

Chairman's Address

AGM 17 November 2016

On behalf of Scantech Limited Board and Management I am pleased to welcome you to the 2016 AGM.

During the year under review, the Company implemented important strategies to continue to improve shareholder wealth.

The first was to implement a buyback of shares. By 16 October 2015, when the buyback closed, 2,849, 903 shares had been bought back at a cost to the Company of \$1,655,374.

The Company therefore has on issue 14,712,163 shares.

The benefit to shareholders is demonstrated by the shareholder funds at the end of the year of \$11,778,815 representing just over \$0.80 per share whereas shareholder funds at the beginning of the year were \$0.7572 per share, an increase of 5.76%.

The other key strategy was to delist the Company. This was successfully completed on 19 October 2015.

This has resulted in real benefits for the Company. Not only has there been significant savings in compliance costs but also other intangible, but real benefits.

Scantech is operating in a business where none of its main competitors are required to make public disclosure in the same way that Scantech was prior to being delisted. The disclosures which Scantech were required to make were used by its competitors to obtain a commercial advantage with Scantech's customers and indirectly to attempt to destabilise the Company.

Scantech is a small company with a small corporate secretariat. A disproportionate amount of resources were required to be applied to deal with ongoing issues that did not advance the Company's business in any way. Since delisting we have been free of these distractions and able to concentrate on the core business of the Company.

I can therefore report that the delisting of the Company has been an unqualified success.

Following delisting the Company established a low volume corporate market however so far there has been virtually no activity. We can only assume from that that the majority of shareholders support the direction of the Company and the long term shareholder wealth is being created.

Scantech analysers have well recognised benefits over other competing analysers. Most importantly, Scantech had applied for and been granted a provisional patent which prevented its competitors from incorporating important design features in their analysers.

In an attempt to nullify this advantage which Scantech has, competitors have been pursuing litigation to oppose the grant of a patent to Scantech which has resulted in the Company incurring significant costs in defending the litigation over a number of years.

The issue was finally resolved unconditionally in favour of Scantech when judgement was delivered in May 2016. Scantech was awarded costs and although important were only small compensation for the costs that have been incurred.

Scantech can however now go confidently forward in the knowledge that it has an ironclad patent enforceable against its competitors.

Andrew Harris has been responsible for managing the patent litigation and deserves great credit and thanks from the Company for its successful outcome.

Revenue for the year under review was down slightly to \$13,116,472 and profit after tax reduced from \$170,736 to \$135,065. While the reduction in profit is disappointing, equipment orders on hand at year end of \$8,769,763 was an increase of 241% over the previous year.

The success of the Company strategy to continue to increase service revenue is demonstrated by another increase in service revenue during the year to over \$7.4million.

The Company is pursuing strategies which should see a further significant increase in service revenue in the current year.

Once again, Scantech's team has worked diligently during the year to obtain success for the Company and its shareholders. The Company recognises the efforts and dedication of all of its staff and management.

I also recognise the invaluable contribution of our Managing Director, David Lindeberg, our Company Secretary, Valerie Steer and my fellow directors Laurie Brett and Dean Brown.

Peter Pedler
Chairman
Scantech Limited