TAG

Annual Report 2012

TAG PACIFIC LIMITED
ABN 73 009 485 625

tagpac.com

Contents

6.0¢
Earnings per share

$72.5m
Revenue

$17.8m
Total group cash

Financial highlights

$4.3m
Profit after tax

$6.9m
Operating cash flow

“The 2012 financial year delivered another outstanding result”

Chairman's report

I am pleased to report that the 2012 financial year was another successful one for the Group. Although the composition of the result was somewhat different from the previous year, we nevertheless managed to deliver an improved result.

The highlights of the year were the receipt of the proceeds from the sale of our investment in health information technology; the very successful sale of our investment in technology consulting; and most importantly, the enhancement and continued development of our involvement with power. This culminated just after year end with the announced proposal for MPower to become a wholly owned subsidiary of Tag – more about this later in my report.

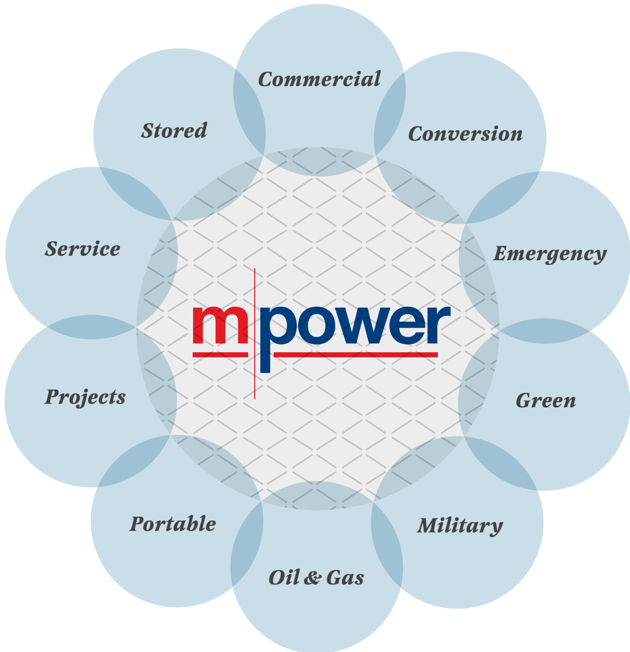
As has been mentioned before, the various steps we have taken over the last two years have freed up Tag's balance sheet and delivered to us a new footing on which we are better able to focus our skills. We have now almost completed our transition from being a strategic investor with diversified investments to a strategic investor with focused investments; but the job is not yet over.

The results

The 2012 financial year delivered another outstanding result. Revenue was $72.5 million for the year and although lower than the stellar $101.1 million that the solar boom and Gorgon contract brought with them in the 2011 financial year, it was nonetheless some 27% ahead of the 2010 revenue of $56.8 million.

The Tag Group's 2012 profit after tax and non-controlling interests was $4.3 million which translates to earnings per share of approximately 6.0 cents, a noteworthy improvement on the 2011 result of $3.6 million and 5.1 cents per share.

Cash flow from operating activities was robust and healthily positive at $6.9 million for the year and in addition, a further $4.1 million in net cash was generated from investment activities.



Power with Purpose
MPower delivers power systems and products for diverse applications across a range of industries.

The balance sheet

We have done well in our management of the balance sheet by containing both the assets and liabilities. Total assets reduced by $8.4 million to $58.7 million; total liabilities decreased by $12.9 million to $21.8 million; and total equity rose by approximately 14% to $36.9 million. The Group cash balance increased from $11.3 million to $17.8 million at year end and with total Group borrowings down from $8.5 million to $5.1 million, the Group once again had no net debt at balance date.

Power

It is by now well understood that MPower has evolved into Tag's largest investment. Tag's strategy to date has been to mould together strategic assets in the power sector to generate diversified streams of income with common binding elements centred on four basic pillars – solar power systems; power systems for the oil & gas sector; commercial power systems; and distribution / wholesaling activities. Our strategy now is to build on that base.

By way of background, in the preceding financial year all the stars aligned for MPower with the two main contributors being the mushrooming growth of solar power and the major push into sophisticated power projects, ranging from green power solutions on the one hand to specialised power systems for the oil & gas sector on the other.

As we highlighted at the time and subsequently, the general economic uncertainty, together with the challenges and opportunities in our chosen industry sectors, made it difficult to predict with any degree of certainty what the 2012 financial year would bring. That was in fact a very realistic statement because the completion of the large and dominant Gorgon contract on time and ahead of budget created a vacuum that is taking some time to fill; and the solar power boom tapered off earlier and even more abruptly than we conservatively anticipated. The changes in the residential solar market have caused many players to close their doors or seek new sources of revenue. MPower's ability to capture the opportunities while the market ran hot and its ability to continue to trade profitability despite the tectonic shifts in the solar sector is a testament to the strength and diversity of the Group.

Across the four businesses which trade under the MPower umbrella, an aggregated EBITDA of $4.7 million was generated for the 2012 financial year, significantly less than the EBITDA of $8.9 million in the prior period, but nevertheless still a very creditable result based on customary financial measures.

What lies ahead for MPower is still difficult to predict with any degree of precision, but in general terms the outlook is very good. The MPower brand has become synonymous with reliable and dependable power systems and products; and MPower's diversity and long history of profitability and growth is a major strength.

There is no reason to doubt the continuation of great strides forward in the quest by MPower Projects for further work in oil & gas, commercial and green power systems. The pipeline of potential projects is ever increasing and MPower Projects deserves to win at least its fair share.

MPower Products and MPower Pacific continue to leverage the established distribution infrastructure to market a wide range of power related products to customers across Australia, New Zealand and the Pacific Islands. Opportunities to broaden the product offering are continually being explored, together with initiatives to maximize MPower's competitiveness and geographic reach.

MPower Solar Systems is uniquely placed to leverage its historical capabilities in residential, commercial and industrial solar with enhanced project management and other skills and benefits which can be derived from the wider group.

Overall, there is an abundance of opportunity in the power sector and MPower's reputation combined with its strong financial position and breadth of capability suggest that the future is very bright indeed.

Tag held 59.3% of MPower at balance date, however if the Integration Proposal proceeds as planned, then MPower will become a wholly owned subsidiary of Tag during the 2013 financial year.

The Integration Proposal

On 9 July 2012 Tag announced a significant step towards increasing its focus and investment in specialised power by offering to acquire all the shares in MPower not currently owned. The intention is for MPower to become wholly owned by Tag and to fully integrate MPower into the Group. The transaction, known as the Integration Proposal, involves the issue of new Tag shares to the MPower minority shareholders in exchange for their MPower shares.

The Integration Proposal will further align the interests of MPower management with that of the wider Tag Group; will enable management to further streamline operations; and will also facilitate greater access to cash flows from the underlying MPower businesses for the wider good of all shareholders. Following completion of the Integration Proposal, we intend to form a combined Tag and MPower tax consolidated group which should enable the offset or partial offset of tax profits and losses within the consolidated tax group.

Since the Integration Proposal was announced, all MPower minority shareholders have agreed to it and apart from meeting some regulatory requirements, all that now remains is for Tag shareholders to also grant their approval to the issue of approximately 23 million new Tag shares to the MPower minority shareholders. A Notice of Meeting was dispatched during August for a General Meeting of shareholders scheduled to take place on 14 September 2012.

Shareholders will by now be aware that two capital management initiatives have been proposed as part of the Integration Proposal. These capital management initiatives come at a time when Tag is about to enter into a new and refocused era; and the Directors have recognised the importance of rewarding Tag's loyal and supportive shareholder base at this juncture. The capital management initiatives which comprise the issue of free loyalty options on a 1:7 basis with a 20 cents per share exercise price together with the payment of a fully franked cash dividend of 5.0 cents per share, have been designed to give shareholders an enhanced continuing interest in the Company whilst at the same time liquefying a portion of their investment. Although the Dividend Reinvestment Plan will not apply to this substantially larger than normal dividend, shareholders are of course welcome to reinvest all or some of their dividend proceeds by subsequently acquiring new Tag shares on market if they so choose.

The two capital management initiatives are to proceed once all the conditions to the Integration Proposal are satisfied or waived.

Realisation of investments

The final chapter in our decade long investment in health information technology occurred with the disposal of our iSoft shares during the 2012 financial year. The cash proceeds of $1.8 million received in July 2011 resulted in a gain of $0.1 million for the period.

Tag's investment in the Unique World Group was acquired in stages between 2000 and 2004 for a total cash outlay of approximately $1.1 million and had a carrying value of approximately $2.4 million at June 2011 as a consequence of the investment being equity accounted over the years.

In December 2011 Tag announced the sale of its 38% shareholding, with net proceeds of the sale, including the simultaneous sale of the RecordPoint Software business, amounting to $5.4 million. This was a well-timed and good result, with almost all of the realised capital profit being offset by existing tax losses which have not previously been brought to account.

Cash proceeds from all sources totaling $4.6 million were received at completion and a further $0.8 million is held in an escrow account and will become available in two equal installments on the first and second anniversaries of the transaction, subject to any warranty or other claims under the transaction documentation.

Property

The Tag Group continues to hold a majority interest in the Power Property Unit Trust which owns a commercial property in Melbourne leased to the MPower Group. The property has a carrying value of $1.77 million which corresponds with the most recent valuation undertaken in December 2010, less subsequent depreciation.

MPower's proprietary Grid Stability System

Background

Some Australian electric utilities operate diesel fuelled power stations for remote communities not connected to main electricity grids. These communities can include hundreds of residents, along with local commercial activities, and civil infrastructure to support the region.

Incorporating solar power generation into these remote area power systems can offer commercial advantages.

The challenge

Incorporating a high level of solar power generation into a diesel power station can cause quality of supply concerns when the solar power level changes abruptly such as from passing cloud on a sunny day.

Issues such as this, if not managed properly, lead to unacceptable levels of electricity voltage and frequency changes, or possibly even power station outages due to protection devices tripping. These issues can determine the viability of incorporating solar power generation.

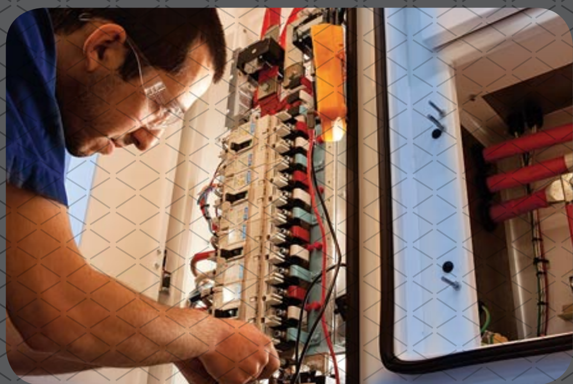
The solution

MPower has designed and constructed a proprietary Grid Stability System (GSS) to manage solar generating plants and assist the stability and quality of supply from hybrid power systems.

Solar generated electrical power is stored, usually by use of a battery bank. Using sophisticated power electronics and controls systems, stored energy is used to compensate for variations in solar power output and varying levels of power consumption.

The containerised GSS is the hub of the solar power plant, combining the control and electrical distribution to the photovoltaic modules and solar power inverters as well as the electrical and fibre-optic point of connection to the diesel power station.

Automated processes and remote communications to MPower's service group allow the product to operate with minimal local maintenance.



Commonwealth Bank Place at Darling Quarter – Trigeneration

Background

Darling Quarter comprises a commercial development 'Commonwealth Bank Place', and a family and leisure precinct with retail and dining options, a new public park and car park in Sydney. The project was designed and constructed to superior environmental and efficiency standards. While lowering operating costs was an objective, lowering carbon emissions and the use of environmentally friendly materials were key elements of the project.

Environmental and energy efficiency can be achieved through the use of distributed trigeneration technology.

The challenge

The optimisation of a trigeneration plant is essential to achieve the highest efficiency. One of the key elements is load maximisation to ensure as much waste heat is consumed to attain the highest efficiency.

Financial institutions demand highly reliable power and availability. The Darling Quarter facility had the added requirement of meeting a green star efficiency target.

Dividends

A fully franked dividend of 0.75 cents per share was paid in October 2011. In view of the successful sale of the Unique World Group and the Tag Group's strong cash position, the directors also paid a special fully franked dividend of 0.50 cents per share in March 2012, bringing the total fully franked dividends for the year to 1.25 cents per share.

As detailed earlier in this report, a further dividend of 5.0 cents per share (comprising 1.0 cent per share ordinary dividend with respect to the 2012 financial year plus 4.0 cents per share special dividend) will be paid in October 2012 if the Integration Proposal proceeds – a total payment of approximately $3.5 million.

The Company's ability to pay fully franked dividends in the future is expected to be enhanced if MPower becomes a wholly owned subsidiary.

Share buy-back

During the year the Company activated its on-market share buy-back facility and purchased approximately 1.5 million shares at an average price of 24 cents per share for a total outlay of approximately $0.37 million.

Strengthening of management

The organisation structure is constantly evolving and with the recent establishment of MPower Business Services, a new platform has been created to facilitate greater efficiency and sharing of resources across the diverse activities and geographies of MPower. This will be enhanced further if the Integration Proposal proceeds to finality. Within MPower, the senior management team has embraced the Integration Proposal. An important component of the Integration Proposal is the future incentivisation of key MPower management and various alternatives are under consideration on how best to put this into effect.

The profile and impressive skills of MPower's operational management will no doubt become more visible to shareholders once the integration is implemented, but meanwhile I would like to record appreciation to executives and staff at all levels in the wider organisation for their continued loyalty and good work.

A number of management changes have taken place at the Tag corporate level. In the first move we announced that the Group's Head of Corporate Development, Nathan Wise, has been appointed Chief Executive Officer and has joined the Tag board as Managing Director. Since joining Tag in 2003, he has been responsible for identifying and executing acquisitions (including the recently announced Integration Proposal) and has been instrumental in formulating Tag's strategy and acquisitions in the power sector as well as executing the sale of a variety of legacy assets.

The solution

MPower designed and constructed a trigeneration system utilising two natural gas generators. The system supplies hot water to an absorption chiller which provides cooling to the building in the form of chilled water.

The trigeneration system is integrated into the Building Management and Control System and the Energy and Water Management System resulting in the ability to monitor the power consumption of the building base load whilst controlling generator output to maximise efficiency.

The inclusion of a trigeneration system contributed to Commonwealth Bank Place achieving a 6 Star Green Star Office Design rating.

Nathan Wise has been actively involved in all facets of Tag's operations and activities and his appointment as CEO comes at a time when the Company is at the cusp of its transition from being a strategic investor with diversified investments to a strategic investor with focused investments.

We have also announced that Darrell Godin has been appointed Chief Financial Officer following a number of months as Finance Executive with the Tag Group. Darrell Godin spent many years at Investec Bank and is ideally qualified to lead the Group's finance team. Darrell Godin replaces John Marinos who has chosen to return to private practice and the board thanks him sincerely for the very valuable contribution he has made in many spheres of the development of the Group as Head of Finance since 2007.

Consequent on these changes, Nathan Wise has stepped down as Company Secretary and Darrell Godin has been appointed to that position.

The road ahead

A strong measure of the Tag Group's performance over the last few years is the value created for shareholders. Equity attributable to the Tag shareholders rose from $12.3 million to $27.0 million in the 10 year period to June 2012. After adjusting for transactions with shareholders (predominantly shares issued, shares bought back and dividends paid), the total shareholder value added during this period amounted to approximately $17.2 million.

A proportion of that accumulated equity will now be distributed directly to shareholders if the Integration Proposal proceeds, but that will not be detrimental to Tag's refocused plans to expand power sector investments and operations.

The vagaries of the economy; the value of the Australian currency; the irregular nature of project work; and the uncertainties that surround the expansion of renewable energy are some of the challenges we will face in the year ahead; yet despite these challenges, we see boundless opportunity and we are very confident of our capacity to drive the Group forward, both organically and by other means.

We believe that there is no other company on the Australasian landscape that can match the breadth, depth and track record that an integrated Tag and MPower can offer in our chosen field. There may well be rough patches, but we are looking forward to positive times ahead.

For and on behalf of the board

Peter Wise

Peter Wise
Chairman
30 August 2012

Directors' report

The directors present their report on the company (Tag Parent) and its controlled entities (Tag Group) for the financial year ended 30 June 2012 in accordance with the provisions of the Corporations Act 2001 (Cth). The Chairman's Report (pages 4 to 9) contains a review of the operations of the Tag Group during the financial year and the results of those operations and details of significant changes in the Tag Group. The Chairman's Report is incorporated into and forms part of this Directors' Report.

Principal activity

The Tag Group is a strategic investor.

Review of operations

The operating result of the Tag Group for the financial year ended 30 June 2012 after eliminating non-controlling interests and providing for income tax was a profit of $4,257,554 (2011: profit of $3,628,282). Reference should be made to the Chairman's Report for a more detailed review of operations.

Changes in the state of affairs

No significant changes in the state of affairs of the Tag Group occurred during the financial year other than the following:

→ disposal of the remaining shareholding held in iSoft Group Limited (refer note 16); and

→ disposal of the equity accounted investment in Unique World Group Pty Limited (refer note 14).

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Tag Group, the results of those operations, or the state of affairs of the Tag Group in future financial years other than the following.

Subsequent to balance date the Company announced a proposal to acquire the minority interest shares held in MPower Group as part of an 'Integration Proposal'. Please refer to the subsequent events in note 36.

Future developments

Disclosure of information regarding likely developments in the activities of the Tag Group in future financial years and the expected results of those activities is likely to result in unreasonable prejudice to the Tag Group. Accordingly, this information has not been disclosed in this report.

Dividends

The directors declared a special dividend to the holders of fully paid ordinary shares of 0.50 cents per share (totalling $356,787) franked to 100% at the corporate income tax rate of 30% on 21 February 2012 with a payment date of 26 March 2012.

In respect of the financial year ended 30 June 2011, the directors declared a dividend to the holders of fully paid ordinary shares of 0.75 cents per share (totalling $529,552) franked to 100% at the corporate income tax rate of 30% on 29 August 2011 with a payment date of 5 October 2011.

Indemnification of officers and auditor

During the financial year, the company paid a premium to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as an officer or auditor.

Non-audit services

Details of amounts paid or payable to Deloitte Touche Tohmatsu for non-audit services provided during the year by the auditor are outlined in note 32 to the financial statements. The directors are satisfied the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth). The directors are of the opinion the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit committee, for the following reasons:

→ all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

→ none of the services undermine the principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks or rewards.

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Options on issue

At the date of this report, the options on issue over unissued ordinary shares in Tag Pacific Limited were as follows:

Grant date	Expiry date	Exercise price	Number of options
31 August 2007	31 August 2012	$0.39	90,000
31 August 2007	31 August 2012	$0.45	200,000
17 November 2008	17 November 2013	$0.24	90,000
17 November 2008	17 November 2013	$0.30	200,000
4 March 2011	4 March 2016	$0.20	750,000
11 August 2011	11 August 2016	$0.20	350,000
		Total	**1,680,000**

During the year ended 30 June 2012, 500,000 ordinary shares in Tag Pacific Limited were issued on the exercise of options granted under the Tag Pacific Limited Executive Share Option Plan. No person entitled to exercise an option had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

Environmental regulations

There are no particular or significant environmental regulations under a law of the Commonwealth or of a state or territory affecting the Tag Group.

The Tag Group's operations do not pose a high risk for breach of environmental legislation and in the directors' opinion there is no known breach of regulatory requirements that may:

→ potentially result in financial penalties;

→ result in the governing authority having the ability to suspend an operation;

→ have a major impact on surrounding ecosystems; or

→ have a financial impact on the operations and results of the Tag Group.

Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2012 has been received and a copy can be found on page 62 of this report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Information on directors

The names and particulars of the directors of the company during or since the end of the financial year are as follows. References to directors' relevant interest in shares are current at the date of this report.

Peter Wise	**Chairman** (executive)	
Qualifications	Dip ID	
Experience	Appointed Chairman and board member in 1986. Chairman of MPower Group Pty Limited and other subsidiaries within the Tag Group.	
Interest in shares	35,034,982 ordinary shares and 800,000 options over unissued ordinary shares in Tag Pacific Limited held by Anthony Australia Pty Ltd.	
Directorships held in other listed entities in the previous 3 years	Listed entity iSoft Group Limited	Relevant dates 30 September 1999 to 31 December 2010
Nathan Wise	**Chief Executive Officer and Managing Director**	
Qualifications	BCom, LLM (UNSW)	
Experience	Appointed Chief Executive Officer and Managing Director on 14 August 2012 after serving as Head of Corporate Development from 2003. Company Secretary from 29 June 2006 until 14 August 2012. Director of a number of controlled entities within the Tag Group. Practiced as a corporate and commercial lawyer before joining the Tag Group.	
Interest in shares	35,034,982 ordinary shares and 800,000 options over unissued ordinary shares in Tag Pacific Limited held by Anthony Australia Pty Ltd. 790,000 options over unissued ordinary shares in Tag Pacific Limited held by Investment Associates Pty Limited.	
Gary Cohen	**Director** (non-executive)	
Qualifications	BCom, LLB, LLM (Hons)	
Experience	Director since 1999. CEO of Marcel Equity and former CEO of iSoft Group Limited.	
Interest in shares	Holds a relevant interest in 980,492 ordinary shares in Tag Pacific Limited.	
Special responsibilities	Member of the remuneration committee.	
Directorships held in other listed entities in the previous 3 years	Listed entity iSoft Group Limited Hyro Limited	Relevant dates 30 September 1999 to 30 September 2010 since 18 July 2012
Robert Constable	**Director** (non-executive)	
Qualifications	MA (Cantab.)	
Experience	Director since 1986. Former positions include secretary of the Beecham Group, director of Sime Darby Holdings Limited and deputy chief executive of Bousteadco Singapore Limited.	
Interest in shares	200,000 ordinary shares in Tag Pacific Limited held beneficially.	
Special responsibilities	Chairman of the audit committee and a member of the remuneration committee.	
Robert Moran	**Director** (non-executive)	
Qualifications	BEc LLB (Hons)	
Experience	Director since 2002. Managing Director of Oceania Capital Partners. Experience in principal investing for 13 years. Prior to that practiced as a corporate and commercial lawyer for 12 years.	
Interest in shares	1,102,523 ordinary shares in Tag Pacific Limited held non-beneficially.	
Special responsibilities	Member of the audit committee.	
Directorships held in other listed entities in the previous 3 years	Listed entity Oceania Capital Partners Limited iSoft Group Limited	Relevant dates since 25 July 2007 6 November 2008 to 29 July 2011

Richard Peterson	**Director** (non-executive)	
Qualifications	LLM (Hons) FAMINZ, NZTA Fellow	
Experience	Director since 1986. Barrister and Solicitor of The High Court of New Zealand and principal of Peterson Law Limited.	
Interest in shares	1,299,875 ordinary shares in Tag Pacific Limited held non-beneficially.	
Gary Weiss	**Director** (non-executive)	
Qualifications	LLM (NZ), JSD (Cornell)	
Experience	Director since 1988. Executive director of Ariadne Australia Limited and a director of several other public companies.	
Interest in shares	250,000 ordinary shares in Tag Pacific Limited held non-beneficially.	
Directorships held in other listed entities in the previous 3 years	Listed entity	Relevant dates
	Ariadne Australia Limited	since 28 November 1989
	Guinness Peat Group plc (UK)	30 November 1990 to 30 April 2011
	Premier Investments Limited	since 11 March 1994
	Pro-Pac Packaging Limited	since 28 May 2012
	Mercantile Investment Company Limited	since 6 March 2012
	Ridley Corporation Limited	since 21 June 2010
	Westfield Holdings Limited	25 July 2004 to 27 May 2010
	Westfield Management Limited	29 May 2002 to 27 May 2010
	Westfield America Management Limited	29 May 2002 to 27 May 2010
Darrell Godin	**Company Secretary**	
Qualifications	BCom, BAcc, CA	
Experience	Appointed Company Secretary and Chief Financial Officer at Tag Pacific Limited on 14 August 2012. Secretary of a number of controlled entities within the Tag Group. Prior to joining Tag, worked at Investec Bank Australia Limited for approximately 12 years after having practised as a Chartered Accountant for 12 years.	

Remuneration of directors

Information about the remuneration of directors and senior management is set out in the remuneration report on pages 14 to 19.

Directors' meetings

The following table outlines the number of directors' meetings (including meetings of committees of directors) each director was eligible to attend during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, twelve board meetings, two audit committee meetings and two remuneration committee meetings were held.

	Board meetings		**Audit committee meetings**		**Remuneration committee meetings**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Peter Wise	12	12	–	–	–	–
Nathan Wise[1]	–	–	–	–	–	–
Gary Cohen	12	10	–	–	2	2
Robert Constable	12	10	2	2	2	2
Robert Moran	12	12	2	2	–	–
Richard Peterson	12	12	–	–	–	–
Gary Weiss	12	8	–	–	–	–

1. Nathan Wise was appointed as a director of the Company on 14 August 2012.

Remuneration report

This report details the remuneration arrangements in respect of each director of Tag Pacific Limited and the key management personnel.

Remuneration policy

The remuneration policy details set out below are relevant to Tag Pacific Limited ('Tag') only.

The board of each controlled entity in the Tag Group determines the remuneration policy for the senior managers of that controlled entity, the majority of which are not wholly owned by Tag. Accordingly, Tag's remuneration policy does not extend to senior managers of controlled entities. Details of the remuneration of controlled entity senior managers have been included in this report where applicable for compliance reasons.

Tag's remuneration policy has been designed to align director and senior manager objectives with shareholder and business objectives by providing a fixed remuneration component and, where applicable, offering specific short-term and long-term incentives based on key performance areas affecting Tag's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best senior managers and directors to run and manage Tag, as well as create goal congruence between directors, senior managers and shareholders.

The board's policy for determining the nature and amount of remuneration for executive board members and key management personnel of Tag is as follows:

→ The remuneration policy, setting the terms and conditions for executive directors and other senior managers, was developed by the remuneration committee and approved by the board.
→ Senior managers may receive base remuneration (which is based on factors such as length of service and experience), superannuation, fringe benefits, short-term incentives or long-term incentives.
→ The remuneration committee reviews certain senior manager packages annually by reference to Tag's performance, senior manager performance and comparable information from industry sectors.

The performance of Tag's senior managers is measured against criteria agreed regularly with each senior manager and is based predominantly on the forecast growth of the Tag Group's profits and shareholder value. Short-term incentives, where applicable, are linked to predetermined performance indicators where possible. The board may exercise its discretion in relation to approving short-term and long-term incentives and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance indicators. The policy is designed to attract the highest calibre of senior managers and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and senior managers is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board's policy is to remunerate non-executive directors for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors based on market practice, duties and accountability. Independent external advice may be sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders. Fees for non-executive directors are not linked to Tag's performance. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the company.

Performance based remuneration

Tag has a policy which sets out the framework for awarding performance based remuneration to Tag senior managers. Performance based remuneration may comprise both a short-term incentive ('STI') and a long-term incentive ('LTI') component. The STI takes the form of a cash bonus and the LTI comprises the issue of options under the Tag Pacific Limited Executive Share Option Plan. The remuneration committee has the discretion to determine the STI and LTI for eligible senior managers.

Short-term incentives

The remuneration package for an eligible senior manager may comprise a STI in the form of a performance based cash bonus. The maximum STI component of a remuneration package is expressed as a percentage of the relevant senior manager's base remuneration. A senior manager may be awarded a STI depending on performance against a set of performance indicators. The performance indicators may differ for each senior manager and are determined by the remuneration committee from time to time. A weighting is given to each performance indicator at the time the performance indicators are set.

The performance criteria against which the STI's are assessed are as follows:

(a) Contribution to the profitability, future profitability or potential profitability of the group.
(b) Contribution to the enhancement of shareholder value, future shareholder value or potential shareholder value.
(c) Contribution to the strategic direction and growth of the group.
(d) Performance of the group compared to budget.
(e) Group profitability in the relevant financial year relative to shareholders' funds.

In addition to the above, the remuneration committee has the discretion to award super cash bonus payments in excess of the above STI formula in the event of exceptional circumstances or performance by a senior manager.

Details of the STI's awarded in respect of the year to 30 June 2012 are as follows:

Nathan Wise

Nathan Wise earned a cash bonus in the amount of $86,160 in respect of the year to 30 June 2012. The total STI that was available (subject to performance against set criteria) was in the range of 0% to 40% of his base remuneration of $240,000 per annum ($0 to $96,000). Of the total STI that was available, 89.75% was awarded and 10.25% was forfeited due to performance against set criteria. In addition a super bonus of $85,000 was awarded in December 2011 following the role played by Nathan Wise in the successful sale of the Unique World Group.

John Marinos

John Marinos earned a cash bonus in the amount of $46,581 in respect of the year to 30 June 2012. The total STI that was available (subject to performance against set criteria) was in the range of 0% to 33.3% of his base remuneration of $235,000 for the year ($0 to $78,255). Base remuneration excludes consulting fees of $76,351 received from associates during the year. Of the total STI that was available, 59.52% was awarded and 40.48% was forfeited due to performance against set criteria.

Long-term incentives

Options over unissued shares in Tag Pacific Limited may be awarded to eligible senior managers in accordance with the Tag Pacific Limited Executive Share Option Plan. The award of options is considered appropriate as it contains an element of reward for individual achievement together with an incentive aligned to the group's longer term performance. The approach also aligns management's interests with those of shareholders.

The maximum number of options that can be on issue under the Executive Share Option Plan at any time is 5% of the shares on issue at that time. In addition, the maximum number of options that can be issued to any one senior manager is 1,250,000. The remuneration committee must make reference to these and other rules of the Executive Share Option Plan when deciding on long-term incentive components.

The following options were issued to directors and key management personnel during the year ended 30 June 2012:

	Number granted (vested)	Number granted (unvested)	Grant date	Value per option at grant date	Exercise price	First exercise date	Last exercise date
Key management personnel							
John Marinos	250,000	–	11 Aug 2011	$0.0207	$0.20	11 Aug 2011	11 Aug 2016
Nathan Wise	350,000	–	11 Aug 2011	$0.0207	$0.20	11 Aug 2011	11 Aug 2016
	600,000	–					

Shareholder approval for the issue of options under the Executive Share Option Plan to Nathan Wise was obtained under ASX Listing Rule 10.14 on 13 November 2008 and 28 October 2011.

Option holdings

	Balance 1 July 2011	Granted as remuneration	Options exercised/ lapsed	Balance 30 June 2012	Number of options vested 30 June 2011	Number of options outstanding 30 June 2012	Total unexercisable 30 June 2012
Directors							
Peter Wise	1,200,000	–	(400,000)	800,000	800,000	800,000	–
Key management personnel							
John Marinos	545,000	250,000	(705,000)	90,000	90,000	90,000	–
Nathan Wise	568,333	350,000	(128,333)	790,000	790,000	790,000	–
	2,313,333	600,000	(1,233,333)	1,680,000	1,680,000	1,680,000	–

Refer to note 33 for the factors and assumptions used in determining share-based payments.

At 30 June 2012, the following share-based payment arrangements were in existence under the Tag Pacific Limited Executive Share Option Plan:

Option series	Grant date	Expiry date	Fair value at grant date (cents)	Vesting date
1. Issued 31 August 2007	31 Aug 2007	31 Aug 2012	10.67	01 Jul 2008 to 30 Sep 2010
2. Issued 31 August 2007	31 Aug 2007	31 Aug 2012	9.08	date of grant
3. Issued 17 November 2008	17 Nov 2008	17 Nov 2013	5.92	01 Jul 2009 to 30 Sep 2011
4. Issued 17 November 2008	17 Nov 2008	17 Nov 2013	4.52	date of grant
5. Issued 4 March 2011	04 Mar 2011	04 Mar 2016	2.24	date of grant
6. Issued 11 August 2011	11 Aug 2011	11 Aug 2016	2.07	date of grant

There are no performance criteria that need to be met in relation to options granted under series 2, 4, 5 and 6 however the options lapse if the senior manager no longer provides services to the company. Senior managers receiving options under the remaining option series are entitled to the beneficial interest under the option when the performance conditions are met and only if they continue to provide services to the company at that time.

The following table summarises the value of options granted, exercised or lapsed during the year to directors and key management personnel:

	Value of options granted at the grant date ($)	Value of options lapsed at the lapsing date ($)	Value of options exercised at the exercise date ($)
Peter Wise	–	42,768	–
Nathan Wise	7,233	14,147	–
John Marinos	5,167	24,066	10,758

Shareholdings

The number of shares held by directors and key management personnel inclusive of relevant interests is as follows:

	Balance 1 July 2011	Received as remuneration	Net change other	Balance 30 June 2012
Directors				
Peter Wise[1] Nathan Wise[1]	34,959,482	–	75,500	35,034,982
Gary Cohen	843,659	–	136,833	980,492
Robert Constable	200,000	–	–	200,000
Robert Moran	557,772	–	544,751	1,102,523
Richard Peterson	1,214,049	–	85,826	1,299,875
Gary Weiss	250,000	–	–	250,000
Key management personnel				
John Marinos	369,496	–	540,000	909,496
Paul Sharp	82,250	–	20,000	102,250
Anthony Csillag	20,000	–	204,966	224,966
	38,496,708	**–**	**1,607,876**	**40,104,584**

1. Peter Wise and Nathan Wise are directors of Anthony Australia Pty Ltd which had a relevant interest in 35,034,982 ordinary shares in Tag Pacific Limited at 30 June 2012.

Company performance, shareholder wealth and director and senior management remuneration

The Tag remuneration policy has been tailored to increase goal congruence between shareholders, directors and senior managers. The main method applied in achieving this aim has been the issue of options to select senior managers to encourage the alignment of personal and shareholder interests.

The following table shows the gross revenue, profits and dividends for the last five years for Tag Pacific Limited, as well as the share price at the end of the respective financial years.

	2008	2009	2010	2011	2012
Revenue (including discontinued operations) ($'000)	87,997	86,930	86,015	101,126	72,665
Other gains/(loss) ($'000)	(6,573)	879	(3,956)	(116)	3,163
Net profit/(loss) before non-controlling interests ($'000)	(3,942)	1,702	(2,789)	6,364	5,484
Dividends paid ($'000)	501	501	515	–	886
Share price at year end (cents per share)	21.0	13.5	13.0	12.0	25.0
Earnings per share from continuing and discontinued operations					
Basic (cents per share)	(7.7)	1.7	(4.7)	5.1	6.0
Diluted (cents per share)	(7.7)	1.7	(4.7)	5.1	6.0

While revenue from operating investments declined during the year there was a continued general trend of sustained profitability derived from operating investments. During the current year the gain on sale of the equity accounted investment in Unique World Group Pty Limited had a material impact on profitability. The major item that has impacted the net profit result in prior years was the movement in the fair value of the investment in iSoft Group Limited however as this investment was substantially sold during the 2011 year it did not have a material impact on the result for the 2011 and 2012 years. There was an increase in dividend payments made during the year relative to prior years and the share price at year end was at its highest level than any of the prior years in the above table.

The board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that it has contributed in increasing shareholder wealth over the past five years.

Details of remuneration

The remuneration for each director and the key management personnel in respect of the year to 30 June 2012 was as follows:

2012 $	Salary, fees and allowances	Superannuation Contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %	Option %
Directors								
Peter Wise Chairman (executive)	387,000	–	–	–	–	387,000	–	–
Gary Cohen Non-executive director	20,000	–	–	–	–	20,000	–	–
Robert Constable Non-executive director	20,000	–	–	–	–	20,000	–	–
Robert Moran Non-executive director	20,000	–	–	–	–	20,000	–	–
Richard Peterson Non-executive director	20,000	–	–	–	–	20,000	–	–
Gary Weiss Non-executive director	20,000	–	–	–	–	20,000	–	–
Total directors	487,000	–	–	–	–	487,000	–	–
Key management personnel								
John Marinos[2] Head of Finance	220,594	–	46,581	–	5,167	272,342	19	2
Nathan Wise[3] Head of Corporate Development	240,000	–	171,160	–	7,233	418,393	43	2
Paul Sharp Managing Director MPower Products	325,853	35,083	15,000	13,916	–	389,852	4	–
Anthony Csillag Managing Director MPower Projects	223,505	49,651	52,000	8,916	–	334,072	16	–
Total key management personnel	1,009,952	84,734	284,741	22,832	12,400	1,414,659		

1. All directors and key management personnel held their positions for the whole year. Key management personnel held their positions on a full-time basis unless otherwise stated.
2. The remuneration details for John Marinos exclude income derived from an associate company.
3. Nathan Wise was appointed Chief Executive Officer and Managing Director on 14 August 2012.
4. Darrell Godin was appointed as Finance Executive on 14 May 2012 and appointed Chief Financial Officer and Company Secretary on 14 August 2012.

The remuneration for each director and the key management personnel of the Tag Group in respect of the year to 30 June 2011 was as follows:

2011 $	Salary, fees and allowances	Superannuation contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %	Option %
Directors								
Peter Wise Chairman (executive)	325,000	–	–	–	8,946	333,946	3	3
Gary Cohen Non-executive director	20,000	–	–	–	–	20,000	–	–
Robert Constable Non-executive director	20,000	–	–	–	–	20,000	–	–
Robert Moran Non-executive director	20,000	–	–	–	–	20,000	–	–
Richard Peterson Non-executive director	20,000	–	–	–	–	20,000	–	–
Gary Weiss Non-executive director	20,000	–	–	–	–	20,000	–	–
Total directors	425,000	–	–	–	8,946	433,946		
Key management personnel								
John Marinos[2] Head of Finance	203,778	–	35,151	–	5,947	244,876	17	2
Nathan Wise Head of Corporate Development	220,000	–	64,350	–	8,183	292,533	25	3
Paul Sharp Group Managing Director MPower Group	297,232	32,290	63,959	5,204	–	398,685	16	–
Anthony Csillag Managing Director Advanced Power	227,316	48,114	91,870	8,916	–	376,216	24	–
Total key management personnel	948,326	80,404	255,330	14,120	14,130	1,312,310		

1. All directors and key management personnel held their positions for the whole year. Key management personnel held their positions on a full-time basis unless otherwise stated.
2. The remuneration details for John Marinos exclude income derived from an associate company.

Contract details

There were no written contracts in place with directors or key management personnel other than the following:

(a) A written contract is in place in respect of the services provided by Nathan Wise to Tag Pacific Limited. The contract has no specified duration and requires three months' notice of termination (equating to a termination payment of $75,000).

(b) A written contract in place in respect of the services provided by John Marinos to Tag Pacific Limited ceased during August 2012.

(c) A written contract is in place in respect of the services provided by Anthony Csillag to MPower Projects Pty Limited. The contract has no specified duration and requires six months' notice of termination (equating to a termination payment of $136,578).

Performance income as a proportion of total remuneration

In some circumstances senior managers are paid performance bonuses based on set monetary figures and not as a proportion of their salary. These bonuses have been set to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Tag Group. The payment of bonuses and other incentive payments for specified senior managers are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put forward to the board for approval. Bonuses, options and incentives are linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations.

Signed in accordance with a resolution of the directors.

Peter Wise
Chairman
30 August 2012

Consolidated statement of comprehensive income

	Note	2012 $'000	2011 $'000
Continuing operations			
Revenue	3	71,069	100,641
Other revenue	4	1,437	451
Other income/(losses)	5	3,163	(116)
Share of (losses)/profits of associates	14	(147)	555
Raw materials and consumables used		(48,485)	(74,466)
Advertising and marketing expense		(687)	(542)
Depreciation and amortisation expense	7	(483)	(390)
Employee benefits expense	7	(14,618)	(13,216)
Finance costs	6	(562)	(440)
Occupancy expense		(1,270)	(933)
Other expenses		(3,233)	(3,862)
Profit before income tax	7	6,184	7,682
Income tax expense	8	(915)	(1,288)
Profit for the year from continuing operations		5,269	6,394
Discontinued operations			
Profit for the year from discontinued operations	9	215	(30)
PROFIT FOR THE YEAR		5,484	6,364
Attributable to:			
Owners of the company		4,258	3,628
Non-controlling interest		1,226	2,736
		5,484	6,364
Other comprehensive income (net of tax)			
Loss on cash flow hedges taken to equity		(23)	(93)
Net gain on revaluation of land and buildings		–	788
Gain on acquisition of minority interest		246	–
Exchange gain/(loss) differences on translating foreign operations		22	(157)
Income tax relating to revaluation of land and buildings		–	(129)
		245	409
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,729	6,773
Total comprehensive income attributable to:			
Owners of the company		4,498	3,778
Non-controlling interest		1,231	2,995
		5,729	6,773
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)	35	6.0	5.1
Diluted (cents per share)	35	6.0	5.1
From continuing operations:			
Basic (cents per share)	35	5.8	5.2
Diluted (cents per share)	35	5.7	5.2
Dividends per share (cents per share)	29	1.25	–

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

	Note	**30/06/2012 $'000**	30/06/2011 $'000
Assets			
Current assets			
Cash and cash equivalents	10	17,772	11,346
Trade and other receivables	11	13,953	22,826
Inventories	12	13,516	16,021
Other assets	13	2,112	2,008
Total current assets		47,353	52,201
Non-current assets			
Investments in associates	14	–	2,442
Other financial assets	16	17	1,748
Property, plant & equipment	17	3,457	3,404
Deferred tax assets	18	4,568	4,293
Intangible assets	19	3,275	2,998
Total non-current assets		11,317	14,885
Total assets		58,670	67,086
Liabilities			
Current liabilities			
Trade and other payables	21	11,853	20,124
Borrowings	22	3,082	6,088
Current tax liabilities	23	336	1,950
Provisions	24	1,994	1,968
Other liabilities	25	2,069	1,461
Total current liabilities		19,334	31,591
Non-current liabilities			
Borrowings	22	2,011	2,396
Provisions	24	414	197
Other liabilities	25	45	481
Total non-current liabilities		2,470	3,074
Total liabilities		21,804	34,665
Net assets		**36,866**	**32,421**
Equity			
Issued capital	26	16,409	16,477
Reserves	27	751	745
Retained earnings		9,799	6,181
Equity attributable to owners of the company		26,959	23,403
Non-controlling interest	28	9,907	9,018
Total equity		**36,866**	**32,421**

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Issued capital	Share option reserve	Foreign exchange translation reserve	Cash flow hedge reserve	Capital reserve	Revaluation reserve	Retained earnings	Attributable to owners of the parent entity	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	16,477	190	(277)	–	659	–	2,553	19,602	6,498	26,100
Payment of dividends (note 29)	–	–	–	–	–	–	–	–	(475)	(475)
Profit for the year	–	–	–	–	–	–	3,628	3,628	2,736	6,364
Other comprehensive income for the year (net of tax)	–	–	(96)	(55)	–	301	–	150	259	409
Total comprehensive income for the year (net of tax)	–	–	(96)	(55)	–	301	3,628	3,778	2,995	6,773
Recognition of share-based payments (note 7)	–	23	–	–	–	–	–	23	–	23
Balance at 30 June 2011	16,477	213	(373)	(55)	659	301	6,181	23,403	9,018	32,421
Payment of dividends (note 29)	–	–	–	–	–	–	(886)	(886)	(342)	(1,228)
Profit for the year	–	–	–	–	–	–	4,258	4,258	1,226	5,484
Other comprehensive income for the year (net of tax)	–	–	17	(23)	–	–	246	240	5	245
Total comprehensive income for the year (net of tax)	–	–	17	(23)	–	–	4,504	4,498	1,231	5,729
Issue of shares under dividend reinvestment plan (note 26)	200	–	–	–	–	–	–	200	–	200
Issue of shares under executive share option plan (note 26)	100	–	–	–	–	–	–	100	–	100
Share buy-back (note 26)	(368)	–	–	–	–	–	–	(368)	–	(368)
Recognition of share-based payments (note 7)	–	12	–	–	–	–	–	12	–	12
Balance at 30 June 2012	16,409	225	(356)	(78)	659	301	9,799	26,959	9,907	36,866

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers		88,313	99,021
Payments to suppliers and employees		(80,810)	(104,999)
Cash provided by/(used in) operations		7,503	(5,978)
Interest received		588	427
Proceeds from sale of fair value investments		1,839	–
Income tax paid		(2,492)	(1,141)
Interest and other costs of finance paid		(535)	(377)
Net cash provided by/(used in) operating activities	10	6,903	(7,069)
Cash flows from investing activities			
Dividends received from equity accounted investments		396	474
Payments for research and development	19	(281)	–
Payments for other intangibles	19	(18)	–
Net proceeds on sale of equity accounted investments	14	4,459	–
Net cash acquired upon acquisition of subsidiary		–	522
Proceeds on sale of property, plant & equipment		48	–
Payments for property, plant & equipment	10,17	(493)	(482)
Payments for purchase of business combination		–	(969)
Net cash provided by/(used in) investing activities		4,111	(455)
Cash flows from financing activities			
Proceeds from issue of shares	26	300	–
Proceeds from borrowings		–	6,560
Repayment of borrowings		(3,472)	(1,063)
On-market share buy-back payments	26	(368)	–
Repayment of other loans		(600)	(1,584)
Dividends paid by controlled entities to non-controlling interests		(342)	(475)
Dividend paid to owners of the company	29	(886)	–
Net cash (used in)/provided by financing activities		(5,368)	3,438
Net increase/(decrease) in cash and cash equivalents		5,646	(4,086)
Cash and cash equivalents at the beginning of the financial year		11,346	15,479
Cash held in escrow	14	775	–
Effects of exchange rate changes on the balance of cash held in foreign currencies		5	(47)
Cash and cash equivalents at the end of the financial year	10	17,772	11,346

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. General information

Tag Pacific Limited is a strategic investor and is a listed public company, incorporated and domiciled in Australia. Tag Pacific Limited is also the ultimate parent of the Tag Group (Tag Pacific Limited and its controlled entities).

The registered office and principal place of business of the company is:
Tag Pacific Limited
Level 30, Piccadilly Tower
133 Castlereagh Street
Sydney NSW 2000
Australia

2. Statement of significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements include the consolidated financial statements of the Tag Group. The financial statements were authorised for issue by the directors on 30 August 2012.

The following is a summary of the material accounting policies adopted by the Tag Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

The financial statements have been prepared on the basis of historical costs, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Tag Parent has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Tag Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates — Impairment
The Tag Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Should the projected turnover figures differ significantly from the budgeted figures incorporated in value-in-use calculations then an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2012. Goodwill and indefinite lived intangibles are tested annually in conjunction with other assets for impairment and carried at cost less accumulated impairment losses.

No impairment has been recognised in respect of goodwill and indefinite lived intangibles for the year ended 30 June 2012.

Key estimates —Provision for impairment of receivables
An estimate is made for doubtful debts when collection of the full amount of a receivable is no longer probable.

Key estimates — Construction contracts
Revenue and expenses for power related projects are characterised as construction contracts under AASB 111 and recognised in the profit or loss by reference to the stage of completion of each identifiable component for construction contracts. A fundamental condition for being able to estimate percentage of completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with the Tag Group's system for project control and that project management team has the necessary skills. Project control also includes a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, risk management and prior management of projects.

In determining revenues and expenses for construction contracts, management makes key assumptions regarding estimated revenues and expenses over the life of the contracts. Where variations are recognised in revenue, assumptions are made regarding the probability that customers will approve variations and the amount of revenue arising from variation. In respect of costs, key assumptions regarding costs to complete contracts may include estimation of labour, technical costs, impact of delays and productivity.

Accounting policies

(a) Basis of consolidation
The consolidated financial statements incorporate the financial statements of Tag Pacific Limited and entities controlled by Tag Pacific Limited (its subsidiaries). A list of subsidiaries is contained in note 15. All controlled entities have a 30 June financial year-end. Control is achieved where Tag Pacific Limited has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in consolidated profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Tag Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the parent entity disclosures in note 38 for Tag Pacific Limited, intra-group transactions ('common controlled transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Tag Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests' interest in the subsidiary's equity are allocated against the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

→ deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
→ liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payments of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
→ assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

(b) Income tax
Current tax
The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Capitalised losses are only brought to account when it is probable they will be recouped through future taxable capital gains.

(c) Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Refer to note 2(p) for the policy in relation to work in progress and construction contracts.

(d) Property, plant and equipment
Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment.

Plant and equipment
Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Tag Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Tag Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Land and buildings
Freehold land and buildings are shown at their fair value being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, based on a valuation by external independent valuers, less subsequent depreciation for buildings. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity, all other decreases are charged to profit or loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation
The depreciable amount of all fixed assets including capitalised lease assets are depreciated on a straight-line and diminishing value basis over their useful lives to the Tag Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Leasehold improvements	6-33%
Plant and equipment	5-67%
Leased plant and equipment	20-23%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(e) Leased assets
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Tag Group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term. Lease incentives under operating leases are recognised as a liability and amortised over the life of the lease term.

(f) Financial assets
Recognition
Financial assets are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these financial assets are measured as set out below.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Specifically, the financial asset forms part of a group of financial assets which is managed and its performance is evaluated on a fair value basis, in accordance with the Tag Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

Loans and receivables
Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment.

Interest income is recognised by applying the effective interest rate.

Fair value
For all quoted investments fair value is determined by reference to observable prices of market transactions for identical assets at or near the measurement date whenever that information is available. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(g) Impairment of assets
At each reporting date, the Tag Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Tag Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Investments in associates
An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

(i) Intangible assets
Goodwill
Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of controlled entities is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing (refer note 19).

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to reduce the other assets of the cash-generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

Patents and trademarks
Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

Research and development
Expenditure during the research phase of a project is recognised as an expense as incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs are amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

(j) Foreign currency transactions and balances
Functional and presentation currency
The functional currency of each of the Tag Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Tag Parent's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow hedge.

Tag Group companies
The financial results and position of foreign operations whose functional currency is different from the Tag Group's presentation currency are translated as follows:

- → assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- → income and expenses are translated at average exchange rates for the period; and
- → retained earnings are translated at the historical exchange rates.

Exchange differences arising on translation of foreign operations are transferred directly to the Tag Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated profit or loss in the period in which the operation is disposed.

(k) Employee benefits
A liability is recognised at balance date for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Tag Group to employee superannuation funds and are charged as an expense when employees have rendered service entitling them to the contributions.

(l) Provisions
Provisions are recognised when the Tag Group has a present obligation (legal or constructive), as a result of a past event, for which it is probable that the Tag Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) Provision for warranties
Provision is made in respect of the Tag Group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Tag Group's history of warranty claims.

(n) Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(o) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- → installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date; and
- → revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognised in accordance with the accounting policy set out in note 2(p).

Sale of goods
Revenue from sale of goods is recognised upon delivery of goods to customers.

Dividend, distribution and interest revenue
Dividend and distribution revenue from investments is recognised when the Tag Group's right to receive payment has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of goods and services tax (GST).

(p) Construction contracts and work in progress
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or completion of a physical proportion of the contract work, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

(q) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(r) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- → where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- → for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(s) Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(t) Derivative financial instruments
The Tag Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 37 to the financial statements.

Note 37 contains details of the fair values of the derivative instruments used for hedging purposes.

The Group enters into financial instruments to manage its exposure to foreign exchange risk, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting
The Group designates certain hedging instruments, which include derivatives as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains or losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(u) Share-based payments
Share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 33.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest.

At each reporting date, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

(v) Rounding of amounts
The Tag Parent has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000, unless otherwise indicated.

(w) Adoption of new and revised Accounting Standards
In the current year, the Tag Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

(w.1) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)
The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements that have had no effect on the amounts reported are set out in note 2(w.2).

Standards affecting presentation and disclosure

→ Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
→ Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
→ AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.
→ AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in note 34 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

Standards and Interpretations affecting the reported results or financial position
There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(w.2) Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standards affecting presentation and disclosure

→ AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the Group's consolidated financial statements.
→ AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.
→ AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
→ AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

(w.3) Standards and Interpretations in issue not yet adopted (for use with 30 June 2012 year end)
At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
→ AASB 9 'Financial Instruments', AASB 2009-11 and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
→ AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
→ AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
→ AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
→ AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
→ AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
→ AASB 119 'Employee Benefits'(2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
→ AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
→ AASB 128 'Investments in Associates and Joint Ventures'	1 January 2013	30 June 2014
→ AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
→ AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
→ AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
→ AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
→ AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014

At the date of authorisation of the financial statements, the following IASBs were also in issue but not effective, although Australian equivalent Standards have not yet been issued:

→ Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016
→ Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013	30 June 2014

	Year ended 30/06/2012 $'000	Year ended 30/06/2011 $'000

3. Revenue

The following is an analysis of the group's revenue for the year from continuing operations (excluding other revenue – refer note 4):

– Revenue from sale of goods	44,846	66,422
– Revenue from the rendering of services	1,777	1,229
– Revenue from projects and installations[a]	24,446	32,990
Total revenue	71,069	100,641

(a) Revenue from projects and installations includes revenue characterised as construction contract revenue under AASB 111 of $12.930 million (2011: $20.753 million). Construction contracts in progress are detailed in note 20.

4. Other revenue

Continuing operations

Interest revenue	639	400
Insurance recoveries	544	–
Other	254	51
Total other revenue	1,437	451

The following is an analysis of other revenue earned on financial assets by category of asset.

Loans and receivables (including cash and bank balances)	639	400
Total interest income for financial assets not designated as at fair value through profit or loss	639	400
Insurance recoveries	544	–
Other income earned on non-financial assets	254	51
	1,437	451

5. Other income/(losses)

Continuing operations

Gain on disposal of equity accounted investment (note 14)	3,029	–
Gain on disposal of other assets	26	9
Fair value loss on financial assets designated as at fair value through profit or loss	–	(125)
Fair value gain on disposal of assets designated as at fair value through profit or loss (note 16)	108	–
	3,163	(116)

6. Finance costs

Continuing operations

Finance costs		
– banks/financial institutions	517	385
– finance lease charges	45	53
	562	440

7. Profit for the year from continuing operations

The profit before income tax from continuing operations has been determined after:

	Year ended 30/06/2012 $'000	Year ended 30/06/2011 $'000
Depreciation and amortisation expense		
– Depreciation of property plant & equipment	461	375
– Amortisation of non-current assets	22	15
	483	390
Research and development expenses	46	51
Employee benefits expense		
– Post-employment benefits	1,002	898
– Short-term employee benefits	13,604	12,295
– Share-based payments	12	23
	14,618	13,216
(Write-back)/write down on bad and doubtful debts on receivables	(72)	515
(Gain)/loss on revaluation of Small Scale Technology Certificates	(36)	988
Operating lease rentals – minimum lease payments	1,086	810
Net foreign exchange loss	59	120
Write down of inventory to realisable values	–	174

Significant revenues and expenses
The following significant revenue and expense items are relevant in explaining the financial performance:

	Year ended 30/06/2012 $'000	Year ended 30/06/2011 $'000
Gain on disposal of equity accounted investment	3,029	–
Gain on disposal of other assets	26	9
Fair value gain on disposal of financial assets designated as at fair value through profit or loss	108	–
Fair value loss on financial assets designated as at fair value through profit or loss	–	(125)

	Year ended 30/06/2012 $'000	Year ended 30/06/2011 $'000

8. Income tax expense

(a) The components of income tax expense comprise:

Current tax	1,193	2,908
Deferred tax (refer note 18)	(275)	(1,057)
Over provision in respect of prior years	(3)	(563)
Income tax expense	915	1,288

(b) The prima facie tax on profit before income tax is reconciled to income tax as follows:

Prima facie tax expense on profit from continuing operations before income tax at 30% (2011: 30%)	1,855	2,305
Add tax effect of:		
– assessable items	41	43
– non-allowable items	114	87
– difference in overseas tax rates	2	–
Less tax effect of:		
– non-assessable items	–	(288)
– non-assessable gains on sale of assets not previously brought to account	(941)	–
– research and development expenditure	(197)	–
– capital losses brought to account	–	(129)
– share of net profit of associates	44	(167)
– over provision for income tax in prior year	(3)	(563)
Income tax expense attributable to the entity	915	1,288
The applicable weighted average effective tax rates are as follows:	14.8%	16.8%

The tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

9. Discontinued operations

Analysis of profit/(loss) for the year from discontinued operations
The combined results of the discontinued operations, PISL Limited and CPPL Pty Limited, included in the consolidated statement of comprehensive income are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

Profit/(loss) for the year from discontinued operations		
Revenue	159	34
	159	34
Expenses	(44)	(28)
Profit before income tax	115	6
Attributable income tax expense	–	(36)
	115	(30)
Gain on disposal of operation	100	–
Attributable income tax expense	–	–
	100	–
Profit/(loss) for the year from discontinued operations	215	(30)

Cash flows from discontinued operations		
Net cash inflows from operating activities	118	1,227
Net cash inflows from investing activities	–	–
Net cash outflows from financing activities	(132)	(2,294)
Net cash outflows	(14)	(1,067)

	30/06/2012	30/06/2011
	$'000	$'000

10. Cash & cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	30/06/2012 $'000	30/06/2011 $'000
Cash and bank balances	13,563	9,982
Short-term bank deposits	4,209	1,364
	17,772	11,346

The weighted average effective interest rate on cash and cash equivalents for the financial year ended 30 June 2012 was 4.44% (2011: 3.21%).

Cash balances not available for use	759	1,221

There was a change to finance facilities during the year and cash balances are no longer required to be held as security by financial institutions in relation to financial and performance guarantees that have been issued on behalf of the Group (refer note 22).

Cash balances not available for use during the current year relate to escrow funds in relation to the sale of Unique World Group Pty Limited being held in an interest bearing escrow account which will be released in two equal instalments on the first and second anniversaries of the transaction, subject to any warranty or other claims under the transaction documentation (refer note 14).

	Year ended 30/06/2012 $'000	Year ended 30/06/2011 $'000
Reconciliation of profit for the year to net cash flow from operating activities		
Profit from operating activities after income tax	5,484	6,364
Non-cash flows		
– amortisation	22	15
– depreciation	461	375
– changes to provisions	34	1,187
– share based payments	12	23
– share of associates operating loss/(profit) after income tax	147	(555)
– write-down of assets (relocation)	–	187
– unrealised currency losses	59	120
– other expense	104	–
Gain on sale of property, plant and equipment	(26)	(9)
Gain on sale of equity accounted investment	(3,029)	–
Gain on sale of other assets	(100)	–
Net fair value loss on financial assets	–	125
Changes in assets and liabilities		
– decrease/(increase) in receivables, prepayments and other assets	10,888	(9,468)
– decrease/(increase) in inventories	2,645	(9,133)
– (decrease)/increase in trade creditors & accruals	(7,911)	3,460
– (decrease)/increase in income tax balances	(1,887)	240
Net cash provided by/(used in) operating activities	6,903	(7,069)

	Year ended 30/06/2012 $'000	Year ended 30/06/2011 $'000
Liquidity risk management		
Financing Facilities		
Credit facilities	29,963	13,620
Amounts utilised	(7,945)	(8,732)
Unused credit facilities	22,018	4,888

Loan and non-financial facilities
Loan and non-financial facilities are arranged with a number of Australian and New Zealand banks and insurers with the general terms and conditions being set and agreed to annually.

Interest rates are variable and subject to adjustment.

Non-cash financing and investment activities
During the year the Tag Group acquired plant and equipment with an aggregate value of $39,377 (2011: $207,629) by means of finance leases and hire purchases. These acquisitions are not reflected in the consolidated statement of cash flows.

	30/06/2012 $'000	30/06/2011 $'000

11. Trade & other receivables

	30/06/2012 $'000	30/06/2011 $'000
Trade receivables	10,941	18,148
Allowance for doubtful debts	(140)	(529)
	10,801	17,619
Other debtors	664	659
Accrued revenue receivable	2,488	4,283
Amounts receivable from associates	–	265
	3,152	5,207
	13,953	22,826
Ageing of past due but not impaired		
60-90 days	179	726
90-120 days	629	662
Total	808	1,388
Average age (days)	75	54

	Year ended 30/06/2012 $'000	Year ended 30/06/2011 $'000
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	529	249
Impairment losses recognised on receivables	80	502
Amounts written off during the year as uncollectible	(301)	(190)
Amounts recovered during the year	–	49
Impairment losses reversed	(168)	(81)
Balance at the end of the year	140	529

Trade receivables decreased during the year due to a commensurate reduction in revenues from continuing operations.

The average credit period on sales of goods and rendering of services ranges from 30 to 60 days. The Tag Group has provided for receivables based on estimated unrecoverable amounts from sales of goods and rendering of services, determined by reference to the particular circumstances in relation to the debt and past default experience.

In determining the recoverability of a trade receivable, the Tag Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. There is no security held in relation to these balances.

	30/06/2012 $'000	30/06/2011 $'000
Ageing of impaired trade receivables		
90-120 days	140	529
Total	140	529

12. Inventories

Raw materials	1,377	1,515
Goods-in-transit	1,507	3,106
Finished goods	10,632	11,400
	13,516	16,021

The cost of inventories recognised as an expense during the year in respect of continuing operations was $48.5 million (2011: $74.5 million).

13. Other assets

Current		
Small Scale Technology Certificates[a]	1,675	2,789
Add/(Less): Fair value movement on certificates	36	(988)
	1,711	1,801
Prepayments	401	207
Total	2,112	2,008

(a) Initiated by the Renewable Energy (Electricity) Act 2000, Small Scale Technology Certificates (STCs) are available when a customer purchases a solar power system. One STC is equivalent to one megawatt of electricity generation. The STCs can be assigned or traded in exchange for a financial benefit. The Group initially recognises STCs at cost. At reporting date, the Group had forward sold 40,000 STCs for delivery within 6 months after year end. The value assigned to STCs on hand at year end is as follows:

- for those STCs forward sold at year end the value assigned to the STCs is the contracted forward rate with any gain or loss recognised through profit or loss; and
- all other STCs are valued at the market value at year end with any gain or loss being recognised through profit or loss.

	30/06/2012 $'000	30/06/2011 $'000

14. Investments in associates

Tagpac Securities Ltd held a 37.9% (2011: 37.9%) interest in the ordinary shares of Unique World Group Pty Limited which consisted of the Unique World and RecordPoint Software businesses. The Group's equity accounted investment in Unique World Group Pty Limited was sold on 2 December 2011 resulting in a net realised gain of $3,029,144, an equity accounted loss of $146,748 for the period and fee income of $197,897.

(a) Reconciliation of movement during the year in investment in associates:	**30/06/2012 $'000**	30/06/2011 $'000
Balance at the beginning of the financial year	2,442	2,436
(Less)/Add: Share of associate's (loss)/profit after income tax	(147)	555
Less: Dividends received	(131)	(549)
Less: Sale of associate	(2,164)	–
Balance at the end of the financial year	–	2,442

(b) Summarised financial performance:	**30/06/2012 $'000**	30/06/2011 $'000
Total revenues	7,176	12,803
Total (loss)/profit for the period before income tax	(195)	2,345
Total (loss)/profit for the period after income tax of associate	(387)	1,464
Group's share of associate's (loss)/profit before income tax	(74)	889
Group's share of associate's income tax expense	(73)	(334)
Group's share of associate's (loss)/profit after income tax	(147)	555

(c) Dividends received from associates:
During the financial year ended 30 June 2012, the Tag Group received fully franked dividends of $130,709 (2011: $549,545) from its equity accounted associates.

(d) Contingent liabilities and capital commitments:
There are no contingent liabilities or contingent assets at balance date.

There are no capital commitments at balance date.

The Group's share of other expenditure commitments of associates is disclosed in note 30.

(e) Sale of equity accounted investment:
On 2 December 2011 Tag sold its shareholding in Unique World Group Pty Limited. As a result of the sale, equity accounting of this associate ceased from this date and a net gain on sale of $3,029,144 was realised. An equity accounted loss of $146,748 was derived from 1 July 2011 to 2 December 2011.

	A$'000
Net proceeds received in respect of settlement	4,459
Escrow funds at settlement[(i)]	759
Total proceeds on disposal of associate interest	5,218
Less: accrued costs in respect of disposal of associate interest	(25)
Less: carrying amount of investment on disposal	(2,164)
Gain recognised on disposal of associate interest	3,029

(i) Escrow funds represent restricted cash balance funds being held in an interest bearing escrow account which will be released in two equal instalments on the first and second anniversaries of the transaction, subject to any warranty or other claims under the transaction documentation. At 30 June 2012 escrow funds held (including accrued interest income) totalled $775,360.

15. Subsidiaries

Details of the Group's subsidiaries at 30 June 2012 are as follows:

Entity	Place of incorporation	Class of share	% Owned 2012	% Owned 2011
Comprador Pacific Unit Trust[(a)]	Australia	units	–	51
CPPL Pty Limited[(b)]	Australia	ord	–	51
Electro Securities Pty Limited	Australia	ord	100	100
Fibumi Pty Ltd	Australia	ord	100	100
MPower Business Services Pty Limited[(d)]	Australia	ord	59	–
MPower Group Pty Limited	Australia	ord	59	59
MPower Nominees Pty Limited[(c)]	Australia	ord	59	59
MPower Products Pty Limited[(c)]	Australia	ord	59	59
MPower Projects Pty Limited[(c)]	Australia	ord	59	59
MPower Solar Systems Pty Limited[(c)]	Australia	ord	59	59
Power Property Nominees Pty Ltd	Australia	ord	75	75
Power Property Unit Trust	Australia	units	55	55
ShareCover Pty Limited	Australia	ord	100	100
ShareCover Services Pty Limited	Australia	ord	100	100
Tagpac Financial Services Pty Limited	Australia	ord	100	100
Tagpac Securities Ltd	Australia	ord	100	100
Techno Holdings Pty Limited	Australia	ord/pref	100/100	100/100
Flatbat Ltd	New Zealand	ord	100	100
MPower Pacific Limited[(c)(e)]	New Zealand	ord	59	59
PISL Limited	New Zealand	ord	100	100
Spedding Ltd	New Zealand	ord	100	100

Companies incorporated in New Zealand carry on business primarily in that country. Percentages have been rounded.

(a) On 2 February 2012 there was a redemption of units in the Comprador Pacific Unit Trust held by non-controlling interests. As a consequence of the redemption of units, Tag's interest in the Comprador Pacific Unit Trust increased from 51% to 100%. On 29 February 2012 the Trust was terminated.

(b) On 2 February 2012 there was a transfer of shares from non-controlling interests which increased Tag's interest in CPPL Pty Limited from 51% to 100%. On 30 May 2012 CPPL Pty Limited was deregistered.

(c) There were a number of name changes to entities within the MPower Group during the year, MPower Products Pty Limited was formerly known as M+H Power Systems Pty Ltd, MPower Pacific Limited was formerly known as M+H Power Systems Ltd, MPower Projects Pty Limited was formerly known as Advanced Power Pty Ltd, MPower Solar Systems Pty Limited was formerly known as Solaris Technology Pty Ltd and MPower Nominees Pty Limited was formerly known as Advanced Power Southern Pty Ltd.

(d) MPower Business Services Pty Ltd was incorporated on 27 September 2011.

(e) MPower Pacific Limited established a branch in Fiji on 15 November 2011.

	30/06/2012 $'000	30/06/2011 $'000

16. Other financial assets

Investments designated as at fair value through profit or loss		
Shares in listed corporations	17	1,748
	17	1,748
Non-current	17	1,748

Financial assets designated as at fair value through profit or loss. The fair value of shares in listed corporations was determined by reference to quoted market values. The financial assets have been classified in this manner as this group of assets is managed and its performance is evaluated monthly on a fair value basis in accordance with an investment strategy.

The Group's investment in iSoft Group Limited was sold on 18 July 2011 for $1,838,875 resulting in a net realised gain of $108,169.

17. Property, plant & equipment

Cost or valuation	5,893	5,391
Accumulated depreciation	(2,436)	(1,987)
	3,457	3,404
Plant & equipment	1,197	1,102
Leasehold improvements	175	148
Capitalised leased assets	319	362
Land & buildings	1,766	1,792
	3,457	3,404

Cost	**Plant & equipment at cost** $'000	**Leasehold improvements at cost** $'000	**Capitalised leased assets at cost** $'000	**Land & buildings at fair value** $'000	**Total** $'000
Balance at 1 July 2010	3,171	237	26	1,054	4,488
Additions from continuing operations	557	150	189	–	896
Additions through business combinations	104	6	210	–	320
Revaluation of assets	–	–	–	751	751
Other disposals	(848)	(206)	–	–	(1,054)
Effect of foreign currency exchange differences	(10)	–	–	–	(10)
Balance at 30 June 2011	2,974	187	425	1,805	5,391
Additions from continuing operations	428	65	39	–	532
Additions from business combinations	–	–	–	–	–
Revaluation of assets	–	–	–	–	–
Other disposals	–	–	(35)	–	(35)
Effect of foreign currency exchange differences	5	–	–	–	5
Balance at 30 June 2012	3,407	252	429	1,805	5,893

Accumulated depreciation	**Plant & equipment**	**Leasehold improvements**	**Capitalised leased assets**	**Land & buildings at fair value**	**Total**
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	(2,244)	(148)	(8)	(25)	(2,425)
Eliminated on disposals of assets	650	206	–	–	856
Impairment (losses)/reversals	–	(90)	–	39	(51)
Depreciation expense from continuing operations	(286)	(7)	(55)	(27)	(375)
Depreciation expense from discontinued operations	8	–	–	–	8
Balance at 30 June 2011	(1,872)	(39)	(63)	(13)	(1,987)
Eliminated on disposals of assets	–	–	12	–	12
Impairment (losses)/reversals	–	–	–	–	–
Depreciation expense from continuing operations	(338)	(38)	(59)	(26)	(461)
Depreciation expense from discontinued operations	–	–	–	–	–
Balance at 30 June 2012	(2,210)	(77)	(110)	(39)	(2,436)
Net Balance at 30 June 2012	1,197	175	319	1,766	3,457
Net Balance at 30 June 2011	1,102	148	362	1,792	3,404

Assets pledged as security
The Group's freehold land and buildings are measured on a fair value basis. The freehold land and buildings have been pledged as security for bank loans under a mortgage that was used to acquire the land and buildings. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. Buildings are depreciated at the rate of 2% per year.

	30/06/2012	30/06/2011
	$'000	$'000

Freehold land and buildings carried at fair value
An independent valuation of the Group's land and buildings was performed by Rann Property AdVal during October 2010 to determine the fair value of the land and buildings. The valuation which conforms to International Valuation Standards, was determined by reference to market transactions on arm's length term. Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

Land and buildings	977	1,004

18. Taxation

Current tax liabilities

Income tax attributable to entities in the consolidated group	336	1,950

Deferred tax balances

Deferred tax assets arise from the following:

	Opening balance	**Recognised in profit or loss**	**Closing balance**
	$'000	$'000	$'000
Tag Group 2012 year			
Temporary differences			
Intangible asset	3	–	3
Doubtful debts provision	159	(117)	42
Long service leave provision	210	102	312
Annual leave provision	276	53	329
Warranty provision	56	25	81
Stock provision	175	(43)	132
Other provisions and accruals	370	(294)	76
	1,249	(274)	975
Unused tax losses and credits	3,044	549	3,593
	4,293	275	4,568

	Opening balance	Recognised in profit or loss	Closing balance
	$'000	$'000	$'000
Tag Group 2011 year			
Temporary differences			
Intangible asset	3	–	3
Doubtful debts provision	53	106	159
Long service leave provision	149	61	210
Annual leave provision	200	76	276
Warranty provision	27	29	56
Stock provision	69	106	175
Other provisions and accruals	57	313	370
	558	691	1,249
Unused tax losses and credits	2,678	366	3,044
	3,236	1,057	4,293

	30/06/2012	30/06/2011
	$'000	$'000
Deferred tax assets not brought to account which will only be realised if the conditions for deductibility set out in note 2 occur		
– capital losses	3,981	3,993
	3,981	3,993

19. Intangible assets

Cost	3,880	3,581
Accumulated amortisation	(605)	(583)
	3,275	2,998

Cost	**Capitalised development costs**	**Goodwill**	**Trademarks**	**Other**	**Total**
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	314	1,667	267	37	2,285
Additions	–	–	2	19	21
Additions from business combinations	–	1,275	–	–	1,275
Balance at 30 June 2011	314	2,942	269	56	3,581
Additions	–	–	–	299	299
Balance at 30 June 2012	314	2,942	269	355	3,880

Accumulated amortisation	**Capitalised development costs**	**Goodwill**	**Trademarks**	**Other**	**Total**
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	(314)	–	(221)	(33)	(568)
Amortisation expense	–	–	(10)	(5)	(15)
Balance at 30 June 2011	(314)	–	(231)	(38)	(583)
Amortisation expense	–	–	(10)	(12)	(22)
Balance at 30 June 2012	(314)	–	(241)	(50)	(605)
Net balance at 30 June 2012	–	2,942	28	305	3,275
Net balance at 30 June 2011	–	2,942	38	18	2,998

The current amortisation charges for intangible assets are included under note 7. Goodwill has an indefinite life reviewed annually for any signs of impairment.

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period. The cash flows are discounted using weighted average cost of capital disclosed below.

Goodwill is allocated to the Tag Group's cash-generating units identified according to business segment and country of operation for impairment testing purposes. Goodwill has been allocated to the investment in the power sector which is a reportable segment. The carrying amount of goodwill allocated to each cash-generating unit is within the power sector.

At reporting date all the goodwill recognised has arisen from acquisitions of businesses which were purchased as going concerns. These businesses continue to be operated and there are no plans to cease any part of the operations.

The following assumptions were used in the value-in-use calculations for goodwill which was allocated to the cash generating unit:

	Growth rate	**Discount rate**
MPower Products Pty Ltd	3%	14%
MPower Projects Pty Ltd	3%	15%
MPower Solar Systems Pty Ltd	3%	15%

The value-in-use calculations have been based on budgets for entities within the MPower Group. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which is consistent with inflation rates applicable to the locations in which entities within the MPower Group operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with entities within the MPower Group.

	30/06/2012 $'000	30/06/2011 $'000

20. Construction contracts

	30/06/2012 $'000	30/06/2011 $'000
Contracts in progress		
Recognised and included in the financial statements as amounts due:		
From customers under construction contracts	2,449	4,283
To customers under construction contracts	(1,083)	(497)
	1,366	3,786
Retentions on construction contracts in progress	112	89
Advances received and receivable on construction contracts in progress	1,084	497
Accrued revenue on construction contracts in progress	2,488	4,283
Accrued costs on construction contracts in progress	410	2,188

The above relates to power projects that are characterised as construction contract revenue under AASB 111.

Revenue from construction contracts is detailed in note 3.

21. Trade & other payables

	30/06/2012 $'000	30/06/2011 $'000
Current unsecured liabilities		
– trade payables	8,606	14,032
– sundry payables and accrued expenses	3,247	6,092
	11,853	20,124

The general policy for subsidiaries within the Tag Group with foreign currency exposure arising from cross border trading is to hedge between 50% and 100% of the exposure.

The credit period on purchases from overseas suppliers ranges from 30 to 90 days. No interest is charged on trade payables paid within the relevant supplier term. Average credit periods for local purchases range from 7 to 30 days.

	30/06/2012 $'000	30/06/2011 $'000

22. Borrowings

Current		
– bank facilities (secured)	2,986	5,943
– finance lease liabilities (secured) (refer note 30)	96	145
	3,082	6,088
Non-current		
– bank facilities (secured)	1,713	2,001
– finance lease liabilities (secured) (refer note 30)	298	395
	2,011	2,396

Bank facilities are fully secured by registered mortgage debentures given by controlled entities over their assets. The total carrying amounts of assets pledged as security are $44,506,019 (2011: $55,763,731).

Summary of borrowing and financial facility arrangements
The covenants and specific conditions which apply to the bank facilities are as follows:
(a) For the Power Property Unit Trust which represents $1.1 million of the bank borrowings (charged at an interest rate of 7.5%) there are no financial covenants.
(b) For the MPower Group (and subsidiaries) which represents $4.0 million of the borrowings (charged at an interest rate of 7.2%) there is a requirement that for each quarter ending September, December, March and June on a 12 month rolling basis that:
– the leverage ratio is no greater than 3.0 times;
– the interest cover ratio is no less than 3.0 times; and
– the gearing ratio is no greater than 2.25 times.

The above banking conditions apply to all finance facilities provided by St. George Bank to the MPower Group.

There were no breaches of any covenants at 30 June 2012 (2011: nil).

The lease liabilities are secured by the leased assets as disclosed in note 17.

23. Current tax liabilities

Income tax payable	336	1,950

24. Provisions

Employee benefits[(a)]	2,138	1,978
Warranties[(b)]	270	187
	2,408	2,165
Current	1,994	1,968
Non-current	414	197
	2,408	2,165
Warranties		
– Opening balance at beginning of year	187	91
– Additional provisions raised during year	83	128
– Amounts used	–	(32)
– Balance at end of year	270	187

(a) The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees. A provision has been recognised for employee entitlements relating to long service leave. The calculation for the present value of future cash flows in respect of long service leave is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in note 2.
(b) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Tag Group's warranty program for certain products sold. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

25. Other liabilities

	30/06/2012 $'000	30/06/2011 $'000
Current		
Advance receipts from sale of business assets	–	101
Deferred consideration payable	561	569
Construction contract advances received	1,084	497
Forward exchange contract liability	273	180
Lease incentive	16	5
Customer deposits in advance	135	109
	2,069	1,461
Non-current		
Deferred consideration payable	–	481
Lease incentive	45	–
	45	481

26. Issued capital

	30/06/2012 $'000	30/06/2011 $'000
70,680,636 (2011: 70,606,864) fully paid ordinary shares	16,409	16,477

	Number of shares '000	Share capital $'000
Balance at 1 July 2010	70,607	16,477
Shares issued during the year[a]	–	–
Balance at 30 June 2011	70,607	16,477
Shares issued during the year[a]	1,607	300
Shares bought back[b]	(1,533)	(368)
Balance at 30 June 2012	70,681	16,409

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value in respect of the issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each is entitled to one vote for each share held.

(a) 750,240 fully paid ordinary shares were issued on 5 October 2011 pursuant to the company's Dividend Reinvestment Plan with an issue price of $0.155 per ordinary share. 356,515 fully paid ordinary shares were issued on 26 March 2012 pursuant to the company's Dividend Reinvestment Plan with an issue price of $0.235 per ordinary share. 500,000 fully paid ordinary shares were issued on 1 June 2012 on the exercise of unlisted options granted under the company's Executive Share Option Plan with an issue price of $0.20 per ordinary share.

(b) During the financial year, an on-market share buy-back facility was in place. To date 1,532,983 shares have been purchased for $368,541 under this facility.

27. Reserves

	30/06/2012 $'000	30/06/2011 $'000
Capital reserve[a]	659	659
Revaluation reserve[b]	301	301
Share option reserve[c]	225	213
Foreign currency translation reserve[d]	(356)	(373)
Cash flow hedge reserve[e]	(78)	(55)
	751	745

	30/06/2012 $'000	30/06/2011 $'000
(a) Capital reserve		
Balance at beginning of the year	659	659
Revaluation of capital assets during the year	–	–
Balance at end of the year	659	659

The capital reserve records a capital profit from the realisation and revaluation of a non-current asset.

	30/06/2012 $'000	30/06/2011 $'000
(b) Revaluation reserve		
Balance at beginning of the year	301	–
Revaluation of property during the year net of tax	–	301
Balance at end of the year	301	301

The revaluation reserve records a revaluation of land and buildings (refer note 17).

	30/06/2012 $'000	30/06/2011 $'000
(c) Share option reserve		
Balance at beginning of the year	213	190
Share based payments for the year	12	23
Balance at end of the year	225	213

The share option reserve records items recognised as expenses in relation to executive share options.

	30/06/2012 $'000	30/06/2011 $'000
(d) Foreign currency translation reserve		
Balance at beginning of the year	(373)	(277)
Exchange differences arising on translating the foreign operations	17	(96)
Balance at end of the year	(356)	(373)

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities.

	30/06/2012 $'000	30/06/2011 $'000
(e) Cash flow hedge reserve		
Balance at beginning of the year	(55)	–
Cash flow hedges movements for the year net of tax	(23)	(55)
Balance at end of the year	(78)	(55)

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items in the consolidated statement of comprehensive income statement:

	30/06/2012 $'000	30/06/2011 $'000
Other expenses	(85)	(87)
Income tax expense	26	26
	(59)	(61)

28. Non-controlling interest in controlled entities

	30/06/2012 $'000	30/06/2011 $'000
Non-controlling interest comprises		
– capital	1,209	1,325
– profits	8,698	7,693
	9,907	9,018

	30/06/2012 $'000	30/06/2011 $'000

29. Dividends

Recognised amounts		
Dividends totalling 1.25 cents per share franked to 100% at the tax rate of 30% were paid during the 2012 year (2011: no dividend was paid)	886	–
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from payment of dividends	460	588

Refer to note 36 for dividends proposed to be paid in relation to the Integration Proposal.

30. Capital and leasing commitments

Operating lease commitments
Operating leases are non-cancellable property leases with varying terms, with variable renewable options and contingent rental provisions.

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
– not later than one year	1,231	1,218
– later than one year but not later than five years	1,932	2,159
	3,163	3,377

Group's share of operating lease commitments of associates
Operating leases are non-cancellable property leases with varying terms up to six years, with variable renewable options and contingent rental provisions.

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
– not later than one year	–	161
– later than one year but not later than five years	–	191
	–	352

Finance lease commitments
Finance leases relate principally to motor vehicles with terms up to three years typically with a 25% residual value

Payable		
– not later than one year	128	181
– later than one year but not later than five years	330	453
Minimum lease payments	458	634
Less: future finance charges	(64)	(94)
Present value of minimum lease payments	394	540

Group's share of finance lease commitments of associates
Finance leases relate principally to computer equipment with terms up to four years typically with a 25% residual value

Payable		
– not later than one year	–	39
– later than one year but not later than five years	–	42
Minimum lease payments	–	81
Less: future finance charges	–	(1)
Present value of minimum lease payments	–	80

There was no share of finance lease commitments of associates at year end as the equity accounted investment was sold during the year (refer note 14).

31. Segment information

(a) Products and services from which reportable segments derive their revenue
Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under AASB 8 are therefore as follows:

→ Power investments – consists of MPower Group Pty Limited, MPower Business Services Pty Ltd, MPower Products Pty Ltd, MPower Pacific Ltd, MPower Projects Pty Ltd, MPower Solar Systems Pty Ltd and MPower Nominees Pty Ltd (all 59.3% owned at 30 June 2012). This grouping is a leading provider of innovative and dependable power solutions for use in all manner of emergency, back-up, generated and renewable power situations in Australia, New Zealand and the Pacific Islands.
→ Fair value investments – consists principally of Tag's investment in iSoft Group Limited which was sold on 18 July 2011.
→ Other investments – consists principally of Tag's investments in Unique World Group Pty Limited (which was sold on 2 December 2011) and the Power Property Unit Trust. The Power Property Unit Trust owns a property occupied by MPower Group Pty Limited in Melbourne, Victoria.

(b) Segment revenues and results
The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Continuing operations				
Power investments	71,923	100,997	4,969	9,673
Fair value investments	–	–	108	(108)
Other investments	775	279	2,935	73
Total for continuing operations	72,698	101,276	8,012	9,638
Less: elimination on consolidation	(192)	(184)	–	–
Total for continuing operations	72,506	101,092	8,012	9,638
Share of (loss)/profit of associates			(147)	555
Depreciation and amortisation expense			(483)	(390)
Finance costs			(562)	(440)
Unallocated costs			(636)	(1,681)
Profit before income tax (from continuing operations)			6,184	7,682
Discontinued operations				
Building products investments	159	34	215	(2)
Total for discontinued operations	159	34	215	(2)
Finance costs			–	8
Profit before income tax (from discontinued operations)			215	6
Consolidated segment profit for the period			6,399	7,688

Revenue reported above represents revenue generated from external customers. The only inter-segment sale during the year was rental income charged by the other investments segment to the power investments segment of $191,138 which was eliminated on consolidation (2011: $184,564).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, depreciation and amortisation costs, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	30/06/2012 $'000	30/06/2011 $'000
(c) Segment assets and liabilities		
Segments Assets		
Power investments	43,366	53,868
Fair value investments	17	1,731
Other investments	1,933	4,335
Total segment assets	45,316	59,934
Unallocated assets	13,353	6,458
Assets (mainly cash) relating to discontinued operations	1	694
Consolidated assets	58,670	67,086

All assets are allocated to reportable segments. There are no assets used jointly by reportable segments.

Segments Liabilities		
Power investments	20,066	32,948
Fair value investments	–	–
Other investments	1,097	1,098
Total segment liabilities	21,163	34,046
Unallocated liabilities	641	509
Liabilities relating to discontinued operations	–	110
Consolidated liabilities	21,804	34,665

For the purposes of monitoring performance and allocating resources between segments:
(a) All assets are allocated to reportable segments. There are no assets used jointly by reportable segments.
(b) All liabilities are allocated to reportable segments. There are no liabilities for which reportable segments are jointly liable.

(d) Other segment information

	Depreciation and amortisation		**Additions to non-current assets**	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Power investments	445	347	822	2,506
Fair value Investments	–	–	–	–
Unallocated	38	43	9	6
	483	390	831	2,512

(e) Revenue from major products and services
The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	2012 $'000	2011 $'000
Power investments – project and installations revenue[(a)]	24,446	32,990
Power investments – other revenue[(b)]	47,477	68,007
	71,923	100,997

(a) Project and installations revenue includes revenue characterised as construction contract revenue under AASB 111 of $12.930 million (2011: $20.753 million).
(b) Other revenue relates to the sale of goods and rendering of services.

(f) Geographical information
The investment in the power sector has business segments located across Australia and New Zealand (incorporating the Pacific Islands). Specifically, geographical segments consist of branches across Australia in New South Wales, Victoria, Queensland, Western Australia, South Australia and Tasmania. The New Zealand segment includes branches in Auckland, Wellington and Christchurch.

There are only minor exports made to other countries.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Australia	66,508	94,808	11,218	14,786
New Zealand	5,998	6,284	99	99
	72,506	101,092	11,317	14,885

(g) Information about major customers
Included in revenues arising from power projects and installation revenue of $12.930 million are revenues of approximately $3.9 million which arose from sales to the Group's largest customer.

32. Auditor's remuneration

	2012	2011
	$	$
Remuneration of the auditor of Tag Group:		
Deloitte Touche Tohmatsu		
– Auditing or reviewing financial statements	202,725	235,885
– Taxation services	3,863	3,856
Total	206,588	239,741

33. Employee benefits

Executive Share Option Plan
The following share-based payment arrangement existed at 30 June 2012.

Under the Tag Pacific Limited Executive Share Option Plan, the remuneration committee may offer options to executives having regard to their length of service with the group, the contribution made to the Tag Group by the executive, the potential contribution of the executive and any other matters considered relevant.

The maximum number of options that can be on issue at any time is 5% of the shares on issue at that time. In addition, the maximum number of options that can be issued to any one executive is 1,250,000.

An option may be exercised, if vested, by the relevant participant lodging a Notice of Exercise of Option and Application for Shares, together with the exercise price for each share to be issued on exercise. Options may only be exercised by a participant at the times and in the numbers and subject to the satisfaction of any conditions set by the remuneration committee at the time of the offer of the options. The remuneration committee may stipulate that options may only be exercised if the company achieves stipulated performance benchmarks.

An option not exercised will lapse on the expiry of the exercise period or if the executive to whom the option was offered ceases to be engaged by the company due to resignation or retirement. Unless the remuneration committee determines otherwise, options may not be transferred.

There were 600,000 options granted under the Tag Pacific Limited Executive Share Option Plan in the year to 30 June 2012 (2011: 1,000,000 options).

	Tag Group		**Weighted average exercise price**	
	2012	2011	**2012**	2011
	No.	No.	**$**	$
Movement in the number of share options held by executives are as follows:				
Opening balance	2,313,333	1,453,333	0.29	0.35
Granted during the year	600,000	1,000,000	0.20	0.20
Lapsed/exercised during the year	(1,233,333)	(140,000)	0.29	0.32
Balance at end of the year	**1,680,000**	**2,313,333**		

Details of the options on issue at year end were as follows:

Grant date	Expiry date	Exercise price	Fair value at grant date	Number of options
31 August 2007	31 August 2012	$0.39	$0.11	90,000
31 August 2007	31 August 2012	$0.45	$0.09	200,00
17 November 2008	17 November 2013	$0.24	$0.06	90,000
17 November 2008	17 November 2013	$0.30	$0.05	200,00
4 March 2011	4 March 2016	$0.20	$0.02	750,000
11 August 2011	11 August 2016	$0.20	$0.02	350,000
			Total	**1,680,000**

During the year ended 30 June 2012, 500,000 ordinary shares in Tag Pacific Limited were issued on the exercise of options granted under the Tag Pacific Limited Executive Share Option Plan. No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

During the year 733,333 share options lapsed.

The options outstanding at 30 June 2012 had a weighted average exercise price of $0.25 and a weighted average remaining contracted life of 1.79 years. Exercise prices range from $0.20 to $0.45 each in respect of options outstanding at 30 June 2012. The weighted average fair value of the options granted during the year was $0.02 per option.

The fair value of options issued during the year was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.20
Weighted average life of the option	5 years
Underlying share price at issue date	$0.12
Expected share price volatility	28%
Risk free interest rate	6%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of potential future movements, which may not eventuate.

Included under employee benefits expense in the statement of comprehensive income is an expense of $12,400 (2011: $23,076) relating in full to equity-settled share-based payment transactions.

34. Related parties

Parent entity
The parent entity and ultimate parent entity of the group is Tag Pacific Limited.

Controlled entities
Information relating to controlled entities is set out in note 15.

Director related entities
Peter Wise has a controlling interest in Anthony Australia Pty Ltd through family interests. Anthony Australia Pty Ltd effected a net increase of 75,500 (2011: 2,000,000) ordinary shares in Tag Pacific Limited during the year under review. Anthony Australia Pty Ltd has received management fees for services rendered during the year. These fees are included in the remuneration of directors' disclosures in the Directors' Report. Anthony Australia Pty Ltd did not receive share options during the year under the Tag Group's Executive Share Option Plan (2011: 400,000).

Directors
The names of the directors of the Tag Group during the year under review are Peter Wise, Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary Weiss. Information on the remuneration of directors and their respective periods of service is set out in the Directors' Report. Information on directors' interests in shares is detailed in the Directors' Report.

Transactions with related parties
(a) Associated companies
Associated companies paid directors fees of $4,167 to Tag Pacific Limited during the year (2011: $10,000). These services were provided on an arm's length basis.

(b) Key management personnel
The names and positions held by key management personnel of the Tag Group who have held office during the financial year are:
→ Peter Wise – Chairman (executive)
→ Gary Cohen – Non-executive Director
→ Robert Constable – Non-executive Director
→ Robert Moran – Non-executive Director
→ Richard Peterson – Non-executive Director
→ Gary Weiss – Non-executive Director
→ Nathan Wise – Head of Corporate Development and Company Secretary
→ John Marinos – Head of Finance
→ Paul Sharp – Managing Director, MPower Products
→ Anthony Csillag – Managing Director, MPower Projects

The aggregate compensation made to directors and other key management personnel of the parent entity and consolidated group are set out below:

	Tag Group 2012 $	2011 $
Short-term employee benefits	1,781,693	1,628,656
Post-employment benefits	84,734	80,404
Other payments	22,832	14,120
Share based payments	12,400	23,076
	1,901,659	1,746,256

Key management personnel remuneration has been included in the remuneration section of the Directors' Report.

(c) Key management personnel equity holdings

Key management personnel and key management personnel-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in Tag Pacific Limited:

2012	**Balance at 1 July 2011** No.	**Net other change** No.	**Balance at 30 June 2012** No.
Peter Wise[1] / Nathan Wise[1]	34,959,482	75,500	35,034,982
Gary Cohen	843,659	136,833	980,492
Robert Constable	200,000	–	200,000
Robert Moran	557,772	544,751	1,102,523
Richard Peterson	1,214,049	85,826	1,299,875
Gary Weiss	250,000	–	250,000
John Marinos	369,496	540,000	909,496
Paul Sharp	82,250	20,000	102,250
Anthony Csillag	20,000	204,966	224,966
	38,496,708	**1,607,876**	**40,104,584**

2011	**Balance at 1 July 2010** No.	**Net other change** No.	**Balance at 30 June 2011** No.
Peter Wise[1] / Nathan Wise[1]	32,959,482	2,000,000	34,959,482
Gary Cohen	5,728,278	(4,884,619)	843,659
Robert Constable	200,000	–	200,000
Robert Moran	557,772	–	557,772
Richard Peterson	1,214,049	–	1,214,049
Gary Weiss	250,000	–	250,000
John Marinos	11,350	358,146	369,496
Paul Sharp	82,250	–	82,250
Anthony Csillag	20,000	–	20,000
	41,023,181	**(2,526,473)**	**38,496,708**

1. Peter Wise and Nathan Wise are directors of Anthony Australia Pty Ltd which had a relevant interest in 35,034,982 ordinary shares in Tag Pacific Limited at 30 June 2012.

(d) Share options in Tag Pacific Limited

2012	**Balance at 1 July 2011** No.	**Granted as compensation** No.	**Lapsed/ exercised** No.	**Balance at 30 June 2012** No.	**Vested but not exercisable** No.	**Vested and exercisable** No.
Peter Wise	1,200,000	–	(400,000)	800,000	–	800,000
Nathan Wise	568,333	350,000	(128,333)	790,000	–	790,000
John Marinos	545,000	250,000	(705,000)	90,000	–	90,000
	2,313,333	**600,000**	**(1,233,333)**	**1,680,000**	**–**	**1,680,000**

2011	Balance at 1 July 2010	Granted as compensation	Lapsed	Balance at 30 June 2011	Vested but not exercisable	Vested and exercisable
	No.	No.	No.	No.	No.	No.
Peter Wise	800,000	400,000	–	1,200,000	–	1,200,000
Nathan Wise	288,333	350,000	(70,000)	568,333	–	518,333
John Marinos	365,000	250,000	(70,000)	545,000	–	495,000
	1,453,333	**1,000,000**	**(140,000)**	**2,313,333**	**–**	**2,213,333**

All share options issued to key management personnel were made in accordance with the provisions of the Executive Share Option Plan. Further details of the Tag Pacific Limited Executive Share Option Plan and of share options granted during the 2012 and 2011 financial years are included in note 33 to the financial statements.

35. Earnings per share

	2012	2011
	cents per share	cents per share
Basic earnings per share		
From continuing operations	5.8	5.2
From discontinued operations	0.2	(0.1)
Total basic earnings per share	6.0	5.1
Diluted earnings per share		
From continuing operations	5.7	5.2
From discontinued operations	0.3	(0.1)
Total diluted earnings per share	6.0	5.1

	2012	2011
	$'000	$'000
Reconciliation of earnings to net profit		
Net profit after income tax	5,484	6,364
Net profit attributable to non-controlling interests	1,226	2,736
Earnings used in the calculation of basic and diluted earnings per share	4,258	3,628
Weighted average number of shares used in the calculation of basic earnings per share	70,643,750	70,606,864
Weighted average number of shares used in the calculation of diluted earnings per share	71,238,750	70,606,864

1,190,000 options were dilutive for the purposes of determining diluted EPS for the year ended 30 June 2012.

There were 490,000 options on issue at year end that have not been considered dilutive for the purposes of determining diluted EPS for the year ended 30 June 2012.

36. Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Tag Group, the results of those operations, or the state of affairs of the Tag Group in future financial years with the exception of the following.

On 9 July 2012 Tag announced an offer to acquire all the shares in MPower Group Pty Limited not currently owned by Tag, with the intention of the MPower Group becoming a 100% owned subsidiary of Tag (the 'Integration Proposal'). At the date of the report, the integration is still subject to Tag shareholder approval. It is intended that a shareholder meeting will be held on 14 September 2012 at which Tag shareholders will be asked to approve the issue of new Tag shares under the Integration Proposal. Should the share issue be approved, Tag will issue approximately 23 million new Tag shares to the MPower minority shareholders in exchange for 41% of MPower shares not currently owned by Tag. The new issue of shares will substantially expand Tag's capital base and the incoming MPower minority shareholders will hold approximately 24.5% of the expanded capital base.

For the purposes of the Integration Proposal, MPower has been valued at approximately $22.8 million, based on its net asset value at 31 December 2011. MPower will pay a cash dividend totalling $1.3 million to its shareholders (including Tag) prior to completion of the Integration Proposal.

In order to facilitate the Integration Proposal, two capital management initiatives are being proposed, namely the Loyalty Option Issue and the Dividend each of which are referred to below. Neither the Loyalty Option Issue nor the Dividend will be implemented unless all conditions to which the Integration Proposal is subject have been satisfied prior to the relevant record dates. The new Tag shares to be issued to the MPower minority shareholders will not be entitled to participate in either of the capital management initiatives.

Capital Management Initiative 1: If the Loyalty Option Issue proceeds, shareholders will receive a prospectus for the issue of the options, which is expected to be posted to the Company's shareholders in early October 2012. Each shareholder at the relevant record date (which is expected to be in late September 2012) will be issued one option for no consideration, for each 7 shares held at the record date (rounded down). Each option will entitle the holder to acquire one share at an exercise price of $0.20. The options will expire 5 years after the date of issue of the options and will be able to be exercised at any time during that 5 year period. The Company will apply for the options to be listed on the ASX.

Capital Management Initiative 2: If the declaration and payment of a fully franked dividend of 5.0 cents per share to the Company's shareholders (the 'Dividend') proceeds the dividend would comprise a 1.0 cent per share ordinary dividend component in respect of the year to 30 June 2012 and a 4.0 cent per share special dividend component. The Company's dividend reinvestment plan would not operate in respect of the Dividend. The record date for the Dividend is expected to be in late September 2012.

At the date of this report all minority shareholders of MPower have accepted the Integration Proposal and a notice of meeting has been dispatched for a meeting of Tag shareholders to be held on 14 September 2012 to vote on the issue of shares to the MPower minority shareholders.

37. Financial instruments

(a) Capital risk management
The Tag Group manages its capital to ensure that entities in the Tag Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. This strategy remains unchanged from 2011.

The capital structure of the Tag Group consists of cash and cash equivalents, debt (including the borrowings disclosed in note 22), and equity attributable to equity holders of the Tag Parent, comprising issued capital (disclosed in note 26), reserves (disclosed in note 27) and retained earnings. The Tag Group also utilises certain off-balance sheet bank financing arrangements, including documentary credit facilities, bank overdraft facilities and import trade finance facilities to facilitate the purchase of goods from overseas suppliers and the provision of performance guarantees to customers. The Tag Group operates internationally through subsidiary companies established in New Zealand and a branch in Fiji. None of the Tag Group entities are subject to externally-imposed capital requirements other than those specific bank covenants and conditions referred to under note 22. Operating cash flows are used to maintain and expand the group's manufacturing and distribution assets, as well as to make routine outflows of tax, dividends and repayment of maturing debt.

Gearing ratio
The Tag Group's senior management reviews the capital structure on a semi-annual basis. As part of this review, senior management considers the cost of capital and the risks associated with each class of capital. The Tag Group has a target gearing ratio in line with the industry custom that is determined as a proportion of net debt to equity. The Tag Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year-end was as follows:

	2012	2011
	$'000	$'000
Debt(i)	5,093	8,484
Cash and cash equivalents	(17,772)	(11,346)
Net (cash)/debt	(12,679)	(2,862)
Equity(ii)	36,866	32,421
Net (cash)/debt to equity ratio	(34.4%)	(8.8%)

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 22.
(ii) Equity includes all capital, reserves and non-controlling interests.

(b) Categories of financial instruments

	2012	2011
Financial assets		
Loans and receivables	13,953	22,826
Cash and cash equivalents	17,772	11,346
Fair value investments	17	1,748
Financial liabilities		
Amortised cost	18,998	30,436

There were performance guarantee contracts and surety bonds in respect of construction contracts of $2,068,306 at the end of the financial year (2011: $3,666,693). The performance guarantees were provided in the ordinary course of business and at the end of the year it was not probable that the counterparty to any of the performance guarantee contracts will claim under the contract. As fair value was considered to be nil consequently, the amount included in the above table is nil.

(c) Financial risk management objectives
The Tag Group's corporate treasury function provides services to the business, including negotiation and ongoing co-ordination of financing facilities, and monitors and manages the financial risks relating to the operations of the Tag Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk where appropriate.

The Tag Group generally hedge 50% to 100% of its foreign currency exposures. For certain entities within the Tag Group the use of these derivatives is subject to prior approval of the Tag corporate treasury function and of the board of the relevant entity.

The Tag Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The board of Tag Pacific Limited is ultimately responsible for ensuring that there is an effective risk management control framework in place.

(d) Market risk
The Tag Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 37(e)), interest rates (refer note 37(f)) and other price risk (refer note 37(h)).

Market risks are reviewed at least monthly at a Tag Group level and at a subsidiary company level.

There has been no change to the Tag Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(e) Foreign currency risk management
The Tag Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

To manage its exposure to foreign currency risk the Tag Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the import of power related products from countries including Europe, China, Singapore and the United States.

The carrying amount of the Tag Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
New Zealand Dollars	739	–	2,107	849
US Dollars	3,344	8,336	111	223
Euros	733	1,159	–	40
Singapore Dollars	446	232	–	–
Fiji Dollars	–	–	–	93
Total	5,262	9,727	2,218	1,205

Foreign currency sensitivity analysis
The following table details the Tag Group's sensitivity to a 10% increase or decrease in the Australian Dollar against the relevant foreign currencies. This sensitivity of 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2012	2011
	$'000	$'000
Profit or loss		
US Dollars	157	455
NZ Dollars	(124)	(77)
Euros	67	102
Singapore Dollars	41	21
Total	141	501

Forward foreign exchange contracts
The Tag Group has entered into contracts to purchase power related products from suppliers in countries including the United States, China, Singapore and Europe. The relevant subsidiaries have entered into forward foreign exchange contracts for terms not exceeding 6 months to cover anticipated foreign currency payments within 50% to 100% of their respective exposures, which are designated into cash flow hedges.

At 30 June 2012, the aggregate amount of losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to these anticipated future purchase transactions is $84,588 (2011: $87,487). It is anticipated the purchases of products will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of inventory. It is anticipated the inventory will be sold within 6 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

The following table details the forward foreign currency contracts for the Tag Group outstanding as at reporting date:

Outstanding contracts	Average exchange rate		Foreign currency amount		Contract value in A$		Fair value in A$	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
			FC'000	FC'000	**$'000**	$'000	**$'000**	$'000
Consolidated								
Buy US Dollars								
Less than 3 months	1.000	1.045	4,715	10,081	4,713	9,650	69	180
3 to 6 months	0.955	–	1,900	–	1,989	–	108	–
Buy Euro								
Less than 3 months	0.786	–	1,400	–	1,780	–	36	–
3 to 6 months	0.772	–	800	–	1,036	–	32	–
Buy Singapore Dollars								
Less than 3 months	1.236	–	600	–	485	–	9	–
3 to 6 months	1.231	–	300	–	244	–	19	–
			9,715	10,081	10,247	9,650	273	180

(f) Interest rate risk management
The Tag Group is exposed to interest rate risk as entities in the Tag Group borrow funds at both fixed and floating interest rates. The risk is managed by the Tag Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Tag Group does not enter into interest rate hedging activities.

Exposures to interest rates on the financial liabilities of the Tag Group are detailed in note 37(i) below.

Interest rate sensitivity analysis
The following analysis illustrates the Tag Group's sensitivity to a 200 basis point (i.e. 2% p.a.) increase or decrease in nominal interest rates, based on exposures in existence at the reporting date. This represents management's assessment of the reasonably possible change in interest rates as at that date.

At reporting date, if interest rates had been 200 basis points higher (or lower) and all other variables were held constant, the Tag Group's net profit would decrease/(increase) on borrowings by $60,615 (2011: decrease/(increase) by $69,200). This is mainly attributable to the Tag Group's exposure to interest rates on its variable rate borrowings.

The Tag Group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

At reporting date, if interest rates had been 200 basis points higher (or lower) and all other variables were held constant, the Tag Group's net profit would decrease/(increase) on deposits by $287,323 (2011: decrease/(increase) by $249,714). This is mainly attributable to the Tag Group's exposure to interest rates on its cash and cash equivalents.

(g) Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Tag Group. The Tag Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Tag Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management of each operating subsidiary on a regular basis.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance is purchased.

The Tag Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The following table sets out the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, representing the Tag Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Maximum risk	
	2012	2011
	$'000	$'000
Tag Group		
Trade and other receivables	13,953	22,826
Total	13,953	22,826

There has been no change in the Tag Group's exposure to credit risk during the current period.

(h) Other price risks
The Tag Group is exposed to equity price risks in relation to its equity investments designated as at fair value through profit or loss upon initial recognition. This group of financial assets is managed on a fair value basis in accordance with the Tag Group's documented risk management or investment strategy.

Equity price sensitivity
The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At reporting date, as the equity investments are designated as at fair value through profit or loss upon initial recognition, if the equity prices had been 10%p.a. higher or lower the net profit for the year ended 30 June 2012 would have increased/(decreased) by $1,700 (before non-controlling equity interest) (2011: $174,771).

The Tag Group's sensitivity to equity prices has not changed significantly from the prior year.

(i) Liquidity risk management
Liquidity risk is the risk that the Tag Group will encounter difficulty in meeting its obligations associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Tag Parent board of directors, who have built an appropriate liquidity risk management framework for the management of the Tag Group's short, medium and long-term funding and liquidity management requirements. The Tag Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 10 is a listing of additional undrawn facilities that the Tag Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables
The following tables detail the Tag Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Tag Group can be required to pay. The table includes both interest and principal cash flows.

Tag Group	**Weighted average effective interest rate**	**Less than 3 months**	**3 months to 1 year**	**1-5 years**	**5+ years**
	%	$'000	$'000	$'000	$'000
2012					
Non-interest bearing liability	–	9,373	2,268	45	–
Finance lease liability	9.04	32	96	330	–
Variable interest rate instruments	7.21	272	1,046	1,713	–
Fixed interest rate instruments	9.80	1,669	–	–	–
Forward exchange contract liability	–	114	159	–	–
		11,460	3,569	2,088	–
2011					
Non-interest bearing liability	–	18,415	2,309	600	–
Finance lease liability	8.98	63	119	453	–
Variable interest rate instruments	8.30	365	1,094	1,860	141
Fixed interest rate instruments	8.60	4,486	–	–	–
Forward exchange contract liability	–	180	–	–	–
		23,509	3,522	2,913	141

There were performance guarantee and surety bond contracts in respect of open construction contracts at year end of $2,068,306 (2011: $3,666,693). At the end of the year it was not probable that the counterparty to any of the performance guarantee contracts will claim under the contract. Consequently, the amount included in the above table is nil.

The Tag Group is planning to finance the payment of the above liabilities by way of expected cashflow arising from operating activities based upon prepared forecasts and budgets.

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Tag Group	Weighted average effective interest rate %	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000
2012					
Non-interest bearing	–	24,791	1,675	–	–
Variable interest rate instruments	3.87	9,633	–	–	–
Fixed interest rate instruments	5.82	8,139	–	–	–
		42,563	1,675	–	–
2011					
Non-interest bearing	–	35,671	2,789	–	–
Variable interest rate instruments	3.21	9,982	–	–	–
Fixed interest rate instruments	5.19	1,364	–	–	–
		47,017	2,789	–	–

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(j) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- → Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- → Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- → Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	30 June 2012 Total $'000
Financial assets designated as at fair value through profit or loss				
Shares in listed companies	17	–	–	17
Derivative financial assets	–	–	–	–
Total	17	–	–	17

	Level 1 $'000	Level 2 $'000	Level 3 $'000	30 June 2011 Total $'000
Financial assets designated as at fair value through profit or loss				
Shares in listed companies	1,748	–	–	1,748
Derivative financial assets	–	–	–	–
Total	1,748	–	–	1,748

		Tag Parent
	30/06/2012	30/06/2011
	$'000	$'000

38. Parent entity disclosures

(i) Financial position		
Assets		
Current assets	8,450	4,829
Non-current assets	4,124	5,035
Total assets	12,574	9,864
Liabilities		
Current liabilities	621	1,036
Non-current liabilities	224	–
Total liabilities	845	1,036
Equity		
Issued capital	16,409	16,477
Retained earnings	(4,905)	(7,862)
Share option reserve	225	213
Total equity	11,729	8,828

		Tag Parent
	Year ended 30/06/2012	Year ended 30/06/2011
	$'000	$'000
(ii) Financial performance		
Profit/(loss) for the year	3,844	(2,818)
Other comprehensive income	–	–
Total comprehensive profit/(loss)	3,844	(2,818)

(iii) Guarantees entered into by the parent entity
Tag Pacific Limited has not provided any guarantees in relation to any of its subsidiaries.

(iv) Contingent liabilities of the parent entity
There are no contingent liabilities for the parent entity.

(v) Commitments for the acquisition of property, plant and equipment by the parent entity
There are no commitments for the acquisition of property, plant and equipment by the parent entity.

39. Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets at balance date.

Directors' declaration

The directors of Tag Pacific Limited declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

(c) in the director's opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Peter Wise

Peter Wise
Chairman

Sydney, 30 August 2012

Deloitte.

Deloitte Touche Tohmatsu
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Auditor's independence declaration

The Board of Directors
Tag Pacific Limited
Level 30, Piccadilly Tower
133 Castlereagh Street
Sydney NSW 2000

30 August 2012

Dear Board Members

Tag Pacific Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Tag Pacific Limited.

As lead audit partner for the audit of the financial statements of Tag Pacific Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent auditor's report

to the Members of Tag Pacific Limited

Report on the Financial Report

We have audited the accompanying financial report of Tag Pacific Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 61.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Tag Pacific Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Tag Pacific Limited is in accordance with the Corporations Act 2001, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 19 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Tag Pacific Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants

Sydney, 30 August 2012

Corporate governance statement

Approach to corporate governance

Tag Pacific Limited is committed to achieving and demonstrating the highest standards of corporate governance, consistent with the size and nature of the company.

As a listed entity, the company must comply with the Corporations Act 2001, the Australian Securities Exchange Listing Rules (ASX Listing Rules) and other laws.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the recommendations ('Recommendations') set by the ASX Corporate Governance Council.

The Recommendations encourage the board to carefully consider the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

Compliance with ASX Recommendations

Each listed company is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations during the reporting period.

A listed company must identify any Recommendation that has not been followed and give reasons for not following it. Where a Recommendation has been followed for only part of the period, the company must state the period during which it has been followed.

Except as noted below, and as detailed within this corporate governance statement, the company considers that its governance practices complied throughout the year ended 30 June 2012 with each of the Recommendations.

Information in respect of the company's corporate governance practices can be found on the Tag website at www.tagpac.com.

This statement outlines the company's main corporate governance practices for the year ended 30 June 2012 in light of the eight core principles and twenty Recommendations set out by the ASX Corporate Governance Council.

ASX Principle 1:
Lay solid foundations for management and oversight
Recommendation 1.1
Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The board's objective is to increase shareholder value within an appropriate framework that ensures the company's affairs are properly managed and controlled and sets the strategic business direction to be followed.

The powers reserved to the board include the following:

→ establishment and maintenance of appropriate governance structures;
→ the review and oversight of the company's strategic plan, setting goals and long-term objectives with a view to maximising shareholder value;
→ adopting an annual budget and reviewing financial performance;
→ establishment of the control environment to provide for meaningful and timely information;
→ providing the basis for the review of the performance of the board and its members and the senior management and their remuneration;
→ the provision of a communication capability and the relevant procedures with all stakeholders in accordance with the continuous disclosure provisions and to comply with the relevant legal requirements;
→ reviewing and ratifying systems of risk management;
→ establishing a basis for approvals of capital expenditure, acquisitions and divestment; and
→ setting high standards for ethical and corporate behaviour.

With the exception of matters reserved for the board, all other powers are delegated to senior management.

Senior managers who are not board members have formal contracts with the company which include details of their role and job descriptions.

Recommendation 1.2:
Disclose the process for evaluating the performance of senior managers.

All senior managers, other than the Executive Chairman, are subject to a performance appraisal and remuneration review at least annually. As noted in Recommendation 8.1, such reviews are undertaken by the Remuneration Committee in accordance with the company's performance based remuneration policy, details of which are set out in the Remuneration Report in the Directors' Report.

Recommendation 1.3:
Provide the information indicated in the Guide to reporting on Principle 1.

A performance evaluation for all senior managers other than the Executive Chairman took place during the reporting period. The Executive Chairman works closely with the board and senior executives and managers of the Tag Group. A performance evaluation for the Executive Chairman was not appropriate given the nature of the role and the structure of the company.

ASX Principle 2:
Structure the board to add value
Recommendation 2.1:
A majority of the board should be independent directors.

A Tag director is considered independent when he or she is independent of management (that is, non-executive), and free from any business or other relationship that could materially interfere with, or could be reasonably perceived to materially interfere with, the exercise of his or her unfettered and independent judgement.

Materiality is considered on a case by case basis by reference to the director's individual circumstances rather than general materiality thresholds.

The Tag board has made its own assessment to determine the independence of each director on the board.

The Tag board comprises an executive chairman, Peter Wise, and five non-executive directors being Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary Weiss.
The composition of the board is based on the following factors:

→ size of company;
→ nature and extent of head office operations;
→ tenure of directors; and
→ limited trading in the company's securities.

Notwithstanding the nature of the board composition, the board maintains protocols to ensure that any potential or actual conflicts of interest and duty are properly identified and managed, and to ensure directors act in accordance with their fiduciary responsibilities.

The criteria for board membership and the selection of appropriate members of the board are determined by the board itself. Election and rotation of directors is governed by the company's constitution. Shareholder approval is sought where appropriate. In determining the appointment and retirement of non-executive directors, a cross section of skills and experience is sought.

The company's constitution specifies that:
- → one third of the directors (with the exception of new appointees who must retire under a different rule); and
- → any director, who would have held office for more than 3 years at the time of the annual general meeting,must retire from office at that general meeting but may stand for re-election.

Details of the directors who are considered independent appear under Recommendation 2.6. The company has adopted the recommendation for a majority of the board to be independent directors notwithstanding the nature and extent of the company's operations and the fact that interests associated with directors hold a majority of the company's issued securities.

Recommendation 2.2:
The chairman should be an independent director.

Tag has not adopted this recommendation as interests associated with the chairman hold a significant percentage of the company's issued securities. This recommendation is inappropriate to the company's particular circumstances.

Recommendation 2.3:
The roles of chairman and chief executive officer should not be exercised by the same individual.

Tag has not adopted this recommendation as interests associated with the chairman hold a significant percentage of the company's issued securities. This recommendation is inappropriate to the company's particular circumstances.

Recommendation 2.4:
The board should establish a nomination committee.

Tag has not adopted this recommendation as the practices relating to the selection and appointment of directors, detailed within this statement, are an efficient means of meeting the needs of the company, having regard to the relative size of the company which is reflected in the board structure and composition.

The board consists of six directors, five of whom are considered independent, and it is considered that Tag has the capacity to consider director nomination practices within the duly constituted meetings of the board, and that the establishment of a formal committee structure would not add greater value to this process. The company has not adopted this recommendation as it is inappropriate to its particular circumstances.

Recommendation 2.5:
Disclose the process for evaluating the performance of the board, its committees and individual directors.

The performance of the board, its committees and individual directors is considered on an informal, as needs basis, given that interests of directors have a beneficial or non-beneficial interest in a majority of the company's issued securities.

All directors have direct access to the entire senior management team, including the company secretary, and are provided with information on a timely basis.

Recommendation 2.6:
Provide the information indicated in the Guide to reporting on Principle 2.

Skills, experience and expertise of directors
Information relevant to the position of each director in office at the date of this report is set out in the Directors' Report.

Independent directors
Robert Constable, Robert Moran, Richard Peterson, Gary Cohen and Gary Weiss are considered 'independent' in terms of the ASX recommendations, with each holding nominal numbers of shares as set out in the Directors' Report. The board has not set a materiality threshold for determining 'independence'.

No independent director has undertaken employment with a group entity, has acted as a principal of a material professional adviser or material consultant of a group entity, is a material supplier or customer of a group entity, or has a material contractual relationship with a group entity other than as a director.

Independent professional advice
Directors are able to seek reasonable independent professional advice, as appropriate, in the furtherance of their duties. Any such advice may be at the company's expense, subject to prior approval of the board.

Period of office held by each director
Information in relation to the period of office held by each director can be found in the Directors' Report.

Process for selection and appointment of directors
Given the length of service of directors, the board does not consider it necessary to develop succession plans or procedures for the appointment and re-election of directors.

Performance evaluation
A performance evaluation of the board, its committees and directors did not take place in the reporting period for the reasons given under Recommendation 2.5.

Departures from recommendations
Any departure from Recommendations 2.1 to 2.6 is explained under the relevant Recommendation.

ASX Principle 3:
Promote ethical and responsible decision-making
Recommendation 3.1:
Establish a code of conduct and disclose the code or a summary of the code as to:
- → *the practices necessary to maintain confidence in the company's integrity;*
- → *the practices necessary to take into account the company's legal obligations and the reasonable expectations of shareholders; and*
- → *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

As part of the board's commitment to the high standards of conduct, the company has established operating protocols to deal with various issues including:
- → conflicts of interest;
- → employment practices;
- → fair trading;
- → health and safety; and
- → relations with customers and suppliers.

These are designed to:
- → clarify the standards of ethical behaviour required of the board, senior managers and employees and encourage compliance with those standards; and
- → assist the company to comply with its legal obligations and have regard to the reasonable expectations of shareholders.

The recommendation to establish and publish a formal code has not been adopted in view of the nature and extent of company operations, the long-standing tenure of directors and the close relationship with the senior management team.

Recommendation 3.2:
Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually.

Tag assesses potential employees by reference to the candidate's ability to perform the specified role and to conform with the culture and objectives of the group irrespective of their gender, age, ethnicity, religion or cultural background. Accordingly, the company does not set measurable objectives for achieving gender diversity nor does it measure employees by reference to their gender. The practices relating to the selection and appointment of employees, detailed within this statement, are an efficient means of meeting the needs of the company, having regard to the relative size of the company.

Recommendation 3.3:
Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The measurable objectives for achieving gender diversity and progress towards achieving them has not been included in the annual report for the reasons given under Recommendation 3.2.

Recommendation 3.4:
Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the board has not been included in the annual report for the reasons given under Recommendation 3.2.

Recommendation 3.5:
Provide the information indicated in the Guide to reporting on Principle 3.

Any departure from Recommendations 3.1 to 3.5 is explained under the relevant recommendation.

ASX Principle 4:
Safeguard integrity in financial reporting
Recommendation 4.1:
Establish an audit committee.

The board has established an audit committee to assist it to ensure the truthful and factual presentation of the company's financial position.

Notwithstanding the existence of the audit committee, ultimate responsibility for the integrity of the company's financial reporting rests with the full board.

Recommendation 4.2:
The audit committee should be structured so that it:
- → *consists only of non-executive directors;*
- → *consists of a majority of independent directors;*
- → *is chaired by an independent chair, who is not chair of the board; and*
- → *has at least three members.*

The audit committee comprises two of the five independent, non-executive directors and is chaired by Robert Constable who is not chairman of the board.

The board considers that the skills, experience and expertise of Messrs Constable and Moran are entirely suited to the effective discharge of the responsibilities of the committee.

The board has not adopted the recommendation for the committee to maintain at least three directors, given the nature and extent of company's activities and the relative size of the board.

Recommendation 4.3:
The audit committee should have a formal charter.

The role and responsibilities of the Tag audit committee are to:
- → oversee the existence and maintenance of internal controls and accounting systems;
- → ensure the integrity of the financial reporting process;
- → review the annual and half-yearly financial statements;
- → oversee the independence of the external auditor; and
- → ensure the existence of a process for identification and management of key business risks.

The committee has rights of access to management, rights to seek explanations and additional information, and access to external auditors without management being present.

The committee meets at least twice each year and reports to the board on all matters relevant to its role and responsibilities. Minutes of its meetings are made available to the full board.

The board has not adopted the recommendation to establish a committee charter in view of the nature and extent of company operations, the experience of each committee member, and close access to the executive team.

Recommendation 4.4:
Provide the information indicated in the Guide to reporting on Principle 4.

The qualifications of committee members are listed in the Directors' Report.

The number of committee meetings held during the reporting period and the attendance of each member at those meetings is set out in the Directors' Report.

The board has not published a committee charter, or information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners as these matters are dealt with informally.

Any departure from Recommendations 4.1 to 4.4 is explained under the relevant Recommendation.

ASX Principle 5:
Make timely and balanced disclosure
Recommendation 5.1:
Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.

The company secretary has been nominated as the person responsible for communication with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX and the public.

The company secretary and/or the executive chairman jointly ensure that any proposed announcement is drafted in a timely manner, is factual, expressed in a clear and consistent manner and does not omit material information.

Except for standard secretarial and procedural matters, all material announcements to the ASX are authorised by the board.

The recommendation to establish and publish written policies regarding compliance with ASX Listing Rule disclosure requirements has not been adopted in view of the nature and extent of company operations.

Recommendation 5.2:
Provide the information indicated in the Guide to reporting on Principle 5.

Any departure from Recommendations 5.1 and 5.2 is explained under Recommendation 5.1 above.

ASX Principle 6:
Respect the rights of shareholders
Recommendation 6.1:
Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.

The recommendation to publish a communications policy has not been adopted in view of the nature and extent of company operations.

Recommendation 6.2:
Provide the information indicated in the Guide to reporting on Principle 6.

The company aims to keep shareholders informed of its performance and all major developments in an ongoing manner. Copies of company announcements are made available on the company's website.

Additionally, information is communicated to shareholders through:
→ the annual report which is distributed to all shareholders;
→ the half year report; and
→ other correspondence regarding matters impacting on shareholders as required.

Any departure from Recommendations 6.1 and 6.2 is explained under Recommendation 6.1 above.

ASX Principle 7:
Recognise and manage risk
Recommendation 7.1:
Establish policies for the oversight and management of material business risks and disclose a summary of those policies.

In view of the nature and extent of company operations, the tenure, experience and understanding of directors, the company has established informal policies for the oversight and management of material business risks. Formal policies would be inappropriate to the company's particular circumstances.

Recommendation 7.2
Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. Disclose that management has reported to the board as to the effectiveness of the company's management of its material business risks.

In view of the nature of the company's investment activities, formal and informal policies for the oversight and management of the various business risks associated with the company's specific investments are conducted at the relevant subsidiary board level.

A formal and documented risk management and internal control system has not been adopted as it is inappropriate to the company's particular circumstances.

Recommendation 7.3:
Disclose whether the board has received assurance from the chief executive (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The board has received the declaration in accordance with section 295A of the Corporations Act and has had an opportunity to question whether the declaration is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4:
Provide the information included in the Guide to reporting on Principle 7.

Any departure from Recommendations 7.1 to 7.4 is explained under the relevant Recommendation.

ASX Principle 8:
Remunerate fairly and responsibly
Recommendation 8.1:
Establish a remuneration committee.

The Tag board has established an independent remuneration committee which meets at least once per annum. The roles and responsibilities of the Tag remuneration committee are to:
→ make recommendations to the board on an appropriate remuneration policy for directors and senior managers;
→ undertake the performance reviews of senior managers; and
→ determine the remuneration and employment terms of senior managers in accordance with the adopted remuneration policy.

Remuneration for non-executive directors is determined by the full board and is subject to shareholder approval.

The board has not established a committee charter in view of the nature and extent of company operations and the relative size of the board.

The committee reports to the board on all matters relevant to its role and responsibilities. Minutes of its meetings are made available to the full board.

Recommendation 8.2:
The remuneration committee should be structured so that it:
→ consists of a majority of independent directors;
→ is chaired by an independent chair; and
→ has at least three members.

The remuneration committee comprises two independent non-executive directors.

Tag has not adopted this recommendation in full as the practices relating to the selection and appointment of remuneration committee members, detailed within this statement, are an efficient means of meeting the needs of the company, having regard to the relative size of the company which is reflected in the board structure and composition. The board considers that the skills, experience and expertise of Messrs Cohen and Constable are entirely suited to the effective discharge of the responsibilities of the committee.

Recommendation 8.3:
Clearly distinguish the structure of non-executive directors' remuneration from that of directors and senior managers.

The company's remuneration policy for senior managers and non-executive directors is set out in the Remuneration Report.

Recommendation 8.4:
Provide the information indicated in the Guide to reporting on Principle 8.

The number of committee meetings held during the reporting period and the attendance of each member at those meetings is set out in the Directors' Report.

There are no schemes for retirement benefits for non-executive directors.

The recommendation to publish information in relation to the role, rights, responsibilities and membership requirements for the remuneration committee has not been adopted in view of the nature and extent of company operations and the relative size of the board.

The company has not published a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme as the directors consider that such a policy is inappropriate to the company's particular circumstances.

Any departure from Recommendations 8.1 to 8.4 is explained under the relevant Recommendation.

Shareholder information

The following information is current as at 27 August 2012

Spread of shareholders

Range	**Number of shareholders**	**Number of shares**
1-1,000	537	259,445
1,001-5,000	571	1,517,534
5,001-10,000	186	1,448,727
10,001-100,000	226	6,120,167
100,001 and over	55	61,334,763
	1,575	70,680,636

662 shareholders held less than a marketable parcel

Substantial shareholders

Name	**Number of shares**	**Percentage**
Anthony Australia Pty Ltd	34,891,359	49.42%
KV Management (Nominees) Pty Ltd	6,630,141	9.42%

Twenty largest shareholders

Name	**Number of shares**	**Percentage**
Anthony Australia Pty Ltd	35,034,982	49.57
KV Management (Nominees) Pty Ltd	6,630,141	9.38
Ms Chun-Hsia Lu	2,719,338	3.85
Mr George Chien Hsun Lu + Mrs Jenny Chin Pao Lu	1,370,000	1.94
Excalibur Nominees Limited	1,299,875	1.84
Dr John Aloizos + Mrs Muriel Patricia Aloizos <Superannuation Fund No 2 A/C>	1,074,088	1.52
Mrs Penelope Margaret Siemon	918,487	1.30
Mrs Nicola Helen Moran	617,629	0.87
RJL Investments Pty Limited <Gary Cohen Family A/C>	605,602	0.86
Noonbah Pty Ltd <Noonbah S/F A/C>	550,000	0.78
Mr Bruce Siemon	515,828	0.73
John Marinos	500,000	0.71
Napla Pty Ltd	500,000	0.71
Mr Gregory Cohen + Mrs Karen Cohen <G & K Cohen S/F A/C>	485,619	0.69
Mr Edward James Stephen Dally + Mrs Selina Dally <Lekdal Family A/C>	432,679	0.61
Mrs Sophie Gelski	400,000	0.57
Mr John Marinos + Ms Susan Saitta <Aquarius Super Fund A/C>	369,496	0.52
Alistair Woodside Cunningham	340,000	0.48
Mr Milton Yannis	305,507	0.43
Mr Jarrad Robert Stuart	300,000	0.42
	54,969,271	77.77

Voting rights
At meetings of members each member may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands every person present who is a member or a representative of a member has one vote and on a poll every member present in person or by proxy or attorney has one vote for each fully paid ordinary share held.

On-market buy-back
Tag Pacific Limited has an on-market buy-back facility in place for up to 10% of its issued shares and operating with no fixed duration. A total of 1,532,983 shares have been purchased by the company under the on-market buy-back for an amount of $368,541.

Stock exchange listing
Fully paid ordinary shares issued by Tag Pacific Limited are quoted on the Australian Securities Exchange (under the code TAG). Fully paid ordinary shares issued by Tag Pacific Limited ceased to be quoted on the New Zealand Stock Exchange (under the code TPC) on 15 July 2011.

Corporate directory

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Nathan Wise
Gary Cohen
Robert Constable
Robert Moran
Richard Peterson
Gary Weiss

Company secretary
Darrell Godin

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