



Annual Report 2007  
ABN 66 006 522 970

## COMPANY INFORMATION

### Directors

Dr Graeme L Blackman  
BSc(Hons), PhD, FRACI, FTSE  
(Chairman and Managing Director)

Alan D Blackman  
BA(Hons), LLB(Hons)

Robert Burnet  
BA, MBA, MATEM, FPSA(Hon)

Geoffrey F Lord  
BEco(Hons), MBA(Distn), ASSA, AICD

Dr Geoffrey N Vaughan AO  
MSc, PhD, FRACI, FTSE

### Secretary

Adrian McKenzie  
BBus, Grad.Dip.CSP, ICAA.

### Share Register

ComputerShare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
ABBOTSFORD VIC 3067

### Bankers

National Australia Bank Limited  
Level 2  
627 Chapel Street  
SOUTH YARRA VIC 3141

### Auditors

RSM Bird Cameron Partners  
Level 8  
Rialto South Tower  
525 Collins Street  
MELBOURNE VIC 3000

### Stock Exchange

Australian Stock Exchange Limited  
530 Collins Street  
MELBOURNE VIC 3000

### Website Address

[www.idtaus.com.au](http://www.idtaus.com.au)  
[www.cmax.com.au](http://www.cmax.com.au)

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### Notice of Annual General Meeting

The Annual General Meeting of IDT Australia Limited will be held at 45 Wadhurst Drive, Boronia, on 26 October 2007 at 10.00am.

## Chairman and Managing Director's Report

It is my pleasure to report to shareholders on the activities of Institute of Drug Technology Australia Limited (IDT) during the year ended 30 June 2007 and to comment on the financial results for the period.

The company's profit after tax for the year ended 30 June 2007 increased by 51.3% to \$5.5 million compared to the previous year's profit after tax of \$3.61 million. Profit before tax for the company was \$7.8 million, an increase of 55.2% over the previous corresponding period in 2006. Revenue for the full year ended 30 June 2007 was \$26.7 million, an increase of 6.5% over the previous corresponding period. Earnings per share increased over the year from 8.4 cents to 12.7 cents per share. EBIT margin for the company advanced to 29% for 2007 compared to 20% for the previous year.

The Directors have announced a fully franked final dividend for the year of 5.5 cents per share. This brings the dividend for the whole year to 10 cents per share, an increase of 25% over the previous year and representing a payout ratio of 76%. Record date for determination of the dividend is 8 October 2007 and payment of the dividend will be made to shareholders on 22 October 2007.

The company has again recorded growth in all its key areas of activity. New contracts with Australian, European and US clients have resulted in an increase in fee for service activity. Again the emphasis of this work is the attraction of projects which require access to IDT's specialised high containment facilities for high potency pharmaceuticals. During the year, one of IDT's US based multinational clients received FDA approval for the commercial sale of a new anticancer drug. IDT will supply the required active pharmaceutical ingredient (API) to this client under an exclusive long term world wide contract.

Several other products are being manufactured within IDT's specialised facilities for later stage clinical evaluation and the company expects these projects to transform to commercial production upon completion of successful clinical and regulatory processes in coming years.

Shareholders are aware that the company is working in particular on the development of a new antibiotic drug for US pharmaceutical company Pfizer. This work entails an expansion of our facilities to meet their increasing production requirements as the drug moves towards commercialisation. Engineering and building works for our expanded plant are progressing well and the upgraded facility, providing both further API manufacturing capacity and various finished dose facilities, will be on line early in 2008.

Other development activities have continued with an emphasis on high containment finished dosage forms. A number of new products are progressing through the development phase as collaborative projects with various clients. We expect that the first products to emerge from this development work will be ready for regulatory filing in the near future.

Clinical trial work at CMAX performed strongly and has made a positive and important contribution to the company's business. In particular, the trend towards larger and longer early phase clinical trials has continued and significant projects with US and European companies represent the major proportion of CMAX's work. A high level of enquiry for CMAX services has continued throughout the year with a high rate of conversion to clinical projects.

For the year ahead, the Board is confident that the company will deliver strong double figure growth, with a full range of medium to long term projects already in hand.

I acknowledge with thanks the work and commitment of the Board, Management and Staff of IDT during the past year.

**Dr Graeme L Blackman**

Chairman and Managing Director

**Report of the Directors - 30 June 2007**

Your directors present their report on the financial statements of the company for the year ended 30 June 2007.

The following persons were directors of Institute of Drug Technology Australia Limited during the whole of the financial year and up to the date of this report:

G L Blackman (Chairman)	R R Green (Retired 27 October 2006)
A D Blackman	G F Lord
R Burnet	G N Vaughan

**Principal Activities**

The principal activities of the company in the course of the year were the supply of products and provision of research and development and other technical services for the pharmaceutical and allied industries.

**Results**

The net result of operations after applicable income tax expense was a profit of \$5,467,000 (2006: \$3,613,000).

**Dividends**

Dividends paid to members during the financial year were as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Final ordinary dividend for the year ended 30 June 2006 of 4.5 cents (2005 - 4.5 cents) per fully paid share paid in October 2006	<b>1,932</b>	1,930
Interim ordinary dividend for the year ended 30 June 2007 of 4.5 cents (2006 - 3.5 cents) per fully paid share paid in April 2007	<b>1,933</b>	1,500
	<b>3,865</b>	3,430

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$2,364,000 (5.5 cents per fully paid share) to be paid on 22 October 2007 out of retained profits at 30 June 2007.

**Review of Operations**

During the year, the company continued to provide consulting research and development services and products for clients in the pharmaceutical and allied industries. A detailed review is given on page 2 of this annual report.

**Matters Subsequent to the End of the Financial Year**

There was at the date of this report no matter or circumstance which has arisen since 30 June 2007 that has significantly affected or may significantly affect:

- (a) the operations of the company;
- (b) the results of those operations; or
- (c) the state of affairs of the company.

**Likely Developments**

In the opinion of the directors, disclosure of additional information to that reported in this Report of the Directors regarding likely developments in the operations of the company and the expected results of those operations in subsequent financial years would unreasonably prejudice the interests of the company. Accordingly, this information has not been included in this report.

### Environmental Regulations

The company is subject to environmental controls in relation to its manufacturing operations. These include obligations to comply with provisions of the Environment Protection Act and a Trade Waste Agreement with South East Water. The company is also subject to environmental audits by local and international clients. At the date of this report, the company has not been found to be in breach of any of its environmental obligations.

### Insurance of Officers

During the financial year, the company has paid an insurance premium insuring all officers of the company. The officers of the company include the directors. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company. The insurance premium paid during the financial year was \$10,195.

### Share Options

Unissued ordinary shares of Institute of Drug Technology Australia Limited under option at the date of this report are:

Date Options Granted	Expiry Date	Issue Price of Shares	Number of Options
28 September 2004	28 September 2008	\$2.77	400,000
2 November 2004	2 November 2008	\$2.85	1,000,000

The names of all persons who currently hold options granted under the Executive Share Option Plan are kept in the register pursuant to Section 216C of the Corporations Act 2001 and the register may be inspected free of charge.

There were no options granted or exercised under the Executive Share Option Plan during the year ended 30 June 2007.

### 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 under review not otherwise disclosed in this report or the financial statements.

### Meetings of Directors

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2007, and the number of meetings attended by each director.

Director	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
G L Blackman	11	11						
A D Blackman	11	11	2	2	3	3	1	1
R Burnet	11	11	2	2	4	4		
R R Green (Retired 27 October 2006)	3	3	1	1	1	1		
G F Lord	11	11			4	4	1	1
G N Vaughan	11	11	1	1			1	1

A = Meetings held while a director or member.

B = Meetings attended while a director or member.

**Information on Directors****DR GRAEME L BLACKMAN Age 61****Qualifications:** BSc(Hons), PhD, FRACI, FTSE**Experience:** Formerly Professor of Pharmaceutical Chemistry, Victorian College of Pharmacy. Extensive experience in research and development and commercial scientific consulting.**Other Current Directorships:** None**Former Directorships in Last 3 Years:** None**Responsibilities:** Chairman of the Board and Managing Director since 1986. Member of Nomination Committee.**Particulars of equity interests in company:** 5,830,313 fully paid ordinary shares  
200,000 options**ALAN D BLACKMAN Age 59****Qualifications:** BA(Hons), LLB(Hons)**Experience:** Practising lawyer with considerable experience in corporate and commercial law.**Other Current Directorships:** None**Former Directorships in Last 3 Years:** None**Responsibilities:** Non executive director since 1986. Member of Nomination, Remuneration and Audit Committees.**Particulars of equity interests in company:** 129,600 fully paid ordinary shares  
200,000 options**ROBERT BURNET Age 64****Qualifications:** BA, MBA, MATEM, FPSA(Hon)**Experience:** Formerly special Advisor to the Vice-Chancellor, Monash University. Experienced in academic administration generally and the administration of pharmaceutical teaching and research in particular.**Other Current Directorships:** None**Former Directorships in Last 3 Years:** None**Responsibilities:** Non executive director since 1986. Member of Audit and Remuneration Committees.**Particulars of equity interests in company:** 262,000 fully paid ordinary shares (direct)  
155,400 fully paid ordinary shares (indirect)  
200,000 options**GEOFFREY F LORD Age 62****Qualifications:** BEco(Hons), MBA(Distn), ASSA, AICD**Experience:** Formerly Chief Executive and Deputy Chairman of Elders Resources Limited.**Other Current Directorships:** Presently Chairman and Chief Executive of Belgravia Group Pty Ltd. Executive Chairman of UXC Limited (since 2002), Chairman of Australian Litigation Fund and Melbourne Victory Limited (since 2004), Non-executive Director of The Mac Services Group Limited (director since 2007), Ausmelt Limited (director since 2001), Maxitran Industries Limited (director since 2000) and KLM Limited (director since 2006).**Former Directorships in Last 3 Years:** Chairman of Terrain Australia from 2003-2006. Non-executive Director of Auto Group Limited (1999 to 2006) and Triako Resources Limited (2000 to 2006).**Responsibilities:** Non executive director since 1998. Member of Nomination and Remuneration Committees.**Particulars of equity interests in company:** 6,436,526 fully paid ordinary shares (indirect)  
200,000 options

**DR GEOFFREY N VAUGHAN AO Age 74**

**Qualifications:** MSc, PhD, FRACI, FTSE

**Experience:** Formerly National Manager of the Therapeutic Goods Administration. Former Chairman of the Co-operative Research Centres Committee, Member of Industry Research and Development Board of the Department of Industry, Tourism & Resources and Councillor of Questacon, the National Science and Technology Centre.

**Other Current Directorships:** Non-executive director of Cytopia Limited since 1998.

**Former Directorships in Last 3 Years:** None

**Responsibilities:** Non executive director since 1997. Member of Nomination and Audit Committees.

**Particulars of equity interests in company:**

	304,400 fully paid ordinary shares
	200,000 options

**COMPANY SECRETARY**

The Company Secretary is Mr Adrian McKenzie. Mr McKenzie was appointed to the position of Company Secretary in 2005. Mr McKenzie has held the position of Finance Manager at Institute of Drug Technology Australia Limited since 1999.

## Remuneration Report

The remuneration committee, consisting of 3 non-executive directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, non-executive directors and senior executives.

## Key Management Personnel Remuneration

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the company's operations and achieving the company's strategic objectives.

## Directors' Remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed annually by the Board. The Board also considers the advice of independent remuneration consultants and comparable companies to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman and Managing Director's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman and Managing Director is not present at any discussions relating to the determination of his own remuneration.

## Directors' Fees

Effective 1 January 2007 the non-executive directors' annual base fee increased to \$30,000 from \$20,000. The Chairman and Managing Director's remuneration was last reviewed with effect from 1 January 2007.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum aggregate directors' fee pool currently is \$200,000 for non-executive directors.

Details of the nature and amount of each element of the emoluments of each director of Institute of Drug Technology Australia Limited and each of the five executives of the company receiving the highest emoluments are set out in the following tables.

## Key Management Personnel Remuneration

Key Management Personnel remuneration and other terms of employment are reviewed annually by the committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, discretionary bonuses and fringe benefits. Key Management Personnel are also eligible to participate in the Executive Share Option plan. There are no service agreements or special terms of employment for Key Management Personnel of Institute of Drug Technology Australia Limited.

## Key Management Personnel of Institute of Drug Technology Australia Limited (Audited)

2007

Name	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Super-annuation \$	Retirement benefits \$	Long Service Leave \$	Options/ Shares \$	
<b>Non-executive Directors</b>								
A D Blackman	25,000	-	-	2,250	-	-	-	27,250
R Burnet	25,000	-	-	2,250	-	-	-	27,250
R R Green	6,667	-	-	600	20,000	-	-	27,267
G F Lord	25,000	-	-	-	-	-	-	25,000
G N Vaughan	25,000	-	-	2,250	-	-	-	27,250
<b>Sub-total non-executive directors</b>	106,667	-	-	7,350	20,000	-	-	134,017
<b>Executive Directors</b>								
G L Blackman Chairman & Managing Director	318,005	30,000	124,672	110,338	-	10,716	-	593,731
<b>Other key management personnel</b>								
R Elliott General Manager	327,471	20,000	10,385	43,649	-	9,014	1,000	411,519
R Woods R&D Manager	150,233	-	8,847	63,062	-	4,748	1,000	227,890
A McKenzie Manager, Finance & Administration	182,354	10,000	8,581	17,036	-	4,654	1,000	223,625
J Kelly Clinical Operations Manager	150,768	10,000	15,578	14,400	-	3,701	1,000	195,447
P Elliott Quality Manager	148,712	-	-	13,314	-	3,775	1,000	166,801
<b>Total key management personnel compensation</b>	1,277,543	70,000	168,063	261,799	-	36,608	5,000	1,819,013

## Key Management Personnel of Institute of Drug Technology Australia Limited (Audited)

2006

Name	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Super-annuation \$	Retirement benefits \$	Long Service Leave \$	Options/ Shares \$	
<b>Non-executive Directors</b>								
A D Blackman	20,000	-	-	1,800	-	-	-	21,800
R Burnet	20,000	-	-	1,800	-	-	-	21,800
R R Green	20,000	-	-	1,800	-	-	-	21,800
G F Lord	20,000	-	-	-	-	-	-	20,000
G N Vaughan	20,000	-	-	1,800	-	-	-	21,800
<b>Sub-total non-executive directors</b>	100,000	-	-	7,200	-	-	-	107,200
<b>Executive Directors</b>								
G L Blackman Chairman & Managing Director	413,499	-	164,017	10,800	-	10,318	-	598,634
<b>Other key management personnel</b>								
R Elliott General Manager	314,250	-	31,605	45,927	-	8,250	1,000	401,032
R Woods R&D Manager	132,750	-	14,656	59,840	-	4,600	1,000	212,846
A McKenzie Manager, Finance & Administration	170,375	-	7,070	23,305	-	4,425	1,000	206,175
J Kelly Clinical Operations Manager	132,696	-	6,698	11,875	-	3,701	1,000	155,970
P Elliott Quality Manager	145,704	-	-	13,046	-	3,775	1,000	163,525
<b>Total key management personnel compensation</b>	1,309,274	-	224,046	164,793	-	35,069	5,000	1,738,182

**Share-based Compensation (Audited)**

Options are granted under the Institute of Drug Technology Executive Option Plan terms and conditions.

Options are granted under the plan for no consideration. Options are granted for a four year period, and vest immediately upon granting.

The terms and conditions of each grant of options affecting remuneration for the 2005 financial year are as follows:

Grant Date	Expiry Date	Exercise Price	Value per Option at Grant Date	Share Price at Grant Date
28 September 2004	28 September 2008	\$2.77	\$0.60	\$2.45
2 November 2004	2 November 2008	\$2.85	\$0.60	\$2.47
23 June 2005	23 June 2009	\$2.08	\$0.38	\$1.76

There were no options issued in the 2007 and 2006 financial year.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted or at a premium to this price as the Directors may determine.

The amounts disclosed for emoluments relating to options above are the assessed fair values at grant date of options granted to executive directors and other executives, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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 option.

The model inputs for options granted during the year ended 30 June 2005 included:

Grant Date	Expiry Date	Exercise Price	Expected Price Volatility	Expected Dividend Yield	Risk Free Rate
28 September 2004	28 September 2008	\$2.77	39.70%	3.28%	5.64%
2 November 2004	2 November 2008	\$2.85	38.32%	3.03%	5.23%
23 June 2005	23 June 2009	\$2.08	35.62%	3.65%	5.23%

The number of unlisted options in the company held during the financial year by each director of Institute of Drug Technology Australia Limited and each of the five most highly remunerated Key Management Personnel are set out below.

**2007****Directors**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of Year
A D Blackman	200,000	-	-	200,000
R Burnet	200,000	-	-	200,000
R R Green*	200,000	-	200,000	-
G F Lord	200,000	-	-	200,000
G N Vaughan	200,000	-	-	200,000

\* Retired 27 October 2006

**Executive Director**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of Year
G L Blackman	200,000	-	-	200,000

**Key Management Personnel**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of Year
R Elliott	200,000	-	80,000	120,000
R Woods	130,000	-	70,000	60,000
A McKenzie	180,000	-	80,000	100,000
J Kelly	20,000	-	-	20,000
P Elliott	90,000	-	70,000	20,000

2006

**Directors**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of Year
A D Blackman	200,000	-	-	200,000
R Burnet	200,000	-	-	200,000
R R Green	200,000	-	-	200,000
G F Lord	200,000	-	-	200,000
G N Vaughan	200,000	-	-	200,000

**Executive Director**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of Year
G L Blackman	200,000	-	-	200,000

**Key Management Personnel**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of Year
R Elliott	280,000	-	80,000	200,000
R Woods	200,000	-	70,000	130,000
A McKenzie	260,000	-	80,000	180,000
J Kelly	20,000	-	-	20,000
P Elliott	90,000	-	-	90,000

**Non-Audit Services**

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid to the auditor (RSM Bird Cameron Partners) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 13.

**Auditors Remuneration**

Total amounts receivable by RSM Bird Cameron Partners for:	<b>2007</b>	2006
	<b>\$</b>	\$
(a) Audit and review of the company's financial statements	<b>59,575</b>	52,000
(b) Other Services	-	-
	<u><b>59,575</b></u>	<u>52,000</u>

**Proceedings on Behalf of the Company**

No persons has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purposes of taking responsibility on behalf of the company for all or part of those proceedings.

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 Class Order 98/0100, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors report. Amounts in the directors report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed at Melbourne this 10 day of September 2007, in accordance with a resolution of the directors.



Graeme L Blackman  
Director



Robert Burnet  
Director

# RSM Bird Cameron Partners

Chartered Accountants

Level 8 Rialto South Tower  
525 Collins Street Melbourne VIC 3000  
PO Box 248 Collins Street West Melbourne VIC 8007  
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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial statements of Institute of Drug Technology Australia Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.



## RSM BIRD CAMERON PARTNERS

Chartered Accountants



**P A RANSOM**

Partner

10 September, 2007

Melbourne

Liability limited by a  
scheme approved under  
Professional Standards  
Legislation

Major Offices in:  
Perth, Sydney, Melbourne,  
Adelaide and Canberra  
ABN 36 965 185 036

RSM Bird Cameron Partners is an  
independent member firm of RSM  
International, an affiliation of independent  
accounting and consulting firms.



The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance these sometime competing objectives in the best interests of the company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the company is properly managed. The Board draws on relevant corporate governance best practice principles to assist it to contribute to the performance of the company.

The functions of the Board include:

- review and approval of corporate strategies, the annual budget and financial plans
- overseeing and monitoring organisational performance and the achievement of the company's strategic goals and objectives
- monitoring financial performance including approval of the annual and half-yearly financial reports and liaison with the company's auditors
- appointment of, and assessment of the performance of, the Managing Director and the members of the senior management team
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- ensuring the significant risks facing the company have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place, and
- reporting to shareholders.

A description of the company's main corporate governance practices is set out below.

### **The Board of Directors**

The Board operates in accordance with the following broad principles that:

- the Board should be comprised of both executive and non-executive directors with a majority of non-executive directors
 

At the date of signing the Report of Directors, the Board consisted of five non-executive directors and one executive director. Details about the directors are set out in the directors' report under the heading "Information on Directors"
- there is sufficient benefit to the company in maintaining a mix of directors on the Board from different backgrounds with complementary skills and experience
- the Board should undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the company

The Board has established three committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the nomination, remuneration and audit committees. Each is comprised entirely of non-executive directors. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

### **Board Members**

Details of the members of the Board, their experience, expertise and qualifications are set out in the directors' report under the heading "Information on Directors". There are five non-executive directors, four of whom are deemed independent under the principles set out below, and one executive director at the date of signing the directors' report.

Potential new directors are considered and nominated by the nomination committee based on the skills and experience they could bring to board deliberations on current and emerging issues. Details of the nomination committee are set out below.

### Directors' Independence

The Board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years not been employed in an executive capacity by the company, or been a director after ceasing to hold any such employment
- within the last three years not been a principal of a material professional adviser or a material consultant to the company, or an employee materially associated with the service provided
- not a material supplier or customer of the company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the company other than as a director of the company

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the company or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance. In line with the directors' independence policy, Mr Geoffrey Lord's substantial indirect shareholdings means that the board deem him to be not an independent director.

Recent thinking on corporate governance has introduced the view that a director's independence may be perceived to be impacted by length of service on the board. The board is aware that there are suggestions and various views that directors would be deemed to be not independent if they have served on the board for a lengthy period of time. The Board considers that it is fortunate to have a number of long serving directors who have contributed significantly to the company over the years. As our shareholders have regularly re-elected these directors, the Board does not currently consider length of service to be an impairment to independence. The nomination committee will continue to consider this matter of independence of directors and recommend to the Board any future changes that they should consider in relation to composition and appointments of suitable candidates.

### Term of Office

The company's Constitution specifies that one-third of directors (with the exception of the Managing Director) must retire from office at the annual general meeting.

### Chairman and Managing Director

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the Board's relationship with the company's senior executives. The Board is aware of the Australian Stock Exchange (ASX) corporate governance recommendation that the roles of Chairperson and Managing Director should not be exercised by the same individual.

Dr Graeme Blackman has held these joint roles for a number of years at IDT successfully. The Board has considered the recommendation but does not consider that the dual roles should be split currently and force a change upon the company which is not in the best interests of the company. The nomination committee will keep this matter under review and recommend to the Board any proposed changes or succession planning that they believe the Board should consider.

### Commitment

The Board meets approximately monthly throughout the year, with the majority of those meetings being held on site at the company. A full tour of the facilities is incorporated annually for all directors.

### Independent Professional Advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

**Conflict of Interests**

Entities connected with Dr G N Vaughan had business dealings with the company during the year, as described in note 27 to the financial statements. In accordance with the Board Charter the director concerned declared his interest in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the company pertaining to those dealings.

**Remuneration Committee**

The remuneration committee consists of the following non-executive directors:

- Mr R Burnet
- Mr A D Blackman (Appointed 27 October 2006)
- Mr G F Lord
- Mr R R Green (Retired 27 October 2006)

The remuneration committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Executive Option Plan.

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the company's operations and achieving the company's strategic objectives.

The remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Law and are appropriately disclosed.

Further information on directors' and executives' remuneration is set out in the directors' report and note 24 to the financial statements.

**Nomination Committee**

The nomination committee consists of the following non-executive directors:

- Dr G N Vaughan
- Mr G F Lord
- Mr A D Blackman
- Dr G L Blackman (Appointed 27 October 2006)

Details of these directors' qualifications, experience and attendance at nomination committee meetings are set out in the directors' report.

The main responsibilities of the committee are to:

- conduct an annual review of the membership of the board having regard to present and future needs of the company and to make recommendations on board composition and appointments
- conduct an annual review of the independence of directors
- propose candidates for board vacancies
- oversee the annual performance assessment program
- oversee board succession

When the need for a new director is identified or an existing director is required to stand for re-election, the committee reviews the range of skills, experience and expertise on the board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The full board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the company. Reappointment of existing directors is not automatic and is contingent on their past performance and contribution to the company.

**Audit Committee**

The audit committee consists of the following non-executive directors:

- Dr G N Vaughan (Appointed 27 October 2006)
- Mr R Burnet
- Mr A D Blackman
- Mr R R Green (Retired 27 October 2006)

The main responsibilities of the audit committee are to:

- review and report to the Board on the annual report, the half-yearly financial report and all other financial information published by the company or released to the market
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework, and
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.

In fulfilling its responsibilities, the audit committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year - more frequently if necessary. The external auditors have a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the Board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

**Corporate Reporting**

The Managing Director and Finance Manager have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

**External Audits**

The company and audit committee policy is to appoint external auditors who demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. RSM Bird Cameron Partners was appointed as the auditor in 2006. It is RSM Bird Cameron Partners policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 22 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### **Risk Assessment and Management**

The company's focus on risk management recognises that risk management is, prima facie, an issue for line management. The current risk management framework supports this focus but provides a structured context for those personnel to undertake a yearly review of the past performance of, and to profile the current and future risks facing, their area of responsibility. Management are required to ensure that appropriate controls are in place to effectively manage those risks. This is monitored by the Board through the audit committee, which is responsible for ensuring there are adequate procedures in relation to risk management, compliance and internal control systems. In summary, the company's management are required to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. In addition, the Board requires that each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

### **The Environment, Occupational Health and Safety**

The company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the company has regular monitoring to facilitate the systematic identification of environmental issues and a formal committee meets monthly to review and discuss relevant health and safety issues. This system has been operating for a number of years and allows the company to:

- monitor its compliance with all relevant legislation
- continually assess and improve the impact of its operations on the environment
- encourage employees to actively participate in the management of environmental and OH&S issues
- work with trade associations representing the company's businesses to raise standards, and
- use energy and other resources efficiently.

Information on compliance with significant environmental regulations is set out in the directors' report.

### **Trading in Company Securities**

The directors and staff are normally only able to buy or sell shares in the four weeks following the announcement of the Company's interim financial report or following the announcement of the Company's final financial report or following the Company's Annual General Meeting. A director or staff member wishing to buy or sell shares outside the above four week periods, will advise the Chairman of his/her intention and obtain the Chairman's approval or, in the case of the Chairman, the approval of the Chair of the Company's Audit Committee.

### **Continuous Disclosure**

The Managing Director has been appointed as the person responsible for communications with the ASX. This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's web site as soon as it is disclosed to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

**Income Statement**

	Note	2007 \$'000	2006 \$'000
Revenue from continuing operations	2	<b>26,673</b>	25,026
Raw materials and consumables used		<b>452</b>	2,017
Employee benefits expense		<b>10,481</b>	10,051
Depreciation and amortisation expense		<b>2,192</b>	2,128
Borrowing costs expense		<b>80</b>	109
Utilities		<b>611</b>	661
Repairs and maintenance		<b>522</b>	458
Subject and Screenings		<b>1,227</b>	1,398
Insurance		<b>358</b>	415
Waste Removal		<b>132</b>	150
Consumables		<b>247</b>	352
Travel		<b>175</b>	188
Share Registry		<b>41</b>	36
Accounting		<b>61</b>	85
Rent		<b>436</b>	448
Overseas Travel		<b>131</b>	114
Other expenses		<b>1,743</b>	1,401
Profit before income tax		<b>7,784</b>	5,015
Income tax expense	4	<b>2,317</b>	1,402
Profit attributable to members of Institute of Drug Technology Australia Limited		<b>5,467</b>	3,613
Basic earnings per share	29	<b>12.7¢</b>	8.4¢
Diluted earnings per share	29	<b>12.7¢</b>	8.4¢

*The above Income Statement should be read in conjunction with the accompanying notes.*

**Balance Sheet**

	Note	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	1,856	367
Trade and other receivables	6	9,945	9,792
Inventories	7	895	1,147
<b>Total Current Assets</b>		<b>12,696</b>	11,306
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	8	22,324	22,121
Intangible assets	9	1,896	1,481
<b>Total Non Current Assets</b>		<b>24,220</b>	23,602
<b>Total Assets</b>		<b>36,916</b>	34,908
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	2,038	2,149
Borrowings	11	576	582
Current tax liabilities	12	1,268	253
<b>Total Current Liabilities</b>		<b>3,882</b>	2,984
<b>Non Current Liabilities</b>			
Borrowings	13	371	975
Deferred tax liabilities	14	1,382	1,362
Provisions	15	891	895
<b>Total Non Current Liabilities</b>		<b>2,644</b>	3,232
<b>Total Liabilities</b>		<b>6,526</b>	6,216
<b>Net Assets</b>		<b>30,390</b>	28,692
<b>EQUITY</b>			
Contributed equity	16	15,383	15,384
Reserves	17	1,320	1,223
Retained profits	18	13,687	12,085
<b>Total Equity</b>		<b>30,390</b>	28,692

The above Balance Sheet should be read in conjunction with the accompanying notes.

**Statement Of Changes In Equity**

	Note	2007 \$'000	2006 \$'000
<b>Total Equity at the Beginning of the Year</b>		<b>28,692</b>	28,417
Capital raising costs	16	(1)	(1)
Share based payment	17	97	93
		<b>96</b>	92
<b>Net Expense Recognised Directly in Equity</b>			
Profit for the year		<b>5,467</b>	3,613
<b>Total Recognised Income and Expense for the Year</b>		<b>5,563</b>	3,705
Dividend	20	(3,865)	(3,430)
<b>Total Equity at the End of the Half Year</b>		<b>30,390</b>	28,692

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

**Cash Flow Statement**

	Note	2007 \$'000	2006 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers (inclusive of goods and services tax)		31,704	28,449
Payments to suppliers and employees (inclusive of goods and services tax)		(21,602)	(21,700)
		10,102	6,749
Interest and other costs of finance paid		(80)	(109)
Income taxes paid		(1,282)	(1,769)
<b>Net Cash Inflow From Operating Activities</b>	28	<b>8,740</b>	4,871
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(2,511)	(1,944)
Proceeds from sale of property, plant and equipment		262	26
Payments for research and development costs		(640)	(882)
Interest received		113	88
<b>Net Cash Outflow From Investing Activities</b>		<b>(2,776)</b>	(2,712)
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		(558)	(558)
Dividends paid		(3,865)	(3,430)
Repayment of lease liabilities		(52)	(40)
<b>Net Cash Outflow From Financing Activities</b>		<b>(4,475)</b>	(4,028)
<b>Net Increase (Decrease) In Cash And Cash Equivalents Held</b>		<b>1,489</b>	(1,869)
Cash and cash equivalents at the beginning of the financial year		367	2,236
<b>Cash And Cash Equivalents At The End Of The Financial Year</b>	5	<b>1,856</b>	367
Financing arrangements	13		

The above Cash Flow Statement 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 set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**(a) Basis of Preparation of Financial Report**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

**Compliance with IFRS.**

Australian Accounting Standards includes Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Institute of Drug Technology Australia Limited comply with International Financial Reporting Standards (IFRS).

*Historical cost convention*

These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

**(b) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction 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 to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are 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 these 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 are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

**(c) Segment Reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risk and returns that are different from those of segments operating in other economic environments.

**(d) Foreign Currency Translation****(i) Transactions and balances**

Foreign currency transactions are translated into the functional currency (Australian Dollars) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**(e) Government Grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

**(f) Revenue Recognition**

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. A sale is recorded when manufactured goods have been despatched to a customer pursuant to a sales order. Service revenue is recognised in accordance with percentage of completion method. The stage of completion is determined by reference to key milestones achieved to date as a percentage of total contractual value.

**(g) Trade Receivables**

These amounts represent assets for the provision of goods and services provided to a customer pursuant to a valid order or contract. All trade debtors are recognised at the amounts receivable, as they are due for settlement within 30 days of invoice date. Collectability of trade debtors is reviewed on an ongoing basis and a provision is raised where some doubt as to collection exists. Debts which are known to be uncollectable are written off.

**(h) Inventories**

All inventories are valued at the lower of cost and net realisable value. Cost includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

**(i) Leasehold Improvements**

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 10 years.

**(j) Leases**

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases (note 8). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**(k) Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings	40 years
- Machinery	10-15 years
- Vehicles	3-5 years
- Furniture, fittings and equipment	5-10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (u)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(l) Intangible Assets - Research and Development**

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 5 to 10 years.

**(m) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(n) Borrowings**

Loans and bills payable are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

**(o) Maintenance and Repairs**

Plant is required to be overhauled on a regular basis. This is managed as part of an on-going major cyclical maintenance program. The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance repair costs and minor renewals are also charged as expenses as incurred.

**(p) Employee Benefits****(i) Wages and Salaries and Annual Leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**(ii) Long Service Leave**

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**(iii) Share-based payments**

Share-based compensation benefits are provided to employees via the Institute of Drug Technology Executive Option Plan and an employee share scheme. Information relating to these schemes is set out in note 23.

Shares and options granted before 7 November 2002 and/or vested before 1 January 2006

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares and options granted after 7 November 2002 and vested after 1 January 2006

The fair value of options granted under the Institute of Drug Technology Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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 option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

**(q) Cash and Cash Equivalents**

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

**(r) Earnings per Share****(i) Basic Earnings per Share**

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members 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, adjusted for bonus elements in ordinary shares issued during the year.

**(ii) Diluted Earnings per Share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking 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.

**(s) Dividends**

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

**(f) Non-Current Assets Constructed by the Company**

The cost of non-current assets constructed 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.

**(u) Impairment of Assets**

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable but at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

**(v) Rounding of Amounts**

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**(w) New Standards and Interpretations Issued but not yet Effective**

At the date of this financial report AASB 7, AASB 2005-10, AASB 101, AASB 123, AASB 2007-6, AASB 2007-4, AASB 2007-7, AASB 2007-5, Interpretation 12 and AASB 2007-2 which may impact the entity in the period of initial application, have been issued but are not yet effective. These new standards and interpretations have not been applied in the preparation of this financial report. Other than changes to disclosure formats, it is not expected that the initial application of these new standards and interpretations in the future will have any material impact.

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
<b>2 Revenue</b>		
Revenue	<b>26,298</b>	24,811
Other Revenue		
- Interest	<b>113</b>	88
- Sale of property, plant and equipment	<b>262</b>	26
- Royalties	<b>-</b>	101
	<b>375</b>	215
Total Revenue	<b>26,673</b>	25,026
<b>3 Expenses</b>		
Profit from ordinary activities before income tax expense includes the following expenses:		
Expenses		
Cost of Goods Sold	<b>3,311</b>	4,724
Interest paid on other borrowings	<b>70</b>	102
Finance charges relating to finance leases	<b>10</b>	7
Depreciation of property, plant and equipment	<b>1,946</b>	1,953
Amortisation		
Finance leases capitalised	<b>22</b>	24
Research and development	<b>224</b>	151
Bad and doubtful debts	<b>-</b>	28
Repairs and maintenance	<b>522</b>	458
Research and development	<b>-</b>	12

	2007	2006
	\$'000	\$'000
<b>4 Income Tax</b>		
(a) Income Tax expense		
Current tax	2,298	1,205
Deferred tax	20	185
Under (over) provided in prior years	(1)	12
	<b>2,317</b>	1,402
Deferred Income tax (revenue) expense included in income tax expense comprises		
Decrease (increase) in deferred tax assets (note 14)	(21)	(38)
Increase in deferred tax liabilities (note 14)	41	223
	<b>20</b>	185
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from ordinary activities before income tax expense	7,784	5,015
Prima facie tax expense at 30%	2,335	1,504
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Non deductible entertainment expenses	1	1
Research and development deduction	(57)	(150)
Motor vehicle depreciation	10	7
Share based payment	29	28
	<b>2,318</b>	1,390
Under/Over provision in previous year	(1)	12
Income tax expense attributable to operating profit	<b>2,317</b>	1,402
<b>5 Current Assets – Cash And Cash Equivalents</b>		
Cash at bank and on hand	1,856	367
These funds are bearing a floating interest rate between 5.5% to 5.75%. (2006 4.5% to 5%)		
<b>6 Current Assets – Trade And Other Receivables</b>		
Trade receivables	6,753	7,892
Less: Provision for doubtful debts	-	40
	<b>6,753</b>	7,852
Other receivables	2,855	1,582
Prepayments	337	358
	<b>9,945</b>	9,792

**6 Current Assets – Trade And Other Receivables (Continued)**

## Interest Rate Risk

The company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2007	Floating Interest Rate	1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 5 Years	Over 5 Years	Non Interest Bearing	Total
Trade Receivables	-	-	-	-	-	-	-	6,753	6,753
Other Receivables	-	-	-	-	-	-	-	3,192	3,192
	-	-	-	-	-	-	-	9,945	9,945

2006	Floating Interest Rate	1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 5 Years	Over 5 Years	Non Interest Bearing	Total
Trade Receivables	-	-	-	-	-	-	-	7,852	7,852
Other Receivables	-	-	-	-	-	-	-	1,940	1,940
	-	-	-	-	-	-	-	9,792	9,792

<b>2007</b>	2006
<b>\$'000</b>	\$'000

**7 Current Assets - Inventories**

Raw materials	- at cost	<b>685</b>	863
	- at net realisable value	<b>181</b>	181
		<b>866</b>	1,044
Work in progress	- at cost	<b>29</b>	103
		<b>895</b>	1,147

The valuation policy adopted in respect of inventories is set out in Note 1(h).

	2007	2006
	\$'000	\$'000
<b>8 Non Current Assets - Property, Plant And Equipment</b>		
<b>Land and Buildings</b>		
Freehold land at cost	1,787	1,787
Buildings at cost	5,722	5,722
Less: Accumulated depreciation	892	749
<b>Total Land and Buildings</b>	<b>6,617</b>	6,760
<b>Plant and Equipment</b>		
Plant and equipment – at cost	30,629	26,763
Plant and equipment in course of construction	-	1,723
Less: Accumulated depreciation	14,987	13,242
	<b>15,642</b>	15,244
<b>Plant and Equipment under Finance Lease</b>		
Less: Accumulated amortisation	99	139
	<b>34</b>	22
	<b>65</b>	117
<b>Total Plant &amp; Equipment</b>	<b>15,707</b>	15,361
	<b>22,324</b>	22,121

#### Reconciliations

Reconciliations 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.

#### 2007

	Freehold Land	Buildings	Plant & Equipment	Plant & Equipment -WIP	Plant & Equipment under Lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	1,787	4,973	13,521	1,723	117	22,121
Additions	-	-	4,234	-	-	4,234
Disposals	-	-	(310)	(1,723)	(30)	(2,063)
Depreciation/Amortisation expense	-	(143)	(1,803)	-	(22)	(1,968)
Carrying amount at end of year	1,787	4,830	15,642	-	65	22,324

#### 2006

	Freehold Land	Buildings	Plant & Equipment	Plant & Equipment -WIP	Plant & Equipment under Lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	1,787	5,116	13,828	1,289	61	22,081
Additions	-	-	1,510	434	106	2,050
Disposals	-	-	(7)	-	(26)	(33)
Depreciation/Amortisation expense	-	(143)	(1,810)	-	(24)	(1,977)
Carrying amount at end of year	1,787	4,973	13,521	1,723	117	22,121

	2007	2006
	\$'000	\$'000
<b>9 Non Current Assets - Intangible Assets</b>		
Development expenditure capitalised (Note 1(l) )	3,014	2,732
Less: Accumulated amortisation	1,118	1,251
	<b>1,896</b>	1,481
Reconciliation of Intangible Assets		
Carrying amount at start of year	1,481	750
Development expenditure capitalised during the year	769	882
Amortisation of development costs during the year	(201)	(151)
Development costs – written off during the year	(153)	-
Carrying amount at end of year	<b>1,896</b>	1,481
<b>10 Current Liabilities – Trade And Other Payables</b>		
Trade payables	624	798
Other payables	1,414	1,351
	<b>2,038</b>	2,149
<b>11 Current Liabilities - Borrowings</b>		
Lease liabilities (Note 19)	18	24
Bills payable	558	558
Total Current Borrowings	<b>576</b>	582
All current interest bearing liabilities are secured.		
Details of the security relating to each of these liabilities is set out in Note 13.		
<b>Bills Payable</b>		
Bills have been drawn as a source of financing. They bear fixed interest between 6.58% and 7.11% per annum payable quarterly. There are two reducing bills that will mature in October 2007 and November 2008.		
<b>12 Current Liabilities - Current Tax Liabilities</b>		
Income Tax	1,268	253

	2007	2006
	\$'000	\$'000
<b>13 Non Current Liabilities - Borrowings</b>		
Lease liabilities (Note 19)	49	95
Bills payable	322	880
Total Non Current Borrowings	371	975

All non current interest bearing liabilities are secured.

#### Secured Liabilities

Total Secured Liabilities (current and non-current)		
Lease Liabilities	67	119
Bills Payable	880	1,438
	947	1,557

#### Security for Borrowings

The bank overdraft, bills payable and lease liabilities are secured by the following:

- A Registered Mortgage over property situated at 45 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 47-49 Wadhurst Drive, Boronia
- A Registered Mortgage over property situated at 51-57 Wadhurst Drive, Boronia

Lease Liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

#### Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Total facilities		
- Multi-Option Facility	1,000	1,000
- Bills payable	880	1,438
Used at balance date		
- Multi-Option Facility	-	-
- Bills payable	880	1,438
Unused at balance date		
- Multi-Option Facility	1,000	1,000
- Bills payable	-	-

The current interest rates are from 6.58% to 7.11% on bills payable.

#### Assets Pledged as Security

The carrying amounts of specific assets pledged as security are:

Freehold land and buildings	5,917	6,066
Plant and equipment under finance lease	65	117
Total Assets pledged as security	5,982	6,183

**13 Non Current Liabilities - Borrowings** (Continued)

Interest Rate Exposures

**Non Current Liabilities**

2007	Floating Interest Rate	1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 5 Years	Over 5 Years	Total
Bills Payable	-	558	322	-	-	-	-	880
Lease Liabilities	-	18	24	25	-	-	-	67
	-	576	346	25	-	-	-	947
Weighted average Interest rate	-	6.66%	7.13%	7.34%	-	-	-	

2006	Floating Interest Rate	1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 5 Years	Over 5 Years	Total
Bills Payable	-	558	558	322	-	-	-	1,438
Lease Liabilities	-	24	24	32	39	-	-	119
	-	582	582	354	39	-	-	1,557
Weighted average Interest rate	-	7.59%	7.59%	7.62%	7.54%	-	-	

<b>2007</b>	2006
<b>\$'000</b>	\$'000

**14 Non Current Liabilities - Deferred Tax Liabilities**

Provision for deferred income tax

The balance comprises temporary differences attributable to:

Depreciation	<b>1,302</b>	1,386
Development costs capitalised	<b>569</b>	444
Employee entitlements	<b>(489)</b>	(468)
Balance 30 June	<b>1,382</b>	1,362
Movements		
Opening balance at 1 July	<b>1,362</b>	1,607
Charged / (credited) to the income statement	<b>20</b>	(245)
Closing balance at 30 June	<b>1,382</b>	1,362

**15 Non Current Liabilities - Provisions**

Employee entitlements	<b>891</b>	895
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**16 Contributed Equity**

	<b>2007</b>	2006	<b>2007</b>	2006
	<b>Shares</b>	Shares	<b>\$'000</b>	\$'000
(a) Paid up capital - Ordinary shares, fully paid	<b>42,941,610</b>	42,869,499	<b>15,383</b>	15,384

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

Date	Details	Notes	No. of Shares	\$'000
30 June 2005			42,817,821	15,385
Aug 2005	IDT Employee Share Plan Issue	(c)	51,678	(1)
30 June 2006			42,869,499	15,384
Aug 2006	IDT Employee Share Plan Issue	(c)	72,111	(1)
30 June 2007			42,941,610	15,383

(c) IDT Employee Share Plan

On 16 August 2007, the Company issued 72,111 (2006: 51,678) ordinary shares under the rules of the Institute of Drug Technology Australia Limited Employee Share Plan.

(d) Ordinary Shares

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000

**17 Reserves**

Share-based payments reserve	<b>1,320</b>	1,223
Movements in share-based payment reserve		
Balance 1 July	<b>1,223</b>	1,130
Option expense	-	-
Employee share issue expense	<b>97</b>	93
	<b>1,320</b>	1,223

Nature and purpose of reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised and the fair value of shares issued under the Institute of Drug Technology Australia Limited Employee Share Plan.

**18 Retained Profits**

Retained profits at the beginning of the financial year	<b>12,085</b>	11,902
Net profit attributable to members of Institute of Drug Technology Australia Limited	<b>5,467</b>	3,613
Dividends provided for or paid	<b>(3,865)</b>	(3,430)
Retained profits at the end of the financial year	<b>13,687</b>	12,085

	2007	2006
	\$'000	\$'000

**19 Commitments For Expenditure****(a) Finance Leases**

Commitments in relation to finance leases are payable as follows:

- Within one year	22	31
- Later than one year but not later than 5 years	53	107
Minimum lease payments	75	138
Less: future finance charges	8	19
Total lease liability	67	119
Representing lease liabilities:		
- Current (Note 11)	18	24
- Non current (Note 13)	49	95
Total	67	119

The weighted average interest rate implicit in the leases is 7.34% (2006 7.37%).

**(b) Capital Commitments**

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

- Within one year	-	-
- Later than one year but not later than 5 years	-	-
- Later than 5 years	-	-
	-	-

**(c) Operating Leases**

Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:

- Within one year	310	382
- Later than one year but not later than 5 years	25	280
- Later than 5 years	-	-
	335	662

**20 Dividends**

Ordinary

Final dividend for the year ended 30 June 2006 paid at 4.5 cents (2005 : 4.5 cents)

Franked @ 30%	1,932	1,930
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Interim dividend for the year ended 30 June 2007 declared at 4.5 cents (2006 : 3.5 cents)

Franked @ 30%	1,933	1,500
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	3,865	3,430
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**Dividends Not Recognised Year End**

Since year end the directors have recommended the payment of a final dividend of 5.5 cents fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 22 October 2007 out of retained profits, but not recognised as a liability at year end is

	2,364	1,932
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Franking credits available for the subsequent financial year	3,791	4,165
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**20 Dividends (Continued)**

The above amounts represent the balances of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of income tax payable as at the end of the year;
- (b) franking debits that will arise from the payment of dividends proposed as at the end of the year; and
- (c) franking credits that may be prevented from being distributed in the subsequent year.

Franking credits available for subsequent financial years are based on a tax rate of 30%.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$1,013,000 (2006: \$828,000).

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000

**21 Receivables And Payables Denominated In Foreign Currencies**

Amounts not effectively hedged

Receivables – Current

United States dollars	<b>488</b>	431
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	<b>2007</b>	2006
	<b>\$</b>	\$

**22 Auditors' Remuneration**

Total amounts receivable by RSM Bird Cameron Partners for:

- (a) Audit and review of the company's financial statements
- (b) Other services

	<b>59,575</b>	52,000
	-	-
	<b>59,575</b>	52,000

It is company policy that RSM Bird Cameron Partners will not be appointed or retained to provide any other services outside their statutory audit duties as auditors of the company.

**23 Share Based Payments****Executive Share Option Plan**

The establishment of the Institute of Drug Technology Executive Option Plan was approved by a General Meeting of the company held on 16 May 1995. Senior executives (including directors of Institute of Drug Technology Australia Limited) are eligible to participate in the plan.

The number of unissued ordinary shares under the options at 30 June 2007 is 1,400,000.

Set out below are summaries of options outstanding under the plan:

**2007**

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year Number	Granted During the Year Number	Exercised During the Year Number	Expired During the Year Number	Balance at End of the Year Number
8 August 2002	8 August 2006	\$2.50	340,000	-	-	340,000	-
28 September 2004	28 September 2008	\$2.77	400,000	-	-	-	400,000
2 November 2004	2 November 2008	\$2.85	1,200,000	-	-	200,000	1,000,000

**2006**

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year Number	Granted During the Year Number	Exercised During the Year Number	Expired During the Year Number	Balance at End of the Year Number
30 July 2001	30 July 2005	\$4.77	230,000	-	-	230,000	-
8 August 2002	8 August 2006	\$2.50	500,000	-	-	160,000	340,000
28 September 2004	28 September 2008	\$2.77	480,000	-	-	80,000	400,000
2 November 2004	2 November 2008	\$2.85	1,200,000	-	-	-	1,200,000
23 June 2005	23 June 2009	\$2.08	50,000	-	-	50,000	-

Options are granted under the Institute of Drug Technology Executive Option Plan terms and conditions. Options are granted under the plan for no consideration. Options are granted for a four year period, and vest immediately they are granted.

There were no options issued in this reporting period under the Institute of Drug Technology Executive Option Plan.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted or at a premium to this price as the Directors may determine.

The amounts disclosed for emoluments relating to options above are the assessed fair values at grant date of options granted to executive directors and other executives, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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 option.

The number of unlisted options in the company held during the financial year by each director of Institute of Drug Technology Australia Limited and each of the five most highly remunerated executives are set out in note 24.

**23 Share Based Payments (Continued)****Employee Share Plan**

The establishment of the Institute of Drug Technology Australia Limited Employee Share Plan was approved at the Annual General Meeting held on 29 October 1999. On 16 August 2006 the Company issued to 100 employees, a total of 72,111 ordinary shares under the rules of the Institute of Drug Technology Australia Limited Employee Share Plan.

Under the scheme, eligible employees may be offered up to \$1,000 worth of fully-paid ordinary shares in Institute of Drug Technology Australia Limited annually for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised in the income statement as part of employee benefit costs in the period the shares are granted.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment with the company. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the date of the offer.

**Expenses arising from Share-based Payment Transactions**

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

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Options issued under executive option plan	-	-
Shares issued under employee share plan	<b>97</b>	93
	<b>97</b>	93

**24 Key Management Disclosures****Directors**

The following persons were directors of Institute of Drug Technology Australia Limited during the financial year:

GL Blackman, Chairman and Managing Director

Non Executive Directors:

A Blackman

G Vaughan

G Lord

R Burnet

R Green (until retirement 27 October 2006)

**Key Management Personnel**

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

<b>Name</b>	<b>Position</b>
R Elliott	General Manager
R Woods	R&D Manager
A McKenzie	Manager, Finance & Administration
J Kelly	Clinical Operations Manager
P Elliott	Quality Manager

All of the above persons were also Key Management during the year ended 30 June 2007.

**Key Management Personnel Compensation****Directors and Key Management Personnel**

	<b>2007</b>	2006
	<b>\$</b>	\$
Short term employee benefits	<b>1,622,273</b>	1,633,320
Post employment benefits	<b>289,149</b>	171,993
Long term benefits	<b>36,608</b>	35,069
Share based payments	<b>5,000</b>	5,000
	<b>1,953,030</b>	1,845,382

**24 Key Management Disclosures (Continued)****Share Holdings**

The number of shares in the company held during the financial year by each director of Institute of Drug Technology Australia Limited and each of the five specified executives are set out below.

**2007****Directors**

Name	Balance at Start of the Year	Changes During the Year	Balance at the End of the Year
A D Blackman	129,600	-	129,600
R Burnet	417,400	-	417,400
R R Green	512,202	(512,202)	-
G F Lord	6,436,526	-	6,436,526
G N Vaughan	304,400	-	304,400

Mr R R Green retired as a director, 27 October 2006.

**Executive Director**

Name	Balance at Start of the Year	Changes During the Year	Balance at the End of the Year
G L Blackman	5,830,313	-	5,830,313

**Other Executives**

Name	Balance at Start of the Year	Changes During the Year	Balance at the End of the Year
R Elliott	5,664	742	6,406
R Woods	85,146	742	85,888
A McKenzie	18,558	742	19,300
P Elliott	558	742	1,300
J Kelly	1,070	742	1,812

**2006****Directors**

Name	Balance at Start of the Year	Changes During the Year	Balance at the End of the Year
A D Blackman	129,600	-	129,600
R Burnet	417,400	-	417,400
R R Green	512,202	-	512,202
G F Lord	5,968,215	468,311	6,436,526
G N Vaughan	302,400	2,000	304,400

**Executive Director**

Name	Balance at Start of the Year	Changes During the Year	Balance at the End of the Year
G L Blackman	5,830,313	-	5,830,313

**Other Executives**

Name	Balance at Start of the Year	Changes During the Year	Balance at the End of the Year
R Elliott	5,106	558	5,664
R Woods	84,588	558	85,146
A McKenzie	8,000	10,558	18,558
J Kelly	-	558	558
P Elliott	512	558	1,070

**24 Key Management Disclosures (Continued)****Unlisted Options**

The number of unlisted options in the company held during the financial year by each director of Institute of Drug Technology Australia Limited and each of the five key executives are set out below. All options granted vest immediately and are exercisable for a four year period.

**2007****Directors**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of the Year
A D Blackman	200,000	-	-	200,000
R Burnet	200,000	-	-	200,000
R R Green	200,000	-	200,000	-
G F Lord	200,000	-	-	200,000
G N Vaughan	200,000	-	-	200,000

**Executive Director**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of the Year
G L Blackman	200,000	-	-	200,000

**Other Executives**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of the Year
R Elliott	200,000	-	80,000	120,000
R Woods	130,000	-	70,000	60,000
A McKenzie	180,000	-	80,000	100,000
P Elliott	90,000	-	70,000	20,000
J Kelly	20,000	-	-	20,000

**2006****Directors**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of the Year
A D Blackman	200,000	-	-	200,000
R Burnet	200,000	-	-	200,000
R R Green	200,000	-	-	200,000
G F Lord	200,000	-	-	200,000
G N Vaughan	200,000	-	-	200,000

**Executive Director**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of the Year
G L Blackman	200,000	-	-	200,000

**Other Executives**

Name	Balance at Start of Year	Granted During the Year	Lapsed During the Year	Balance at the End of the Year
R Elliott	280,000	-	80,000	200,000
R Woods	200,000	-	70,000	130,000
A McKenzie	260,000	-	80,000	180,000
P Elliott	90,000	-	-	90,000
J Kelly	20,000	-	-	20,000

**25 Financial Reporting By Segments**

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

The company operates predominantly in one geographical area, being Australia.

**26 Financial Risk Management**

The company's activities expose it to a variety of financial risks; market risk (including currency risk, and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

Risk management is carried out by management under procedures approved by the Board of Directors. Management identifies and evaluates financial risks in close cooperation with the Board of Directors. The Board provides guidance for overall risk management, such as mitigating foreign exchange, interest rate and credit risks, and investing excess liquidity.

**(a) Market risk****(i) Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The company operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar in billings and purchase of major equipment. It is company policy to invoice predominantly in Australian dollars where possible.

**(ii) Fair value interest rate risk**

Refer to (d) below.

**(b) Credit risk**

The company has no significant concentrations of credit risk. The company has procedures in place to ensure that sales of products and services are made to customers with an appropriate credit history. The company has procedures that limit the amount of credit exposure to any one customer.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to adequately fund cash flow requirements. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.

**(d) Cash flow and fair value interest rate risk**

As the company has no significant interest-bearing assets, the company's income and operating cash flows are not materially exposed to changes in market interest rates.

The company's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. Borrowings issued at fixed rates expose the company to fair value interest-rate risk.

2007	2006
\$	\$

**27 Related Party Transactions****Directors**

The names of persons who were directors of the company at any time during the financial year are G L Blackman, A D Blackman, R Burnet, R R Green, G N Vaughan and G F Lord.

**Other Key Management Personnel**

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

Name	Position
R Elliott	General Manager
R Woods	R&D Manager
A McKenzie	Manager, Finance & Administration
J Kelly	Clinical Operations Manager
P Elliott	Quality Manager

**Transactions of Directors and Key Management Personnel Concerning Shares or Share Options**

The transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

The aggregate amounts of each of the above types of other transactions with directors and key management personnel were as follows:

Dividends paid	<b>1,171,686</b>	1,061,690
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Aggregate numbers of shares of Institute of Drug Technology Australia Limited acquired and disposed of by directors or key management personnel were as follows:

	2007	2006
	Shares	Shares
Ordinary shares acquired	<b>3,710</b>	483,101
Ordinary shares disposed	<b>(512,202)</b>	-

The terms and conditions of transactions relating to shares were on the same basis as similar transactions with other shareholders.

Aggregate numbers of shares of Institute of Drug Technology Australia Limited held directly, indirectly or beneficially by directors or key management personnel at balance date were as follows:

Ordinary shares	<b>13,232,945</b>	13,741,437
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Information relating to Share Option transactions is set out in Note 24.

**27 Related Party Transactions (Continued)****Other Transactions with Directors and Key Management Personnel**

A family member of Dr G L Blackman is employed by Institute of Drug Technology Australia Limited. This family member is employed on employer/employee terms, and has been compensated based on the role they perform.

A director, Dr G Vaughan, is a director of Cytopia Limited. Institute of Drug Technology Australia Limited has entered into a contract to provide services to Cytopia Limited on normal commercial terms and conditions and at normal commercial rates.

	<b>2007</b>	2006
	<b>\$</b>	\$
<b>Aggregate Amount of Other Transactions with Directors and Key Management Personnel</b>		
Employee Benefits	<b>15,917</b>	15,917
Professional Services	<b>19,750</b>	488,514
	<b>2007</b>	2006
	<b>\$'000</b>	\$'000

**28 Reconciliation Of Net Cash Inflow From Operating Activities To****Operating Profit After Income Tax**

Net cash inflow from operating activities	<b>8,740</b>	4,871
Depreciation and amortisation	<b>(2,192)</b>	(2,128)
Interest income	<b>113</b>	88
Net loss on sale of non current assets	<b>(78)</b>	(1)
Net gain on sale of non current assets	<b>-</b>	6
Non-cash share based payment	<b>(97)</b>	(93)
Change in operating assets and liabilities		
(Decrease)/Increase in receivables	<b>153</b>	635
(Decrease)/Increase in inventories	<b>(252)</b>	(434)
(Increase)/Decrease in payables	<b>111</b>	445
(Increase)/Decrease in provision for deferred income tax	<b>(20)</b>	(185)
(Increase)/Decrease in other provisions	<b>(1,011)</b>	409
Operating profit after income tax	<b>5,467</b>	3,613

**29 Earnings Per Share**

Basic earnings per share	<b>12.7¢</b>	8.4¢
Diluted earnings per share	<b>12.7¢</b>	8.4¢
Weighted average number of ordinary shares on issue during the year used in calculation of basic earnings per share	<b>42,932,917</b>	42,865,818
Weighted average number of ordinary shares on issue during the year used in the calculation of diluted earnings per share	<b>42,932,917</b>	42,865,818
<b>Basic Earnings per share</b>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<b>5,467</b>	3,613
<b>Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<b>5,467</b>	3,613

**Information Concerning the Classification of Securities****Options**

Options granted to managers and directors under the Institute of Drug Technology Australia Limited Executive Share Option Plan are considered to be dilutive potential ordinary shares where the exercise price is less than the share price as at 30 June 2007. Only these potential ordinary shares have been included in the determination of diluted earnings per share.

No options have been included in the determination of basic earnings per share. Details relating to options are set out in Note 23.

**30 Critical Accounting Estimates And Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

**Critical judgements in applying the entity's accounting policies.**

*Future economic benefit of capitalised development costs.*

The company applies AASB 138 Intangible Assets to determine the adequacy of the carrying value of the capitalised development costs. Judgement is applied to periodically assess the appropriateness of the carrying value.

In making this judgement, the company makes reasonable and supportable assumptions to best represent management's estimate of the economic conditions that will exist over the useful life of the asset. In particular, the company evaluates, amongst other factors, the technical feasibility to complete the project, the existence of a market for the output and future sales contracts to conclude on the probability that expected future economic benefits will flow to the entity.

Where it is considered there is no longer a market for a project, the company recognises an impairment in accordance with AASB 136 Impairment of Assets.

## Directors' Declaration

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 19 to 45 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 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 2007 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 audited remuneration disclosures set out on pages 7 to 11 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



G L Blackman  
Director



R Burnet  
Director

Melbourne  
10 September 2007

# RSM Bird Cameron Partners

Chartered Accountants

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## INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF INSTITUTE OF DRUG TECHNOLOGY AUSTRALIA LIMITED

We have audited the accompanying financial report of Institute of Drug Technology Australia Limited (“the company”), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (“remuneration disclosures”), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading “remuneration report” in pages 7 to 11 of the directors' report and not in the financial report.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note one the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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accounting and consulting firms.



# RSM Bird Cameron Partners

Chartered Accountants

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

## *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Institute of Drug Technology Australia Limited 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 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## *Auditor's Opinion on the AASB 124 remuneration Disclosures Contained in the Directors' Report*

In our opinion the remuneration disclosures that are contained in pages 7 to 11 of the directors' report comply with Accounting Standard AASB 124.



**RSM BIRD CAMERON PARTNERS**

Chartered Accountants



**P A RANSOM**

Partner

10 September, 2007

Melbourne

## Shareholder Information

The shareholder information set out below was applicable as at 21 August 2007.

### A. Distribution of Equity Securities

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

No. of Fully Paid Ordinary Shares Held	Ordinary Shares	
	Shares	Options
1 - 1,000	579	-
1,001 - 5,000	1,018	-
5,001 - 10,000	322	-
10,001 - 100,000	376	7
100,001 - over	43	7
	2,338	14

There were 176 holders of less than a marketable parcel of ordinary shares.

### B. Twenty Largest Shareholders

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

Name	Number of Ordinary Shares Held	Percentage of Issued Shares
1. Graeme Leslie Blackman	5,830,313	13.62
2. Paulene Blackman	4,692,737	10.96
3. ANZ Nominees Limited	2,704,088	6.32
4. Keygrowth Pty Ltd	2,332,116	5.45
5. Fortis Clearing Nominees P/L	1,319,828	3.08
6. National Nominees Limited	1,161,325	2.71
7. J P Morgan Nominees Australia Limited	839,728	1.96
8. Coven-SA Ltd	782,300	1.83
9. Debuscey Pty Ltd	746,800	1.74
10. Mr Anthony Huntley	496,330	1.16
11. RBC Dexia Investor Services Australia Nominees Pty Limited	465,396	1.09
12. Avanteos Investments Limited	417,400	0.97
13. Mr Theodore Hays McLendon	358,300	0.84
14. Belgravia Strategic Equities Pty Ltd	321,215	0.75
15. Dr Geoffrey Norman Vaughan	304,400	0.71
16. PAPT Ebsco Pty Ltd	300,000	0.70
17. Mirlex Pty Ltd	273,070	0.64
18. Mr Richard Frederick Haselgrove	256,600	0.60
19. Alfred Murray Estates Pty Ltd	226,547	0.53
20. Paribas Pty Ltd	200,000	0.47
	24,028,493	56.13

### C. Substantial Holders

Substantial holders in the company are set out below:

Ordinary Shares	Number Held	Percentage
Graeme Leslie Blackman	5,830,313	13.62
Paulene Blackman	4,692,737	10.96
Keygrowth Pty Ltd	2,332,116	5.45

### 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.



**Institute of Drug Technology Australia Limited**

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**Registered office**

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