



ASX ANNOUNCEMENT

**ANNUAL GENERAL MEETING 2011
CHAIRMAN'S ADDRESS TO SHAREHOLDERS**

Tag Pacific Limited (ASX: TAG) – Sydney – 28 October 2011

As you are aware, the 2011 financial year was a particularly pleasing one from beginning to end. Just to recap on some of the highlights:

- the scope and scale of our investments in both specialised power and technology consulting broke all previous records;
- we witnessed the final chapter in our involvement with iSoft and since then we have received the cash proceeds;
- statutory net profit after tax was \$3.6 million, which was a \$6.9 million improvement on 2010; and reflected a healthy underlying growth in EBITDA;
- earnings per share were 5.1 cents, reversing the loss in 2010;
- we ended the year with no net group debt; and
- we declared a fully franked dividend of 0.75 cents per share which has now been paid.

In my Chairman's Report, I noted that Tag has taken a number of steps to transition from being a strategic investor with diversified investments to a strategic investor with focussed investments. This focus includes technology consulting through the Unique World Group; and more visibly, specialised power products and projects through the MPower Group.

I say that MPower is more visible because it is majority owned and therefore consolidated; and also because in more recent times it has evolved into Tag's largest investment. Put simply, our MPower strategy has been to mould together strategic assets in the power sector to generate diversified streams of income centred on four basic pillars – solar power systems; power systems for the oil and gas sector; commercial power systems; and distribution / wholesaling activities. Within each of those streams there are common elements that bind MPower together.

The Unique World Group investment is equity accounted and has two distinct components, which can be described as technology consultancy and software. It was the Unique World



consultancy business that was the standout performer within that grouping during the 2011 year as its pipeline of projects with top tier clients developed progressively; and because it positioned itself successfully as a key strategic adviser to its clients undertaking longer term value enhancing engagements. Sitting alongside the consultancy business as an autonomous business is RecordPoint Software which is approaching its tipping point as it moves towards becoming a key player in the field of records management.

In my Chairman's Report I also made comment that the 2011 financial year had ended on a particularly high note. This was because in the second half - and more particularly in the last quarter - there was a major increase in activity across a number of areas. These areas of increase included Unique World's consultancy business, which ended an exceptional year with the promise of better to come; but it was also because of MPower's exposure to the solar power sector which experienced very buoyant trading conditions towards the end of the 2011 financial year. As anticipated, the solar power sector has not continued at the same frenetic pace into the 2012 year and the market continues to be dynamic.

Whilst there is much that can be said about the year behind us, it is more productive in this forum to focus on the present and the future. In that regard, I am pleased to report that our investments have tracked well for the September quarter, which marks the first period of the new financial year. I should point out that the source and composition of the Tag Group's pre-tax profit contribution is changing as the Group enters new phases; and this evolution makes strict comparisons with prior periods not that meaningful.

This is evidenced by the first quarter's revenue across the Group which was up almost 15% on the same period last year; and I can also report, that pre-tax profit across the group is indeed ahead of the same time last year by a comfortable margin. In saying that I should note that in the wider Tag Group context, there is not necessarily a direct correlation between revenue and profitability because of the way the Group's income is constituted; and because from time to time - including September year to date this year - there are elements of profitability which may not be recurring in nature.

A significant part of the group's excellent result in the 2011 financial year - both revenue and profit - was a product of the buoyant fourth quarter that I referred to earlier in my remarks. So, the fact that we are ahead on a September for September basis cannot be simply extrapolated to arrive at an indicator of the likely year on year result. Historically, the results for the MPower business - and in fact Unique World as well - have been weighted towards the second half, but a healthy Group result for 2012 is not predicated on a repeat of boom conditions.

With regard to solar, which is a significant determinant of revenue but not necessarily profit, the big unknown for the remainder of this financial year is how the cost of solar power will measure up against traditional forms of power, taking into account falling component prices, the effects of currency and rising electricity costs. Combined with these elements we also have the impact of



unpredictable government policies. This uncertainty is being managed quite well and there has been a noticeable reduction in current assets since year end; with Group cash balances remaining strong.

What is certain is that renewable energy is part of Australia's future; and within that MPower is exceptionally well placed. Unlike many new entrants, MPower has a broad base of skills, capabilities and technical sophistication – and a track record that is a rarity on this playing field. The other thing that must be understood is that unlike most of MPower's competitors, there are four basic pillars to our MPower investment – and solar power is just one of them.

Within the power sector, the push into sophisticated power projects, ranging from specialised power systems for the oil and gas sector on the one hand; and commercial and carbon friendly power solutions on the other has been – and continues to be – very pleasing. The major Gorgon contract has been very good for MPower; it has contributed well and has brought with it an enhancement of skills, capabilities and facilities; and MPower is therefore qualified to undertake further substantial specialised power projects. The very nature of such projects is that they have long gestation and completion periods. I can report that the pipeline of potential project work is promising and management believes that it is well positioned for the remainder of the 2012 financial year and beyond.

On a general note, the board continues to consider ways for Tag's true value to be recognised by the investment market. It is likely that some structural changes may be required over time to make the company's shares more liquid and attractive. The steps we have taken to transition the company from being a strategic investor with diversified investments to a strategic investor with focussed investments is part of the program to make the Tag story more transparent and there are other things in the pipeline which we hope will further aid this process.

Meanwhile, we continue on a sound footing with expectations of a good year ahead of us; with expectations of a maintainable dividend flow; and expectations that our realigned investment activity will continue to enhance shareholder value.

ENDS

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