

**Scantech Limited**  
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Incorporated in South Australia

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20 November 2014

## **ASX ANNOUNCEMENT**

### **ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS**

Scantech Limited wishes to advise that the attached Chairman’s Address will be presented at the Annual General Meeting held at 143 Mooringe Avenue, Camden Park at 11.00 am today.

### **ABOUT SCANTECH**

Scantech is a world leader in process control technologies, specialising in the minerals, cement and coal industries.

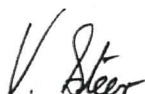
Its award-winning technology measures the composition and quality of bulk materials as they pass through its analysers on conveyor belts.

Detailed analysis is provided in real time, enabling quick decisions that can result in improved process control, significant cost savings, longer plant life and substantial environmental benefits.

Scantech analysers are designed and manufactured in Adelaide, South Australia.

The company is listed on the Australian Stock Exchange (ASX: SCD).

For enquiries refer to Valerie Steer on (08) 8350 0200.



Company Secretary

## Chairman's Address 2014

On behalf of the Scantech Limited Board and Management, I am pleased to welcome you to the 2014 AGM.

The year ended 30 June 2014 was a difficult year for Scantech.

Scantech is in a cyclical business but after its result for the year ended 30 June 2013, the Company was optimistic that it would be able to achieve another good result. Instead, a number of major projects which the Company had expected would come to fruition during the year were delayed with a resulting significant impact on the past year's results.

The delay in some large projects meant that sales for the year ended 30 June 2014 were \$11,713,563 (2013 \$17,723,583) a decrease of 33.9% over the previous year.

The company recorded a loss before tax for the year ended 30 June 2014 of \$401,621 compared to \$4,440,987 profit before tax in 2012/2013.

A tax benefit of \$134,435 brings the loss after tax for the year ended 30 June 2014 to \$267,186 compared to a profit of \$3,116,667 in the previous year. The loss includes a loss of \$64,532 for exchange variance made up of \$23,448 of realised exchange gain and \$87,980 of unrealised exchange loss.

Scantech sells products that are classified as capital goods by the purchasing departments of our major customers. In 2014, capital budgets and spending were significantly reduced by the Company's customers in the coal, cement and minerals industries across the globe. This reduction in spending had a significant effect on Scantech.

The reduction in sales was solely in product sales. Service revenues continued to please with an increase of 15.6% on 2013 levels. Scantech expects that service revenues will continue to be strong.

Scantech's customer service team continued to sign customers to our product service agreements by successfully positioning the Company's services in front of our customers who seek to maintain or improve efficiencies in their operation. Our ongoing growth in service revenues is testament to the fact that we deliver exceptional service to our customers. Our aim is to continue developing long term working relationships with our customers, driven by responsive and quality service.

Scantech's strong and stable technical team supports the worldwide installed base of our products through product support agreements. Service engineers are deployed in strategic regions around the world and ensure quick response to customers while minimising travel costs. The technical staff based in our Adelaide office continue to perform ongoing product support to maintain Scantech's position at the forefront of the technology. Emphasis is always focused on improved product performance, reliability in rugged environments and added product features based on feedback from Scantech's customers.



The success of our business largely follows the cyclical nature of our markets and during the 2013/2014 year, we have certainly been through a downswing. However, Scantech's analysers are widely regarded as being "state of the art" and we continue to enjoy the loyalty of our customers. Those customers have indicated that they are looking at analyser purchases in their operations in the next twelve months. Based on these expectations we do expect to return to profitability in the current year.

In the first half of the current year, we expect to ship the same number of analysers as for the whole of last year. The marketing team is deep in negotiations for major orders which, when obtained, are expected to be shipped in the second half. Service revenue for the current year is in line with our expectations and continues the growth on revenue from previous years.

While the 2014 result was certainly disappointing, the result has not materially affected the net assets per share when seen in the context of our results over the last ten years. In 2005, the net assets per share were \$0.2551. By 2009, this had more than doubled to \$0.5236. At 30 June 2014, the net assets per share were \$0.8020, slightly down from 2013 when the net assets per share were \$0.8172, adjusted for the \$0.10 per share return of capital in 2012.

While Scantech suffered as a result of deferral of orders in its traditional markets, during the year, we were able to indentify new applications which provide exciting opportunities for future growth. The Company is working closely with those customers and expects that revenue will begin in the current year from those new markets.

You will note that there is a significant change to the balance sheet of the Company at 30 June 2014. Scantech has been successful in obtaining a ruling from the Australian Taxation Office that the Company was entitled to reduce its share capital by \$7,838,203 in accordance with section 258F of the Corporations Act in respect of capital losses sustained in the late 1990s. The benefit for shareholders is that the Company can declare a fully franked dividend. This option was not available to the Company while those losses remained in its balance sheet.

While the opportunity for a fully franked dividend is now available, a dividend will not be considered until the expectations for the current year have been realised.

Scantech has the challenge of being a small listed company and bound by disclosure rules which its competitors use to their advantage in dealings with customers without being bound by the same obligations.

Even more disappointingly, a minority of shareholders are providing our competitors with the ammunition required to damage the business of the Company. That has been no more evident that the events of August and September this year when representations were made to the Company and some of its major shareholders that a so called "Singaporean Consortium" was intending to attempt the take over of the Company.

David Lindeberg and I met with the persons who identified themselves as the representatives of this Consortium. Their activities were clearly in breach of the take over provisions of the Corporations Act.

Your Company, as it was bound to do, engaged lawyers to represent it in a complaint to the Takeover Panel. It soon became apparent however that there was no Singaporean Consortium and that the activities were a very clumsy attempt to unlawfully cause a spill of the Scantech Board.

Evidence also came to light that the attempt was being orchestrated by one of our shareholders with the aim of damaging the Company. That evidence has been referred to the Australian Securities and Investment Commissioner ('ASIC') which is investigating the apparent breaches of the Corporations Act.

While the so called take over evaporated as soon as the complaint was made to the Takeover Panel, in the meantime Scantech incurred significant legal fees and the negative publicity generated was raised by a number of customers in negotiations with the Company in the context of whether the Company would be around for the long term. This was very damaging in negotiations with those customers and has required a lot of work and travel by our marketing team to reassure our customers that Scantech will be able to meet their needs into the future.

Attempts by a few shareholders to destabilise the Company and do irreparable damage to your investment in Scantech continues, with this meeting again being required to consider a resolution for a spill of the Board. As the directors are not able to vote on the spill motion, but in the event that it was successful would vote at the spill meeting, the actions of those shareholders supporting the spill motion will inevitably be futile but in the meantime very damaging. Their motivation in continuing attempts to damage the Company is inexplicable.

Scantech, as a small organisation, depends very much on its staff. The quality of Scantech's team was very apparent during what was a very difficult year. The Company recognises the efforts and dedication of all of its staff and management across all of its teams. I also recognise the invaluable contributions of David Lindeberg and Valerie Steer, and my fellow directors, Laurie Brett and Dean Brown.

Despite all of the challenges which the Company faces, the Board is very confident that Scantech has a bright future and that all of the shareholders and staff will share in the fruits of that success.

Peter Pedler  
Chairman  
20 November 2014