Limited Recourse Loans were not repaid, due to former employees electing not to repay the Limited Recourse Loan within 90 days of cessation of employment, including 3,600,000 shares issued to the former Managing Director forfeited during 2018.

Following divestment of CMAX and the non specialised generic products conducted in the prior financial year and completion of a strategic and operational review of business operations it was concluded that the Company held cash reserves exceeding projected requirements and consequently excess cash reserves have been returned to shareholders through:

- a Small Parcel Buy Back was transacted on 13 November 2018 whereby 'less than marketable parcels of shares' of value of less than $500 were eligible to be bought back by the Company at 15.5 cents per share. Under this Small Parcel Buy Back, 659,381 shares were bought back for total consideration plus costs of $0.111 million; reducing the number of registered shareholders by 598 (30%).
- an On Market Share Buy Back within the framework of the "10/12 limit" as defined by the *Corporations Act 2001* is in place, where the Company may buy back up to 10% of Issued Capital for a period of 12 months commencing 10 October 2018. Between 1 November 2018 and 29 January 2019, 9,118,668 shares were purchased for consideration of $1.533 million, average 16.8 cents per share, representing 37% of the available On Market Share Buy Back capacity.

17 RESERVES

	2019 $000	2018 $000
Share-based payments reserve	3,382	3,101
Asset revaluation reserve	2,163	2,163
	5,545	**5,264**

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

18 ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(25,641)	(8,662)
Net loss attributable to members of IDT Australia Limited	(6,083)	(16,979)
Accumulated losses at the end of the financial year	**(31,724)**	**(25,641)**

19 FINANCING ARRANGEMENTS

Bank overdraft	-	-
Commercial loan	-	-
Lease liabilities (refer note 20)	9	542
Total secured liabilities (current and non current)	**9**	**542**

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

Total facilities		
- Bank Overdraft	1,000	1,000
- Lease Facility	-	800
- Flexible Rate Commercial Loan	1,500	1,500
- Credit Card Facility	100	100
Used at balance date		
- Bank Overdraft	-	-
- Lease Facility	-	542
- Flexible Rate Commercial Loan	-	-
- Credit Card Facility	21	32

	2019 $000	2018 $000
Available at balance date		
- Bank Overdraft	1,000	1,000
- Lease Facility	-	272
- Flexible Rate Commercial Loan	1,500	1,500
- Credit Card Facility	79	68

Security for Borrowings

The bank overdraft, lease and business loan facilities are secured by the following:

- A Registered Mortgage over property situated at 39 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 41 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 43-49 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 51-57 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 68 Wadhurst Drive, Boronia

Carrying value of assets pledged as Security		
- Freehold land and buildings	9,471	9,592
- Plant and equipment under finance lease	-	521
Total assets pledged as security	**9,471**	**10,113**

20 COMMITMENTS FOR EXPENDITURE

(a) Finance lease commitments		
- Within one year	5	155
- Later than one year but not later than 5 years	5	447
Minimum lease payments	**10**	**602**
Less: future finance charges	1	60
Total finance lease liability	**9**	**542**
(b) Non-cancellable operating lease commitments		
- Within one year	16	-
- Later than one year but not later than 5 years	51	-
- Later than 5 years	-	-
	67	**-**

(c) Capital Commitments

The Company has nil commitments for future capital expenditure outstanding as at 30 June 2019 (2018: nil).

Key Accounting Policies

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised as Right to Use Assets at fair value at the lease's inception, or if lower, at the present value of the minimum lease payments.

Leases classified as operating leases and are recognised as lease expense on a straight line basis over the period of the lease.

21 AUDITOR'S REMUNERATION

	2019 $000	2018 $000
Total amounts payable to Deloitte Touche Tohmatsu for:		
Audit and review of the company's financial statements	97,400	111,500
Other services	3,500	-
	100,900	**111,500**

22 FINANCIAL RISK MANAGEMENT

Financial risks impacting the Company's activities fall into three categories:

a) market risk – foreign exchange and interest rate

b) credit risk

c) liquidity risk

a) Market risk

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

At reporting date the Company has $9.497 million Cash Reserves held in its operating bank account and short term bank deposits. Forward cashflow forecasts do not project use of the bank debt facilities. Therefore the company does not forsee any increased borrowings or consequentially a material sensitivity from interest rates.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company. Credit risk is closely managed and the Company has procedures to deal with credit worthy counterparties. Customer credit worthiness is reviewed on an ongoing basis and exposure to any one customer is monitored. Potential credit loss is regularly reviewed and assessed and a provision for expected credit losses would be raised if there was any evidence the Debt was no longer collectible.

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

c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and is the risk that the company is not able to pay its financial liabilities as when they fall due. The ultimate responsibility for liquidity risk management rests with the Board of Directors which has established a framework for management of the Company's requirements over time through continuous monitoring of historical and anticipated cash flows and scenario analysis. The Company manages liquidity risk by maintaining cash reserves and reserve borrowing facilities.

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

In addition to funds on deposit, the Company has $2.5 million undrawn banking facilities.

The Company holds the following financial instruments:

	2019 $000	2018 $000
Liquid Financial Assets		
Cash and cash equivalents	9,497	14,027
Trade receivables and other	3,235	3,474
Total financial assets	**12,732**	**17,501**
Financial Liabilities		
Trade and other payables	4,149	3,738
Borrowings, current and non current	9	542
Total financial liabilities	**4,158**	**4,280**
Net financial position	**8,574**	**13,221**

23 SHARE BASED PAYMENTS

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

During the year ended 30 June 2019, the Company issued 2,632,046 ordinary shares under the rules of the IDT Australia Limited ESP (2018: 2,425,814).

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

	2019 $000	2018 $000
Value of shares issued under employee share plan	246	163

Movement in number of shares under Employee Share Plan:	**2019**	**2018**
Opening balance	4,791,438	4,886,422
Employee Share Plan granted during the year	2,632,046	2,425,814
Shares on which limited recourse loans have been repaid	(467,469)	-
Shares on which escrow lifted	(193,660)	-
Forfeited during the year	(961,626)	(2,520,798)
Closing balance of shares on issue under Employee Share Plan	**5,800,729**	**4,791,438**

Key Accounting Policies

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

Amounts disclosed for emoluments relating to these shares are the assessed fair values at issue date determined using a Black-Scholes pricing model taking into account the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the arrangement.

The ESP provides an annual value of up to $1,000 of shares may be issued to eligible employees for no consideration. The value of shares issued is recognised in the income statement as employee benefit costs at the time the shares are granted. Such shares may not be sold until the earlier of three years after issue or cessation of employment with the Company.

In all other respects ESP shares rank equally with other fully-paid ordinary shares on issue.

24 KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Non Executive Directors

Alan Fisher, Chair

Hugh Burrill

Graeme Kaufman

Mary Sontrop

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

Mr Fisher and Mr Burrill are Independent Directors.

Key Management Personnel

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

Michelle Coffey	Vice President Quality and Regulatory, to 7 June 2019
Joanna Johnson	Chief Financial Officer, Joint Company Secretary
Danielle Savaglio	Vice President People and Change
Jim Sosic	Vice President Operations, Supply and Infrastructure
David Sparling	Chief Executive Officer, Joint Company Secretary

	2019 $	2018 $
Directors and Key Management Personnel Compensation		
Short term employee benefits	1,510,365	1,434,406
Post-employment benefits	114,431	120,409
Long term benefits	27,213	18,515
Share based payments	191,822	62,883
	1,844,831	**1,636,213**

25 RELATED PARTY TRANSACTIONS

Transactions of Directors and Key Management Personnel Concerning Shares

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

	2019 Shares	2018 Shares
Ordinary shares issued to KMP	2,291,421	1,271,423
Ordinary shares forfeited by KMPs	444,444	3,960,000
Ordinary shares acquired	-	-
Ordinary shares sold after limited recourse loans repaid	190,527	-

Other than shares issued as described in Note 23, the terms and conditions of other transactions relating to shares were on the same basis as similar transactions with other shareholders.

Aggregate numbers of shares of IDT Australia Limited held directly, indirectly or beneficially by Directors or KMP holding office at balance date were as follows:

	2019	2018
Ordinary shares	5,512,577	3,856,127

There were no other transactions or contracts between the Company and Directors and Key Management Personnel in 2019 (2018: nil).

26 RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

	2019 $000	2018 $000
Net cash inflow /(outflow) from operating activities	(1,516)	(1,627)
Depreciation and amortisation	(2,518)	(2,625)
Profit on Divestment – ANDAs	-	55
Profit / (Loss) on Disposal – Property Plant and Equipment	(530)	-
Non-cash share based payment	(246)	(163)
Impairment of intangible assets	-	(14,144)
Change in operating assets and liabilities:		
Increase/(decrease) in receivables	(239)	888
Increase/(decrease) in inventories	(67)	722
Increase/(decrease) in current tax asset	(374)	(1,812)
(Increase)/Decrease in payables	(452)	874
Increase in other provisions	88	36
Increase/(decrease) in unearned revenue	(229)	818
Operating loss after income tax	**(6,083)**	**(16,979)**

27 EARNINGS PER SHARE

	2019	2018
Basic earnings per share	(2.5¢)	(6.9¢)
Diluted earnings per share	(2.5¢)	(6.9¢)
Weighted average number of ordinary shares on issue during the year used to calculate basic earnings per share	239,463,575	247,829,659
Weighted average number of ordinary shares on issue during the year used to calculate diluted earnings per share	239,463,575	239,463,575

	$000	$000
Basic earnings per share		
Loss attributable to ordinary equity holders used in calculating basic earnings per share	(6,083)	(16,979)
Diluted earnings per share		
Loss attributable to ordinary equity holders used in calculating diluted earnings per share	(6,083)	(16,979)

Key Accounting Policies

(i) Basic Earnings per Share - Basic earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share - Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

28 EVENTS AFTER THE REPORTING PERIOD

In formal correspondence from the U.S. Food and Drug Administration (FDA), Director of the FDA's Division of Drug Quality Office of Manufacturing Quality Office of Compliance, dated 23 August 2019, IDT was advised that the FDA had closed out its inspection of the Company's facility which occurred over the period 20-31 May 2019. Furthermore, the FDA has determined that IDT's facility inspection classification be restored from Official Action Indicated (OAI) to Voluntary Action Indicated (VAI) and have confirmed that further correspondence, including details of the close out for the Warning Letter will be forthcoming.

On 26 August 2019, the Australian Government Department of Health – Office of Drug Control granted IDT its first Medicinal Cannabis Manufacturing Permit under the *Narcotic Drugs Act 1967*. This permit allows IDT to manufacture and store cannabis extract in quantities specified by the permit and supports the Company's strategies to advance GMP Medicinal Cannabis Manufacturing.

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

29 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Company has no contingent assets or liabilities to disclose at the date of this report.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 16 to 40 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance, as represented by the result of its operations, changes in equity and cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the financial statements and notes thereto also comply with International Financial Reporting Standards as disclosed in Note 1.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors made pursuant to s295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Alan Fisher
Chair
29 August 2019

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IDT Australia Limited (the "Company"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying Value of Property, plant and equipment *Refer Note 9 Property, plant and equipment, and 1.7 Critical accounting estimates and judgements*	

As at 30 June 2019 the Company's carrying value of Property, plant and equipment totals $16.7 million.
 	
The assessment of the recoverable amount of Property, plant and equipment requires management to exercise significant judgement in identifying indicators of impairment and, where an impairment model is required, setting justifiable assumptions such as:
• the determination of future manufacturing quantities based on the Company's manufacturing capabilities;
• future sales prices for products and services to be offered; and
• the determination of an appropriate discount rate, taking into account the risks as well as opportunities associated with future cash flows.
	Our procedures included, but were not limited to:
	
	• Assessing the existence of potential impairment indicators at year end, in terms of the relevant accounting standard, as the Company realised a current year loss of $6.1m;
	• Obtaining an understanding of the process undertaken by management to prepare their discounted cash flow model;
	• Agreeing as appropriate the inputs in the model to board approved forecasts and/or strategies;
	• In conjunction with our valuation specialists:
	  ○ assessing the appropriateness of the model used by management to calculate the recoverable amounts of the assets;
	  ○ assessing and challenging the key assumptions in the model as follows:
	    ○ future manufacturing quantities by assessing the manufacturing capability as well as potential demand for the output generated by the Company;
	    ○ future sales prices by comparing to distribution agreements and related correspondence, historical results and industry data; and
	    ○ discount rate by comparing with an independently developed rate.
	• Assessing the historical accuracy of the Company's forecasts;
	• Performing sensitivity analysis on the impairment model using varied discount rates and growth projections to simulate alternative market conditions and outcomes; and
	• Assessing the appropriateness of the disclosures included in Note 9 to the financial statements.

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.

Deloitte.

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the Report of the Directors' for the year ended 30 June 2019.

In our opinion, the Remuneration Report of IDT Australia Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants
Melbourne, 29 August 2019

Shareholder Information

The shareholder information set out below was applicable as at 15 August 2019.

A DISTRIBUTION OF EQUITY SECURITIES

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

	Holders 2019	Holders 2018
1 - 1,000	122	458
1,001 - 5,000	318	513
5,001 - 10,000	274	210
10,001 - 100,000	589	562
100,001+	189	212
	1,492	**1,955**

B TWENTY LARGEST INDIVIDUAL SHAREHOLDERS

The names of the twenty largest individual holders of ordinary shares are listed below:

	Number Held	Percentage of Issued Shares
UBS NOMINEES PTY LTD	28,364,372	12.00
CITICORP NOMINEES PTY LIMITED	16,618,315	7.03
I'ROM GROUP CO LTD	15,793,001	6.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,876,124	5.02
ONE MANAGED INVT FUNDS LTD	11,040,606	4.67
BRISPOT NOMINEES PTY LTD	8,981,173	3.80
NATIONAL NOMINEES LIMITED	8,190,335	3.47
GRAEME LESLIE BLACKMAN	7,029,710	2.97
MUTUAL TRUST PTY LTD	6,374,439	2.70
CS FOURTH NOMINEES PTY LIMITED	6,370,615	2.70
PAULENE BLACKMAN	4,457,737	1.89
BELGRAVIA STRATEGIC EQUITIES PTY LTD	3,999,791	1.69
MR RODNEY BRUCE EBSWORTH	3,750,000	1.59
MR ORLANDO BERARDINO DI IULIO & MS CATHARINA MARIA KOOPMAN	2,777,475	1.18
MR ANTHONY HUNTLEY	2,766,338	1.17
CVC LIMITED	2,687,511	1.14
MR ANTHONY JOHN HUNTLEY	2,500,000	1.06
MR GAVIN GEORGE ROGERS & MS KATHRYN ANN ROGERS	2,500,000	1.06
GOEN INVESTMENTS PTY LTD	2,200,000	0.93
KEYGROWTH PTY LTD	2,151,835	0.91
	150,429,377	**63.66%**

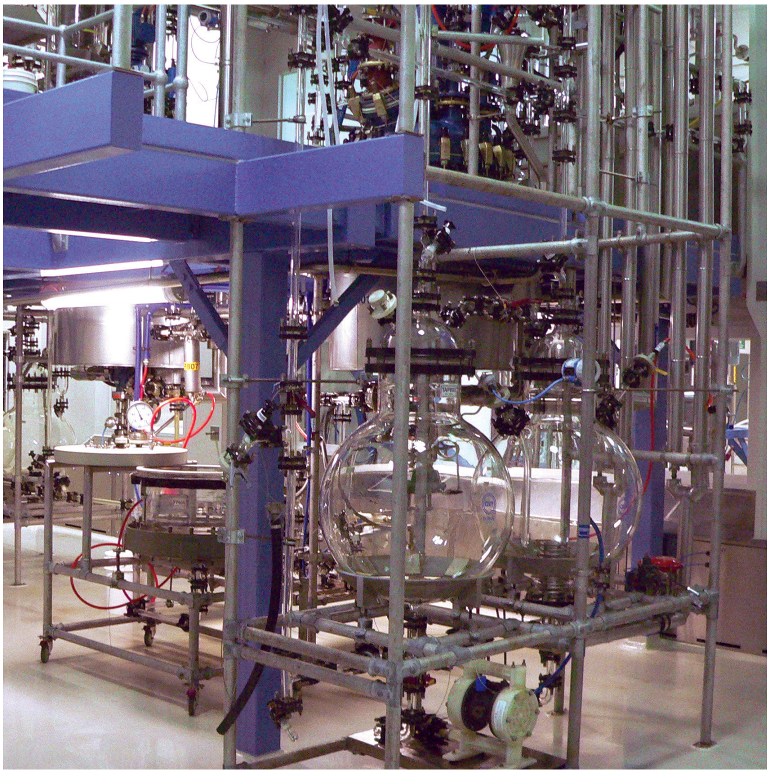
C SUBSTANTIAL HOLDERS

The following parties have declared a relevant interest in the number of ordinary shares at the date of giving the notice under Part 6C.1 of the Corporations Act.

	Number Held
Sandon Capital Pty Ltd	18,395,015
Bank of America and its related bodies corporate	16,519,718
I'ROM GROUP CO LIMITED	15,793,001

D VOTING RIGHTS

A registered holder of shares in the company may attend general meetings of the company in person or by proxy and on a poll may exercise one vote for each share held.



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