



## **IDT AUSTRALIA LIMITED ANNUAL GENERAL MEETING**

**10.00 am WEDNESDAY 20 November 2013**

### **CHAIRMAN'S ADDRESS**

Welcome to the 2013 Annual General Meeting of IDT Australia Ltd, and my first as Chairman. I was very pleased to be invited to join the Board in June, having observed over the years as IDT built its outstanding drug development and manufacturing operation. In particular, given my own background as head of CSL's global manufacturing operations, I was most impressed by the quality of the plant and processes as I saw them evolve under Graeme Blackman's leadership.

I also take this opportunity to welcome our new Managing Director, Dr Paul MacLeman to the company. Paul has extensive experience in the biotech and pharmaceutical sector, and we look forward to his presentation later on the future direction of the company.

Today we report to shareholders on the activities and financial results of IDT Australia Limited for the year ended 30 June 2013, and present an insight into our strategies for the future. You will have received copies of our Annual Report which provides a detailed overview of operations for the past year. Together with our Managing Director I will provide some further commentary and elaborate on several aspects of the report.

As we noted in the Annual Report, despite our commitment to achieving a better result than the previous year, the 2012-13 year again proved difficult and delivered a similar result to the previous year. On slightly higher revenues of \$10.7 million we recorded an after tax loss of \$5.4 million including one-off write-downs. Revenues were again influenced by the cancellation of some key projects and by deferral by clients of a number of projects. As I mentioned the result also includes an impairment of capitalised tax losses to the value of \$1.4m, which nevertheless remain available to the Company when it returns to profitability. In addition, we have taken the prudent step of writing off \$1.0m in intangible assets related to development projects that are not a high priority for the Company in the short to medium term.

The company invested over \$0.5 million in facility, technology and system upgrades to ensure our facilities continue to meet stringent global regulatory requirements – we have successfully dealt with an FDA, a TGA and several multi-national client audits over the past 12 months.

During the year the company sought an independent valuation of its land and buildings, resulting in an upwards revaluation adjustment of \$2.2 million, reflecting the significant value of the property assets in our balance sheet. Post balance date, we raised approximately \$6m through a rights issue and placement, further strengthening our balance sheet as well as bringing some new core investors onto the register.

Under Paul's leadership, we have conducted a detailed "ground up" strategic review of the business as part of our regular planning cycle. We are committed to improving the return on the Boronia assets, and to that end we have invested in business development and sales and marketing resources. With an increase in customer focus and responsiveness, we are seeking to reverse the revenue decline of the last few years and rebuild profitability in the manufacturing business. However, this core contract business is still heavily dependent on lumpy revenue streams from our clients, and unexpected changes to their priorities and regulatory issues will always have the potential to adversely affect our results. We therefore need to establish new sources of revenue to augment this base-load business,

and Paul will be presenting in some detail our generic strategy, leveraging off the specialised expertise, skills and processes we have developed over the years. Our speciality pharma heritage provides us with a low cost, risk-managed pathway to capture improved margins on a more stable revenue stream from our own products.

So the core strategy is firstly rebuilding profitability, that must remain front and centre, but off that foundation to build our own generic product range to provide a stable, higher margin income base. We have already filed for one cancer drug, and other drugs are in the pipeline.

In addition we are continuing to actively explore potential merger or acquisition opportunities or strategic alliances such as the recently announced strategic investment in IDT by Japanese company I'rom Holdings Co Limited. This alliance has already created new opportunities across the business, in clinical site management, clinical trials and drug manufacture, building on the strength of I'rom in the Japanese market.

## **Board Changes**

The past year has seen some key management and Board changes. I have already mentioned the recruitment of Paul MacLeman and the addition of new people to his management team. On the Board front, foundation directors Robert Burnet and Alan Blackman resigned in June, having been with the company since 1986. Robert and Alan have been an important part of the development of the extensive facilities and infrastructure that you see around you. On behalf of the Board I wish to express our appreciation for their contribution and commitment to the company and its shareholders both as Directors, and as members of Board committees.

Dr Roger Aston has announced his intention to resign from the Board at the conclusion of this meeting, as he is taking up a full time executive position in the sector. Although a relatively recent addition, Roger's broad knowledge of the pharmaceutical sector has been invaluable to the Board and we wish him well in his new endeavours.

The Board also welcomed two new directors, myself and Reo Shigeno. Many of you are aware of my own background in the Australian biotechnology sector and Reo has experience in the banking sector and is currently involved in the Australian clinical trials industry.

Finally, I would like to pay tribute to our past Chairman, Dr Graeme Blackman, who stepped down from that position at the end of September. Although Graeme will remain on the Board of the Company, it nevertheless marks the passing of an era. I have known Graeme since the early days of IDT, and have watched with great interest as he built the company and the first class manufacturing facility we see here today. Graeme has been Chairman of IDT since 1986 when the company was first spun out of the Victorian College of Pharmacy – a truly visionary move at that time, when the local industry was at best embryonic. The last 27 years has seen a massive expansion in the capabilities of IDT, both in manufacturing and in clinical services. We salute Graeme as a pioneer of the sector in Australia and for his drive and enthusiasm in building IDT, and look forward to his continuing contribution to the Board and the Company.

In conclusion I wish to thank my fellow directors for their contribution to the Company over the past year, particularly given the difficult conditions in our markets both locally and internationally. We also thank the management and staff for their commitment to the company and their response to the challenges facing us in repositioning IDT for future growth.

**Graeme Kaufman**