ASX ANNOUNCEMENT

TAG PACIFIC LIMITED

CHAIRMAN'S AGM ADDRESS

10 November 2005

Let me begin by saying that we were pleased with the progress we made in the 2005 year and were satisfied with the results.

Over recent times we have been progressively firming up our strategy, which currently focuses on investments in four key sectors :

- Building products with an emphasis on componentry for commercial interiors
- Stored electrical energy and power products and systems
- Health information systems and internet based technologies
- Niche financial and investment service

The financial highlights in the 2005 year were :

- A 19% increase in operating group revenue, which came in at over A$60 million; and
- EBIT from operating activities before minorities increased by 36% to around A$3.4 million

There were many contributors to this result, not least of which being the sterling efforts of management and staff; but worthy of note is that :

- Sales in the building products sector lifted by almost 25% and accounted for over 60% of group sales; and
- The EBIT contribution in the Power Products sector accounted for over 60% of the EBIT from operating activities before minorities.

On the acquisition front, the purchase of the **Charles Tims** business earlier this year has presented the **Comprador** and **Potter** building products group with a number of opportunities to diversify its product offering.

Tims is an old established and well-respected manufacturer of whiteboards, notice boards and other allied board products and its acquisition has cemented the Tag Group's control over what is best described as a small but niche trans-Tasman market. Integration with Comprador's pre-existing business was slower than originally anticipated, but the last steps in relocating the assembly operation to Melbourne are now all but finalised.

The acquisition by our subsidiary **M+H Power Systems** of the **GenPower Group** earlier in the year was the precursor to the acquisition of Sydney based generator specialist, **Advanced Power**. This latter acquisition was negotiated during the 2005 financial year, but completion was only effected after balance date.

One of the drivers in making these acquisitions was the growing acceptance of M+H's renewable energy products and solutions. Solar power and other forms of renewable energy are being targeted aggressively as an area of potential growth; and closely associated with this advance is the company's desire to become a fully integrated supplier of backup power products by including power generators in the mix. The M+H Power / Advanced Power combination puts us at the forefront of opportunities in this sector.

A review of activities for the first quarter has group sales up by around 50% on the same time last year; and I am pleased to say that based on our management accounts, profit contributions from core activities also show healthy improvements. Our current expectations are that this trend will continue and that the operating companies in the Tag Group will deliver a strong increase in sales and profit for the 2006 financial year.

On the equity investment front, I want to make reference to our investment in the **Unique World Group**. Since the date of the annual report, Unique World has continued to gain momentum and strength. If the 2006 financial year keeps up with the current trend, as all indicators suggest, then I think the future prospects for this young company look very attractive.

The Tag Group continues to holds just over 13 million shares in ASX listed **IBA Health Limited**. As stated in the annual report, at 40 cents per share this holding has a carrying value of over A$5 million, which equates to approximately 31% of the Tag Pacific shareholders' net equity. Expressed differently, this accounts for approximately 8 cents of the Tag Pacific net tangible assets of 25 cents per share.

This makes IBA Health the Tag Group's largest single investment – that is, in balance sheet terms - but in saying this, I should also note that because of IBA's status as a listed company, it is the only significant investment whose market value can be readily measured.

Other investments that we hold have intrinsic values that in our view exceed their current book values. This can be evidenced by an analysis of the net asset position and the segmental result, both of which are detailed in the annual report.

I would also like to highlight that total group equity has increased progressively and organically over the last few years by virtue of improved performance, yet this does not appear to have been recognised by investors. One of the problems we face is that our shares are thinly traded; and that is compounded by trades being split over two stock exchanges – Australia and New Zealand.

Along with the growth in our equity has come a substantial growth in assets. With the post balance date acquisition of Advanced Power, total assets have now grown to around A$45 million at the end of the September quarter, a growth of some 55% in 5 years.

At the same time debt within some of our investee companies has increased, although at a group level ratios remain low and Tag Pacific Limited itself remains free of any external borrowing.

It should be noted that the operating companies in which we are invested are generally held on a low cost base; and the overall returns are satisfactory when measured against this. However, the real opportunities lie in our ability to leverage these investments as their scope and scale continues to increase, at which time the tangible results to shareholders will become more evident.

This brings me to our **ShareCover** initiative, details of which were released to the market just a few weeks ago. ShareCover came about because of our basic investment philosophy which is to :

- Take existing businesses or processes
- Identify elements of value or potential; and then
- Meld them to maximize inherent value

The ShareCover concept takes a complex derivative instrument and repackages it in a simple and easily understood way. In essence, it brings the benefits of sophisticated derivatives to everyday investors.

In the very short time since ShareCover has become public knowledge, we have been overwhelmed by the positive feedback and interest that our innovation has created; and that includes growing coverage in print, web based and TV media.

The creation of ShareCover is part of a carefully considered plan to invest in a niche area of financial services. Although the concept is refreshingly simple, we expect that it will take time for the benefits to be absorbed and understood as we work through the process of taking it to market, both through distribution channels and in other ways.

Tag is a serious investment group with a history of innovation; and a great deal of patience. We expect that our novel concept will prove itself; that it will gain increasing market acceptance; and that tangible benefits will flow to the Tag Group. In that regard, a salient observation to make is that the business model upon which ShareCover has been created will allow profits to be generated exponentially once certain base hurdles are reached.

In short, we believe that we will ultimately be rewarded for our efforts.

ENDS

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