Allied Technologies Group

MANAGING DIRECTOR'S AGM ADDRESS

Good Morning Ladies and Gentlemen.

My name is Michael Addison and I am the Managing Director of Allied Technologies Group.

Over the next 10 minutes or so I would like to update you on:

- What milestones we have achieved since the end of the last financial year
- What the group currently looks like, and
- What the opportunities are going forward

Willy Masson, our Group CFO, and I took office in our current roles on 1st June 2005. This followed the incurring of significant losses in the Group in the 2005 financial year and the consequent resignation of our last Managing Director.

On assuming office, and following a full review of operations, we recognised that our first job was to put the business back on a stable footing following the prior year losses, and to repair the hole that had been created in the balance sheet.

This resulted in the decision to dispose of one of our subsidiary companies, TUSC Computer Systems, which was sold to Ericsson Australia on 24 November 2005 for a cash amount of approximately $9.5 million. It is worth noting that this business was acquired by Allied just 14 months earlier for an amount of approximately $6 million.

The sale of TUSC assisted with the funding of the second tranche of the TUSC purchase consideration, as well as replenishing group cash resources.

Following a period of intense review over the first quarter of 2006, the Board identified what it believed to be a major strategic opportunity in the high growth defence and security sectors.

Research indicated that there are currently between approximately 200 and 350 Australian SME businesses directly engaged in the local and offshore defence, security and intelligence sectors, and that an opportunity exists to aggregate a number of these businesses under an ASX-listed corporate support umbrella.

The strength of the model is built on the proposition that under a strong and well resourced support structure, SME subsidiaries with niche intellectual property, global sales potential and narrow product ranges are better positioned to sustain the long procurement cycles and high value contracts typical in the defence and security sectors.

Local research, as well as existing capability within the Allied Group, also led to the conclusion that the group's aggregation focus should be confined to local businesses engaged in the ICT products and services space, focussing on 5 principal business areas:

- Command & Control Systems
- Communications
- Intelligence & Surveillance
- Electronic Warfare solutions, and
- Military Platform Sustainment.

Having made the decision to pursue this refreshed corporate strategy, the Board resolved to dispose of Allied's non-core, loss making cabling business, after reaching the conclusion that the division required greater critical mass and further investment if it was to survive and prosper going forward.

To this end, the business was sold to KLM Group, another ASX-listed company, in June 2006, for a cash amount of approximately $2.25 million. This was considered to be an excellent outcome under the circumstances.

In April 2006 we were presented with an opportunity to consider a merger with another ASX-listed company, LongReach Group Limited.

At the time of introduction, the proposed merger presented an attractive proposition for a number of fundamental reasons.

With its strong offshore relationships with Ericsson in Europe and Kongsberg Defence Systems in Norway, LongReach offered Allied the prospect of established offshore business revenues – some in the global defence market.

Secondly, with local business customers including Air Services Australia, the Department of Foreign Affairs & Trade and the Department of Defence, the merger presented the prospect of greater diversification of local revenue streams and the opportunity to build further upon existing key customer relationships.

The merger with LongReach was completed on 21 November 2006. The transaction, which resulted in LongReach becoming a wholly owned subsidiary of Allied, was effected by means of a share exchange, whereby each Longreach shareholder was issue with 1 new Allied share for each 3 LongReach shares held.

The merger with LongReach brought with it significant offshore sales opportunities going forward, as well as a substantial investment in Startronics, one of Australia's largest contract electronics manufacturing businesses. The majority of Startronics is currently held by Pacific Equity Partners, one of Australia's largest private equity investors.

The Startronics investment is not considered to be core to Allied's current business strategy, and the potential exists to exit the investment, for cash, in the short to medium term.

As the next logic step in the corporate building process, we acquired Redflex Communications on 15 December 2006.

The first tranche of the purchase consideration was paid in cash on completion, with the balance payable on or before 14 September 2007, and based on the performance of the company during the 2007 financial year.

Based on estimations for the year, the total purchase price should be in the order of approximately $8 million.

Redflex represents a fundamental and key building block in the pursuit of Allied's business strategy.

The company generates approximately 70% of its revenues offshore, with principal customers including global defence organisations such as the US Air Force, and prime global defence contractors such as Lockheed Martin, Raytheon and Boeing.

Redflex is principally a specialist provider of command & control communication systems, with application in such areas as:

- Air traffic control
- Public utilities
- Emergency services, and
- Defence

The systems, which are built around a standardised core communications switch, offer users a great degree of optional flexibility in configuration, operation and security.

Based in Melbourne, Redflex also maintains a permanent US office in Washington DC, an asset that we believe Allied can leverage as a group.

We are very pleased with the Redflex acquisition, and believe there is significant scope to increase Redflex's sales globally, going forward.

I would like also like to spend a few moments updating you on ServicePoint, Allied's other principal operating subsidiary.

At its most fundamental level, ServicePoint is a specialist provider of videoconferencing services and solutions to the Department of Defence, as well as to other Federal Government departments and large enterprise customers.

With the recent growth in defence and homeland security spending – and the growing preference at a senior command and control level for secure visual communications in the place of less secure voice communications, ServicePoint has come into its own as a trusted government supplier in this area.

ServicePoint's successes have been directly reflected in its revenue growth over the past 2 years, with revenues almost doubling from $3.4 million in the 2005 financial year to $6.2 million in the 2006 financial year, and an expectation in excess of $10 million in the current financial year.

We have also recently restructured our defence voice facilities management business under the ServicePoint management umbrella. This business involves the permanent deployment of approximately 20 full time company employees across defence bases around Australia – where they are tasked to maintain the ADF's physical voice communications network. This business is expected to generate revenues of approximately $2.5 million in the current financial year.

Allied's core strategy is to become a leading ASX-listed supplier of integrated information and communications technology based products and services to the defence, security and intelligence sectors, as well as to government, telecommunications and corporate customers, both locally and internationally.

We believe that Allied's current customer list stands testimony to the fact that we are now well on our way to achieving our goal.

In identifying target acquisitions, we will be focussing on Australia SME's with IP based products and services that are able to be commercialised into the large global defence and security markets.

Existing local and offshore customer relationships and trust amongst these customers will be a key factor in leveraging the full revenue potential of our group businesses, going forward.

We will continue to build on this strong base.

And finally, I would like to make a few comments about what we believe to be the key imperatives to an investment in Allied.

Firstly, we have a clear and well defined strategy, which is focussed on building scale and capability within the high growth defence and security sectors. Secondly, we have the human resources and the detailed blueprint to achieve our goals.

In a very short timeframe we have already put some of the fundamental building blocks in place to position us well for further expansion, including the acquisition of an offshore sales base in the USA.

Our acquisitions to date reflect the foundations of a well balanced portfolio of products and services, annuity versus project revenues, and local versus offshore sales.

However, what we have chosen to do here is by no means an easy task, nor a road that won't be without its twists and turns. Nor will it be possible to achieve our ends without deep commitment, resolve and determination and long hours of hard work.

We do however, sincerely believe that the rewards once we get to our destination will be good.

I would like to thank you all for your support up to this point, to welcome those members who have recently joined our newly constituted Board, and to ask for your ongoing support, which we will need if we are to achieve our goals.

Thankyou

Michael Addison
Managing Director
18 January 2007