Tag Pacific Limited

ABN 73 009 485 625

Annual Financial Report
for the financial year ended 30 June 2008

Contents

Chairman's report

The Tag Group's subsidiaries and associate companies had a reasonable year. Progress has been made on a number of fronts which is reflected in a solid result from the Group's investments in subsidiaries and associates. The overall result for the year was primarily impacted by a significant fall in the share price of listed investments.

Group revenue increased 5% to A$88 million during the year despite a softening economic environment and adverse currency movements. Cash flow from operating activities increased 65% to A$2.5 million and cash levels across the Group remained steady.

The company has maintained its dividend level of 0.75 cents per share and increased the franking percentage to 100%.

A simplified balance sheet detailing Tag's investment spread (net of minority equity interest and liabilities) is set out below:

		Per Tag share
BA Health Group	A$7.2 million	10.8 cents
M+H Power Group	A$7.2 million	10.8 cents
Unique World Group	A$2.1 million	3.2 cents
Interior Building Products Group	A$3.5 million	5.2 cents
Other	A$1.9 million	2.8 cents
Total	**A$21.9 million**	**32.8 cents**

Power products & renewable energy sector
The **M+H Power Group** (58% owned) continued on its grow path during the year, recording a healthy EBITDA of A$3.6m on revenue of A$46 million. All business units in the M+H Power Group contributed to the pleasing result with sales advancing approximately 21% over the previous year.

The M+H Power Group is experiencing strong sales growth in the telecommunications, resources and military sectors and the trend is expected to continue for some time. The M+H Power Group has also reaped the benefit of increased activity in the renewable energy sector and is well positioned to take a leading role in this niche sector as it develops further.

Tag is actively pursuing opportunities to invest further in the power products and renewable energy sector.

Interior building products sector
Tag's two investments in the interior building products sector experienced a modest year following a very good result in the 2007 financial year (which included some extraordinary items). This sector has been adversely impacted by volatility in global financial markets and its effect on the level of building and construction. Both businesses market a unique range of building products for commercial interiors, primarily walls and ceilings. The businesses also assemble leading ranges of proprietary whiteboards, pinboards and acoustic panels.

Potter Interior Systems (100% owned) in New Zealand started the year well but fell victim to softening New Zealand market conditions in the second half. The business has strengthened its senior management team and established a new insulation installation division and is expected to return a healthier contribution in the 2009 financial year.

Meanwhile in Australia, **Comprador Pacific** (51% owned) is successfully broadening its product range and has strengthened its balance sheet management and operating efficiency during the year. The results of the company's repositioning are expected to flow in the 2009 financial year.

Technology sector
The Tag Group has maintained its holding in **IBA Health Group** (ASX: IBA) during a year in which the company acquired iSOFT Group plc and became a truly global business and the largest health information technology company listed on the Australian Securities Exchange.

On 25 August 2008, IBA Health Group announced a record annual result and has given guidance of further significant growth in earnings for the 2009 financial year. Further details of IBA Health Group's activities are publicly available.

The progress made by IBA Health Group during the 2008 year was not reflected in its share price which fell from A$1.11 at the start of the year to A$0.58 at 30 June 2008, leading to a fair value loss in Tag's accounts of A$6.5 million for the year, despite the company increasing its underlying EBITDA from A$32 million to A$106 million. It is pleasing to see IBA Health Group's share price has rebounded to some extent since balance date.

Chairman's report (continued)

The Tag Group's investment in **Unique World** (38% owned) delivered a very pleasing equity accounted contribution of A$0.59 million after tax for the year. Tag is now the largest shareholder in Unique World following a series of buy-backs undertaken by the company in recent years.

Unique World's continued growth is reflected in the 41% increase in revenue and 47% increase in profit before tax over the prior year, with expectations of an even better year to come.

Outlook

The Tag Group is well positioned in the current economic climate. The Group holds a diverse portfolio of quality sound investments and has no borrowings at the parent company level and a net debt to equity ratio of 5% across the Group. The combined market value of the Group's investments in subsidiaries and associates is considered to be well above the recorded carrying value of those investments.

Tag's balance sheet remains solid with an NTA of 31.2 cents per share at balance date notwithstanding the significant decrease in the market value of the investment in the IBA Health Group relative to the prior year.

There is greater scope for the Tag Group to increase its investment activity in the current economic climate if prices and valuations begin to return to more acceptable levels as expected.

Tag is committed to creating value for shareholders and is well resourced to springboard from its current position to a new level of activity.

For and on behalf of the Board

Peter Wise
Chairman
29 August 2008

Overview – Power products and renewable energy sector

Tag holds a 58% interest in the M+H Power Group which incorporates the Advanced Power business acquired in 2005.

Background

M+H Power was originally established in 1995 and today is a leading company in the field of power related products and systems. The company aims to be the leading provider of stored energy products and solutions for use in all manner of emergency, backup, generated and renewable power situations in Australasia.

M+H Power uses its design and technical expertise and innovation to source, manufacture and integrate a diverse mix of products and support services which deliver value to customers.

M+H Power has a broad network of branches and agents across Australia, New Zealand and Fiji.

M+H Power Products distributes a wide range of products including batteries and charging equipment, inverters, industrial DC and AC systems, UPS systems, emergency and exit lighting, generator systems and renewable energy components.

M+H Power Solutions (incorporating Advanced Power) is driven by engineering precision. The division designs and commissions the manufacture of generators and controls for prime, standby and peak shaving power. M+H Power Solutions designs and supplies equipment for a variety of sectors including the petro-chemical, telecommunications and military sectors.

M+H Power Solutions' strength lies in its flexibility to develop custom and standard designs through its knowledgeable and experienced engineering staff with competitive pricing and client-focused delivery.

M+H Power Solutions designs and manufactures equipment that the Australian Defence Force utilises to provide a reliable source of power in difficult conditions. M+H Power is well positioned to take advantage of growth in this sector.

Achievements

M+H Power's achievements during the year include:

- secured new standby power projects, including petro-chemical industry projects;
- developed new product lines;
- commercialised new proprietary products developed during the year;
- increased resourcing to focus on recurring asset management revenues;
- expanded activities in the renewable and sustainable energy sector;
- increased sales of proprietary branded products; and
- successfully managed large projects including a major floodlight trailer project for the Australian Defence Force.

Looking ahead

Strong growth is expected to continue in the 2009 financial year. Looking ahead:

- there are a large number of secured project orders in hand;
- the pipeline of project work is growing;
- new supply lines are being developed to further diversify the group;
- continued development of new proprietary products;
- increased recognition of group-wide capabilities;
- greater alignment and consistency in marketing strategy and market presence;
- resources to position the group for further growth;
- increased focus on applying the capability to deliver cogeneration and other sustainable energy solutions; and
- increased focus on securing maintenance contracts.

Power products and renewable energy sector

Revenue	A$46 million
EBITDA (before minority interest)	A$3.6 million
Website	www.mhpower.com.au
Employees (approximate)	100
Accounting treatment	Consolidated
Ownership interest	58%

Overview – Interior building products sector

Tag holds a 100% interest in Potter Interior Systems and a 51% interest in Comprador Pacific.

Background
Both Potter Interior Systems in New Zealand and Comprador Pacific in Australia distribute a unique range of building products primarily for the commercial interiors market.

Both businesses also manufacture a leading range of proprietary whiteboards, pinboards and acoustic panels. Charles Tims, Comprador's manufacturing division, is an industry leader and has a reputation for high quality products within the education sector.

Potter Interior Systems is a well known brand in New Zealand and was established over 45 years ago. Today it is a leading player in the wall, ceilings and insulation markets through its facilities in Auckland, Wellington, Christchurch and Tauranga.

Comprador Pacific also has a long history and was relaunched in its present form in 1997. It has a presence across Australia in Queensland, New South Wales, Victoria and Western Australia.

For both Potters and Comprador, clients include tradesmen, building owners and managers, building contractors and sub trades, schools and universities. While the companies operate independently of each other and in different geographies, there are many similarities in their product offering and mode of operation.

Achievements
Potter Interior Systems' and Comprador Pacific's achievements during the year include:

- Comprador's balance sheet management has improved as operations have been more efficiently managed;
- Potters has invested in developing a team of insulation installers;
- a new branch was opened in Tauranga, New Zealand;
- manufactured products continue to be widely specified; and
- new products and agencies were secured during the year to further diversify the product mix.

Looking ahead
The interior building products sector is expected to perform in accordance with management expectations in the 2009 financial year. Both Potter Interior Systems and Comprador Pacific are well placed to expand their product ranges in the year ahead. Management resources are being enhanced to ensure that both businesses are in a position to take advantage of opportunities in this sector.

Interior building products sector

Revenue	A$42 million
EBITDA (before minority interest)	A$1.1 million
Websites	www.potters.co.nz www.comprador.com.au www.charlestims.com.au
Employees (approximate)	130
Accounting treatment	Consolidated
Ownership interest	Potter Interiors – 100% Comprador Pacific – 51%

Overview – Technology sector

IBA Health Group Limited
The activities and results of IBA Group Health Limited (ASX: IBA) are publicly available. Tag was one of the early investors in IBA Health Group and has been an active participant in its growth and development over the years. Today, IBA Health Group is the largest health information technology company listed on the ASX with operations in Australia, New Zealand, United Kingdom, South East Asia, China, India, the Middle East and Africa.

Tag is one the largest shareholders in IBA Health Group with a holding of 12.3 million shares.

The value of the investment in IBA Health Group at 30 June 2008 was A$7.2 million (based on a market price of A$0.58 per share).

Unique World

Background
Unique World applies the principles of management consulting to deliver innovative solutions that answer the information management challenge which is critically important to ensure that valuable information is available to effectively manage organisations. Unique World leverages the Microsoft platform and are experts in managing enterprise content to improve compliance and governance, knowledge and collaboration and customer care. Unique World's expertise in the SharePoint field is unrivalled in Australia.

Since 1999, Unique World has maintained a consistent track record of driving business and operational efficiency across an impressive list of clients including News Limited, Australia Post, AGL, NRMA, Lend Lease, WorkCover NSW and Austrade.

Unique World employs approximately 75 staff across its three offices in Sydney, Melbourne and Canberra.

Tag was an early investor in Unique World and has been actively involved since 2001 in assisting Unique World develop into a dynamic and growing company.

Tag's interest in Unique World increased from 36% to 38% during the year as a consequence of a self funded share buy-back.

The equity accounted after tax contribution from Unique World was A$0.59 million for the year.

Achievements
Unique World's achievements during the year include:
- increase in revenue of 41% on prior year;
- increase in profit before tax of 47% on prior year;
- consolidated its core strengths of compliance and document management;
- successfully transitioned its business model to focus on key clients and selected growth sectors;
- renewed major contracts with government departments and agencies;
- expanded into new product delivery areas;
- strengthened work flow from Melbourne and Canberra offices; and
- achieved strong cash flow.

Looking ahead
The 2009 financial year promises to be positive for Unique World. Looking ahead:
- there is a strong pipeline of expected projects;
- potential for innovation to deliver improved margin results;
- the current rate of growth is expected to be maintained;
- there will be increased focus on margin enhancement; and
- cash generation is expected to improve dividend flow to shareholders.

Unique World

Website	www.uniqueworld.net
Employees (approximate)	75
Ownership interest	38%
Accounting treatment	Equity accounted

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 2008 in accordance with the provisions of the Corporations Act 2001 (Cth). The Chairman's Report (pages 1 – 2) 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 activities

The Tag Group is a strategic investor.

Review of operations

The operating result of the Tag Group for the financial year ended 30 June 2008 after eliminating minority equity interest and providing for income tax was a loss of A$5,147,999 (2007: profit of A$6,634,954).

Changes in the state of affairs

No significant changes in the state of affairs of the Tag Group occurred during the financial year.

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 those matters referred to in the Chairman's Report.

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

In respect of the financial year ended 30 June 2008, a dividend of 0.75 cents per share (totalling A$501,036) franked to 100% at the corporate income tax rate of 30% was declared on 28 August 2008 with a payment date of 5 December 2008 to the holders of fully paid ordinary shares.

In respect of the financial year ended 30 June 2007, a dividend of 0.75 cents per share (totalling A$501,036) franked to 50% at the corporate income tax rate of 30% was declared on 31 August 2007 and paid to holders of fully paid ordinary shares on 15 October 2007.

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 amount of the premium was A$5,149 for each director.

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 the auditor for non-audit services provided during the year by the auditor are outlined in note 27 to the financial statements. The directors are satisfied that 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. The directors are of the opinion that the services as disclosed in note 27 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 the Code of Conduct 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.

Fees totalling A$43,090 for non-audit services were paid to the external auditor's during the year ended 30 June 2008 for advice in relation to taxation compliance work.

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
14 April 2005	14 April 2010	A$0.33	950,000
22 December 2006	22 December 2011	A$0.33	566,667
22 December 2006	22 December 2011	A$0.40	400,000
31 August 2007	31 August 2012	A$0.39	300,000
31 August 2007	31 August 2012	A$0.45	200,000
		Total	**2,416,667**

During the year ended 30 June 2008 no ordinary shares in Tag Pacific Limited were issued on the exercise of options granted under the Tag Pacific Limited Executive Share Option Plan. No shares have been issued under the Executive Share Option Plan to the date of this report. 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 s307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2008 has been received and a copy can be found on page 57 of the this report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report 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 subsidiaries within the Tag Group and non-executive director of IBA Health Group Limited and Unique World Group Pty Limited.
Interest in shares	Through family interests has a controlling interest in Anthony Australia Pty Limited which controls 30,561,786 ordinary shares in Tag Pacific Limited and 1,000,000 options over unissued ordinary shares in Tag Pacific Limited.
Directorships held in other listed entities in the previous 3 years	IBA Health Group Limited (since 30 September 1999)

Gary Cohen	**Director** (non-executive)
Qualifications	B Comm, LLB, LLM (Hons)
Experience	Director since 1999. Executive Chairman and CEO of IBA Health Group Limited. Formerly a corporate adviser and a senior legal practitioner.
Interest in shares	Holds a relevant interest in 5,314,198 ordinary shares in Tag Pacific Limited.
Special responsibilities	Member of the remuneration committee.
Directorships held in other listed entities in the previous 3 years	IBA Health Group Limited (since 30 September 1999)

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 Allco Equity Partners. Practiced as a corporate and commercial lawyer for 12 years before joining the Allco Finance Group.
Interest in shares	512,195 ordinary shares in Tag Pacific Limited held non-beneficially.
Directorships held in other listed entities in the previous 3 years	Allco Equity Partners Limited (since 25 July 2007) IBA Health Group Limited (alternate director since 28 May 2008)

Richard Peterson	**Director** (non-executive)
Qualifications	LLM (Hons) FAMINZ
Experience	Director since 1986. Barrister and Solicitor of The High Court of New Zealand and a partner in Harkness & Peterson.
Interest in shares	1,136,750 ordinary shares in Tag Pacific Limited held non-beneficially.

Gary Weiss	**Director** (non-executive)
Qualifications	LLM (NZ), JSD (Cornell)
Experience	Director since 1988. Chairman of Ariadne Australia Limited, executive director of Guinness Peat Group plc and a director of several other public companies.
Interest in shares	250,000 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	Ariadne Australia Limited (since 28 November 1989) Canberra Investment Corporation Limited (27 September 1995 to 28 August 2008) Capral Aluminium Limited (since 25 November 2003) Coats plc (since 4 February 2003) Gosford Quarry Holdings Limited (since 26 March 2008) Guinness Peat Group plc (UK) (since 30 November 1990) Premier Investments Limited (since 11 March 1994) Tower Limited (NZ) (27 March 2003 to 19 December 2006) Tower Australia Group Limited (19 December 2006 to 8 August 2008) Westfield Holdings Limited (since 25 July 2004) Westfield Management Limited (since 29 May 2002) Westfield America Management Limited (since 29 May 2002) Australian Wealth Management Limited (15 February 2005 to 29 May 2006)

Nathan Wise	**Company Secretary**
Qualifications	BCom, LLM (UNSW)
Experience	Company secretary since 2006. Head of Corporate Development at Tag Pacific Limited and a director of a number of controlled entities within the Tag Group. Practiced as a corporate and commercial lawyer before joining the Tag Group.

Remuneration of directors

Information about the remuneration of directors and senior management is set out in the remuneration report on pages 10 to 14.

Directors' meetings

The following table outlines the number of directors' meetings (including meetings of committees of directors) held 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, ten board meetings, two audit committee meetings and one remuneration committee meeting was held.

	Board meetings		**Audit committee meetings**		**Remuneration committee meetings**	
	Held	Attended	Held	Attended	Held	Attended
Peter Wise	10	10	-	-	-	-
Gary Cohen	10	8	-	-	1	1
Robert Constable	10	9	2	2	1	1
Robert Moran	10	8	-	-	-	-
Richard Peterson	10	8	-	-	-	-
Gary Weiss	10	8	2	1	-	-

Remuneration report

This report details the emoluments paid or payable to each director of Tag Pacific Limited and the senior managers (also known as key management personnel) receiving the highest remuneration.

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 senior managers (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 after seeking professional advice from independent external consultants where necessary.

- 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 at the Annual General Meeting. 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.

Details of the STI's awarded in respect of the year to 30 June 2008 are as follows:

Nathan Wise
Nathan Wise received a cash bonus in the amount of A$41,166 in respect of the year to 30 June 2008. 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 A$190,000 per annum (A$0 to A$63,333). Of the total STI that was available, 65% was awarded and 35% was forfeited due to performance against set criteria.

John Marinos
John Marinos received a cash bonus in the amount of A$23,000 in respect of the year to 30 June 2008. The total STI that was available (subject to performance against set criteria) was in the range of 0% to 15% of his base remuneration of A$161,680 for the year (A$0 to A$24,252). Base remuneration excludes consulting fees of A$37,370 received from associates during the year. Of the total STI that was available, 95% was awarded and 5% was forfeited due to performance against set criteria.

Long-term incentives
Options over shares in Tag Pacific Limited may be awarded to eligible senior managers in accordance with the Group's 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 or specified senior managers during the year ended 30 June 2008 as part of their remuneration:

Remuneration Options

	Number granted		Grant date	Value per option at grant date (A$)	Exercise price (A$)	First exercise date	Last exercise date
	Vested	Unvested					
Directors							
Peter Wise	200,000	-	31 Aug 2007	$0.09	$0.45	31 Aug 2007	31 Aug 2012
Specified senior managers							
John Marinos	-	150,000	31 Aug 2007	$0.11	$0.39	31 Aug 2007	31 Aug 2012
Nathan Wise	-	150,000	31 Aug 2007	$0.11	$0.39	31 Aug 2007	31 Aug 2012
	200,000	300,000					

Shareholder approval for the issue of options under the Executive Share Option Plan to each of Peter Wise and Nathan Wise was obtained under ASX Listing Rule 10.14 on 11 November 2004.

Option Holdings

	Balance 1 Jul 2007	Granted as remuneration	Options exercised/ (lapsed)	Balance 30 Jun 2008	Number of options vested 30 Jun 2008	Number of options outstanding 30 Jun 2008	Total unexercisable 30 Jun 2008
Directors							
Peter Wise	800,000	200,000	-	1,000,000	1,000,000	1,000,000	-
Specified senior managers							
Brian Bamforth	175,000	-	-	175,000	175,000	175,000	-
Paul Sharp	125,000	-	-	125,000	125,000	125,000	-
John Marinos	400,000	150,000	(20,000)	530,000	80,000	530,000	450,000
Nathan Wise	450,000	150,000	(13,333)	586,667	303,333	586,667	283,334
	1,950,000	500,000	(33,333)	2,416,667	1,683,333	2,416,667	733,334

Refer to note 28 for the factors and assumptions used in determining share based payments.

Shareholdings

The number of shares held by directors and specified senior managers inclusive of relevant interests is as follows:

	Balance 1 July 2007	Received as remuneration	Net change other	Balance 30 June 2008
Directors				
Peter Wise	30,421,786	-	140,000	30,561,786
Gary Cohen	5,314,198	-	-	5,314,198
Robert Constable	200,000	-	-	200,000
Robert Moran	512,195	-	-	512,195
Richard Peterson	1,136,750	-	-	1,136,750
Gary Weiss	250,000	-	-	250,000
Specified senior managers				
John Marinos	-	-	11,350	11,350
Nathan Wise	-	-	-	-
Paul Sharp	71,250	-	-	71,250
Anthony Csillag	-	-	-	-
Brian Bamforth	42,000	-	-	42,000
	37,948,179	**-**	**151,350**	**38,099,529**

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 the listed entity, as well as the share price at the end of the respective financial years.

	2004	2005	2006	2007	2008
Revenue (A$'000)	53,552	61,127	80,888	84,127	87,997
Other income/(loss) (A$'000)	-	-	4,614	5,317	(6,573)
Net profit/(loss) before minority equity interest (A$'000)	3,568	2,306	5,665	7,843	(3,942)
Dividends (A$'000)	Nil	327	334	501	501
Share price at year-end (cents per share)	20.0	23.0	26.5	34.0	21.0

The table above shows that with the exception of the 2008 financial year, there has been a general trend of increasing sales and increasing net profit. The major item that adversely impacted the 2008 net profit result was the movement in the fair value of the investment in IBA Health Group. The fair value of the investment is subject to sharemarket volatility and is beyond the control of the Tag Group. Otherwise, revenue from operating investments has increased in line with the Tag Group's strategy of increasing the scale and level of activity of its operating investments.

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 five specified senior managers of the Tag Group receiving the highest remuneration in respect of the year to 30 June 2008 was as follows:

2008 A$	Salary, fees and commissions	Superannuation contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %	Option %
Directors								
Peter Wise Chairman (executive)	325,000	-	-	-	18,163	343,163	5%	5%
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**	**-**	**-**	**-**	**18,163**	**443,163**		
Tag Parent senior managers								
John Marinos Head of Finance	161,680	-	23,000	-	10,396	195,076	17%	5%
Nathan Wise Head of Corporate Development	190,000	-	41,166	-	5,759	236,925	20%	2%
Tag Subsidiary senior managers								
Paul Sharp Managing Director M+H Power Systems Pty Ltd	272,878	24,559	-	6,959	-	304,396	-	-
Anthony Csillag Managing Director Advanced Power Pty Ltd	166,674	43,264	41,281	21,782	-	273,001	15%	-
Brian Bamforth General Manager Interior Building Products Group	208,028	-	-	27,747	-	235,775	-	-
Total senior managers	**999,260**	**67,823**	**105,447**	**56,488**	**16,155**	**1,245,173**		

All directors and senior managers held their positions for the whole year on a full-time basis.

The remuneration for each director and five specified senior managers of the Tag Group receiving the highest remuneration in respect of the year to 30 June 2007 was as follows:

2007 A$	Salary, fees and commissions	Superannuation contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %	Option %
Directors								
Peter Wise	300,000	-	-	-	42,768	342,768	12%	12%
Gary Cohen	16,000	-	-	-	-	16,000	-	
Robert Constable	16,000	-	-	-	-	16,000	-	
Robert Moran	16,000	-	-	-	-	16,000	-	
Richard Peterson	16,000	-	-	-	-	16,000	-	
Gary Weiss	16,000	-	-	-	-	16,000	-	
Total directors	**380,000**	**-**	**-**	**-**	**42,768**	**422,768**		
Tag Parent senior managers								
John Marinos	136,454	-	14,839	-	13,278	164,571	17%	8%
Nathan Wise	175,000	-	41,416	-	7,243	223,659	22%	3%
Tag Subsidiary senior managers								
Paul Sharp	239,638	22,735	-	12,978	-	275,351	-	
Anthony Csillag	181,913	16,372	-	21,782	-	220,067	-	
Brian Bamforth	174,005	-	-	21,775	-	195,780	-	
Total senior managers	**907,010**	**39,107**	**56,255**	**56,535**	**20,521**	**1,079,428**		

Contract details

There were no written contracts in place with directors or specified senior managers other than the following:

- 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 3 months notice of termination (equating to a termination payment of $47,500).

- A written contract is in place in respect of the services provided by John Marinos to Tag Pacific Limited. The contract has no specified duration and requires 6 months notice of termination (equating to a termination payment of $100,000).

- A written contract is in place in respect of the services provided by Anthony Csillag to Advanced Power Pty Ltd. The contract has no specified duration and requires 3 months notice of termination (equating to a termination payment of $54,633).

Performance income as a proportion of total remuneration

In some circumstances senior managers are paid performance based 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.

Signed in accordance with a resolution of the directors.

Peter Wise
Chairman

29 August 2008

Income statement
for the financial year ended 30 June 2008

	Note	Tag Group		Tag Parent	
		2008	2007	**2008**	2007
		A$'000	A$'000	**A$'000**	A$'000
Continuing operations					
Revenue	3	87,997	84,127	243	5,163
Cost of sales		(60,118)	(56,957)	-	-
Gross profit		27,879	27,170	243	5,163
Other income/(loss)	3	(6,573)	5,317	-	-
Share of net profits of associates accounted for using the equity method	12	590	282	-	-
Employee benefits expense		(15,714)	(14,879)	(866)	(754)
Depreciation and amortisation expense	4	(549)	(953)	(51)	(14)
Finance costs	4	(618)	(571)	(3)	(2)
Occupancy expense		(1,853)	(1,935)	(110)	(68)
Other expenses		(6,395)	(5,825)	(486)	(469)
(Loss)/profit before income tax	4	(3,233)	8,606	(1,273)	3,856
Income tax (expense)/benefit	5	(709)	(763)	359	792
(Loss)/profit for the year from continuing operations		(3,942)	7,843	(914)	4,648
(Profit)/loss attributable to minority equity interest		(1,206)	(1,208)	-	-
(Loss)/profit attributable to members of the parent entity		(5,148)	6,635	(914)	4,648

Earnings per share

From continuing operations:

	Note	2008	2007
Basic (cents per share)	30	(7.7)	9.9
Diluted (cents per share)	30	(7.7)	9.7

		2008	2007
Dividends per share (cents per share)		0.75	0.75

The accompanying notes form part of these financial statements.

Balance sheet

as at 30 June 2008

		Tag Group		Tag Parent	
	Note	**2008**	2007	**2008**	2007
		A$'000	A$'000	**A$'000**	A$'000
Current assets					
Cash and cash equivalents	7	3,845	3,681	463	1,429
Trade and other receivables	8	16,161	13,860	11,742	12,677
Inventories	9	14,419	16,329	-	-
Other current assets	10	1,226	212	16	-
Total current assets		35,651	34,082	12,221	14,106
Non-current assets					
Financial assets	11	7,284	13,872	-	-
Equity accounted investments	12	2,109	1,708	-	-
Property, plant & equipment	13	1,706	1,790	41	49
Investments	14	-	-	3,276	3,276
Deferred tax assets	15	2,344	1,907	1,739	1,355
Intangible assets	16	1,895	1,905	-	10
Total non-current assets		15,338	21,182	5,056	4,690
Total assets		50,989	55,264	17,277	18,796
Current liabilities					
Trade and other payables	17	14,365	13,257	527	718
Short-term borrowings	18	3,568	4,177	-	-
Current tax liabilities	19	501	212	-	-
Short-term provisions	20	1,465	1,396	1	-
Other current liabilities	21	1,137	707	25	-
Total current liabilities		21,036	19,749	553	718
Non-current liabilities					
Long-term borrowings	18	1,677	2,209	-	-
Long-term provisions	20	90	78	-	-
Total non-current liabilities		1,767	2,287	-	-
Total liabilities		22,803	22,036	553	718
Net assets		28,186	33,228	16,724	18,078
Equity					
Issued capital	22	15,741	15,741	15,741	15,741
Reserves	23	506	921	196	135
Retained earnings		5,651	11,300	787	2,202
Tag Parent interest		21,898	27,962	16,724	18,078
Minority equity interest	24	6,288	5,266	-	-
Total equity		28,186	33,228	16,724	18,078

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the financial year ended 30 June 2008

Tag Group

	Attributable to equity holders of the parent				Minority interest	Total
	Issued capital A$'000	**Retained earnings A$'000**	**Other reserves A$'000**	**Total A$'000**	**A$'000**	**A$'000**
At 1 July 2006	15,741	5,166	559	21,466	4,173	25,639
Currency translation differences	-	-	299	299	-	299
Share based payments	-	-	63	63	-	63
Profit for year attributable to members	-	6,635	-	6,635	-	6,635
Profit for year attributable to minority interest	-	-	-	-	1,208	1,208
Equity distributions	-	(501)	-	(501)	(115)	(616)
Balance at 30 June 2007	**15,741**	**11,300**	**921**	**27,962**	**5,266**	**33,228**
At 1 July 2007	15,741	11,300	921	27,962	5,266	33,228
Currency translation differences	-	-	(476)	(476)	-	(476)
Share based payments	-	-	61	61	-	61
Loss for year attributable to members	-	(5,148)	-	(5,148)	-	(5,148)
Profit for year attributable to minority interest	-	-	-	-	1,206	1,206
Equity distributions	-	(501)	-	(501)	(184)	(685)
Balance at 30 June 2008	**15,741**	**5,651**	**506**	**21,898**	**6,288**	**28,186**

Tag Parent

	Issued capital A$'000	Retained earnings A$'000	Other reserves A$'000	Total A$'000
At 1 July 2006	15,741	(1,945)	72	13,868
Profit for year attributable to members	-	4,648	-	4,648
Share based payments	-	-	63	63
Equity distributions	-	(501)	-	(501)
Balance at 30 June 2007	**15,741**	**2,202**	**135**	**18,078**
At 1 July 2007	15,741	2,202	135	18,078
Loss for year attributable to members	-	(914)	-	(914)
Share based payments	-	-	61	61
Equity distributions	-	(501)	-	(501)
Balance at 30 June 2008	**15,741**	**787**	**196**	**16,724**

The accompanying notes form part of these financial statements.

Cash flow statement

for the financial year ended 30 June 2008

	Note	Tag Group		Tag Parent	
		2008	2007	**2008**	2007
		A$'000	A$'000	**A$'000**	A$'000
Cash flows from operating activities					
Receipts from customers		92,948	93,578	580	545
Payments to suppliers and employees		(89,312)	(92,867)	(1,499)	(1,252)
Proceeds from sale of fair value assets		-	1,661	-	-
Dividends received		189	247	-	-
Interest received		161	152	38	41
Income tax paid		(905)	(711)	-	-
Interest and other costs of finance paid		(580)	(546)	(3)	(2)
Net cash provided by/(used in) operating activities	32	2,501	1,514	(884)	(668)
Cash flows from investing activities					
Payment of deferred acquisition costs		-	(2,400)	-	-
Proceeds from sale of plant & equipment		39	62	-	-
Payments for intangible assets		(20)	-	(20)	-
Payments for property, plant & equipment		(425)	(277)	(7)	(25)
Net cash (used in)/provided by investing activities		(406)	(2,615)	(27)	(25)
Cash flows from financing activities					
Repayment of borrowings		(1,112)	(995)	-	-
Loan receipts from controlled entities		-	-	446	1,857
Dividends paid by controlled entities to minority interest		(177)	(115)	-	-
Proceeds from borrowings		-	2,400	-	-
Dividend paid by parent entity		(501)	(501)	(501)	(501)
Net cash (used in)/provided by financing activities		(1,790)	789	(55)	1,356
Net increase/(decrease) in cash and cash equivalents		305	(312)	(966)	663
Cash and cash equivalents at the beginning of the financial year		3,681	3,857	1,429	766
Effects of exchange rate changes on the balance of cash held in foreign currencies		(141)	136	-	-
Cash and cash equivalents at the end of the financial year	7	**3,845**	**3,681**	**463**	**1,429**

The accompanying notes form part of these financial statements

Notes to the financial statements
for the financial year ended 30 June 2008

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 report is a general purpose financial report which has 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 a financial report 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 report includes the separate financial statements of Tag Pacific Limited as an individual parent company and the consolidated financial statements of the Tag Group. The financial statements were authorised for issue by the directors on 28 August 2008.

The following is a summary of the material accounting policies adopted by the Tag Group in the preparation of the financial report. 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 report has been prepared on the basis of historical costs, except for the revaluation of selected non-current assets and 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 report 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 2008.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2008.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 construction contracts are recognised in the Income Statement 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 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 expense for construction contracts, management makes key assumptions regarding estimated revenues and expense 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) (referred to as 'the Tag Group' in these financial statements). A list of subsidiaries is contained in note 14. 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 the consolidated income statement 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 separate financial statements of 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.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Tag Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Tag Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Tag Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current 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', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Tag Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Tag Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries
Shares in subsidiary companies held as non-current assets are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors for impairment.

(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 substantially 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 accounted for using the balance sheet liability method in respect of temporary differences arising 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 credited in the income statement except where it relates to items that may be credited 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.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Tag Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tag Pacific Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the tax consolidated group recognises its own deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(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 2p 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 or fair value less, where applicable, 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 income statement during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including capitalised lease assets are depreciated on a straight-line 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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 sheet 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 the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(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 that 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 in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis 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 the income statement 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.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities, and it is the Tag Group's intention to hold these investments to maturity.

Available-for-sale financial assets
Available-for-sale financial assets, comprising principally investments, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Fair value is determined in the manner as noted below.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 sheet 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 the Income Statement.

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 the Income Statement.

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
Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Tag Group's share of post acquisition reserves of its associates.

(i) Intangible assets
Goodwill
Goodwill and goodwill on consolidation are 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 acquisitions 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 16).

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. Patents and trademarks are amortised over their useful life ranging from 10 to 20 years.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development
Expenditure during the research phase of a project is recognised as an expense when 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 the income statement, except where deferred in equity as a qualifying cash flow.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

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 exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Tag Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement 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 expenses when incurred.

(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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 balance sheet.

(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 and interest revenue
Dividend 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 sheet 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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 cash flow statement 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 costs 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.

(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 33 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their face value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Note 33 contains details of the fair values of the derivative instruments used for hedging purposes.

(u) Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(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 report and directors' report have been rounded off to the nearest $1,000.

(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. The Tag Group has also adopted the following standards as listed below which only impacted on the Tag Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'
- AASB 2008-4 'Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities'.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Tag Group and the company's financial report:

Standard or Interpretation	Nature of change	Effective for annual reporting periods beginning on or after
• AASB 101 'Presentation of Financial Statements' (revised September 2007)	Requires owner changes in equity to be disclosed separately from non-owner changes in equity. Replaces the terminology used for certain financial statements.	1 January 2009
• AASB 8 'Operating Segments'	Requires identification and measurement of operating segments based on internal management reporting rather than segments prescribed within the Standard.	1 January 2009
• AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	Consequential amendments to AASBs 5, 6, 102, 107, 119, 127, 134, 136, 1023 and 1038 arising from issuance of AASB 8.	1 January 2009

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Tag Group and the company:

Standard or Interpretation	Nature of change	Effective for annual reporting periods beginning on or after
• AASB Interpretation 4 'Determining whether an Arrangement contains a Lease' (revised February 2007)	Specifies criteria for determining whether an arrangement is, or contains, a lease.	1 January 2008
• AASB Interpretation 12 'Service Concession Arrangements'	Addresses accounting for arrangements under which private sector entities participate in the provision of public services.	1 January 2008
• AASB Interpretation 13 'Customer Loyalty Programmes'	Adopts a revenue allocation rather than a cost allocation for entities that operate a customer loyalty programme.	1 July 2008
• AASB 123 'Borrowing Costs' (revised June 2007)	Requires capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009
• AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	Clarifies that any vesting conditions identified within AASB 2 'Share-based Payment' comprise service and performance conditions only and that other features of a share-based payment transaction are not vesting conditions.	1 January 2009

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Standards and Interpretations issued not yet effective (continued)

The potential effect of the initial application of the following Standards has not yet been determined:

Standard	Nature of change	Effective for annual reporting periods beginning on or after
• AASB 3 'Business Combinations (revised March 2008)	Changes the manner in which an acquirer recognises and measures the identifiable assets acquired, liabilities assumed and any non-controlling interest in an acquiree for any business combinations established on or after 1 July 2009.	1 July 2009
• AASB 127 'Consolidated and Separate Financial Statements' (revised March 2008)	Requires attribution of total comprehensive income to owners of the parent and to non-controlling interests. Specifies that changes in a parent's interest that do not result in loss of control in a subsidiary must be accounted for as equity transactions. Specifies how an entity measures any gain or loss on the loss of control of a subsidiary.	1 July 2009
• AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Contains accounting changes for presentation, recognition or measurement purposes arising from proposals included in Exposure Draft ED 159 *Proposed Improvements to Australian Accounting Standards*.	1 January 2009
• AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Where there is a sale plan involving the loss of control of a subsidiary, the assets and liabilities of such a subsidiary are to be classified as held for sale where certain criteria are met. Clarifies the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	1 July 2009
• AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Requires, in particular circumstances, a new parent entity established in a group reorganisation to measure the cost of its investment at the carrying amount of the share of equity items shown in the separate financial statements of the original parent at the date of reorganisation.	1 January 2009

The application of AASB 101 (revised September 2007) will not affect any of the amounts recognised in the financial statements, but will change the disclosure presently made in relation to the company's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Tag Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

Notes to the financial statements
for the financial year ended 30 June 2008

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000

3. INCOME

Sales revenue				
- sale of goods	76,985	75,393	-	-
- rendering of services	1,467	1,313	181	622
- construction contract revenue	9,166	5,913	-	-
Total sales revenue	87,618	82,619	181	622
Other revenue				
- interest revenue	165	152	38	41
- dividends received: subsidiaries	-	-	-	4,500
- dividends received: other parties	-	247	-	-
- other revenue	214	1,109	24	-
Total other revenue	379	1,508	62	4,541
Total sales revenue and other revenue	87,997	84,127	243	5,163
Other income				
- fair value (losses)/gains on financial assets designated as at fair value through profit or loss upon initial recognition	(6,590)	4,406	-	-
- gains on disposal of assets through profit or loss	17	911	-	-
Total other income	(6,573)	5,317	-	-
Total income	81,424	89,444	243	5,163

Construction contract revenue relates to revenue derived from a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated in terms of their design, technology and function or their ultimate purpose or use.

4. PROFIT FOR THE YEAR

The profit before income tax has been determined after:

Expenses				
Finance costs				
- other persons	558	518	3	2
- finance lease charges	60	53	-	-
	618	571	3	2
Depreciation of non-current assets				
- plant & equipment	430	395	15	14
- capitalised leased assets	69	111	-	-
	499	506	15	14
Amortisation of non-current assets	50	447	36	-
Reversal of preivous impairment loss of receivables from wholly owned controlled entities	-	-	(13)	(186)
Bad and doubtful debts on receivables	166	281	-	-
Operating lease rentals – minimum lease payments	1,867	1,901	110	66
Share based payments	61	63	61	63
Foreign exchange differences	5	(48)	-	-
Write down/(write back) of inventory to realisable values	187	(176)	-	-

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000

4. PROFIT FOR THE YEAR (CONTINUED)

Research and development expenses	153	73	-	-

Significant revenues and expenses

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

Gain on sale of other assets	17	2	-	-
Gain on sale of financial assets	-	911	-	-

5. INCOME TAX EXPENSE

(a) The components of tax expense comprise:

Current tax	1,161	1,251	-	-
Deferred tax (refer note 15)	(437)	(170)	(384)	(470)
Recoupment of prior year tax losses	-	(335)	-	(335)
(Over)/under provision in respect of prior years	(15)	17	25	13
Tax expense/(tax benefit)	709	763	(359)	(792)

Recoupment of prior year tax losses relates to the use of carried forward capital losses not previously recognised.

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

Prima facie tax (benefit)/expense on (loss)/profit before income tax at 30% (2007: 30%)	(970)	2,582	(381)	1,157
Add tax effect of:				
- assessable items	26	97	-	-
- non-allowable items	31	90	-	19
- non-allowable items - fair value loss	1,977	-	-	-
- non-deductible amortisation	-	134	-	-
- under provision for income tax in prior year	21	17	-	-
- difference in overseas tax rates	10	27	6	-
Less tax effect of:				
- non-assessable items	(145)	(1,322)	16	(1,406)
- deductible items not claimed	(28)	(203)	-	-
- share of net profits of associates	(177)	(84)	-	-
- over provision for income tax in prior year	(36)	-	-	-
- recoupment of tax losses	-	(335)	-	(335)
- recognition of tax losses	-	(240)	-	(227)
Income tax expense/(benefit) attributable to the entity	709	763	(359)	(792)
The applicable weighted average effective tax rates are as follows:	21.9%	8.9%	(28.2%)	(20.5%)

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000

6. DIVIDENDS

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Recognised amounts				
Declared partially franked dividend of 0.75 (2007: 0.75) cents per share franked to 50% (2007: 23%) per share at the tax rate of 30% (2007: 30%)	501	501	501	501
Unrecognised amounts				
A dividend of 0.75 cents per share (total A$501,036) franked to 100% (2007: 50%) per share at the tax rate of 30% (2007: 30%) was declared after balance date but has not been recognised as a liability at year end				
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	103	42	103	42

Subsequent to year end, the franking account would be reduced by $214,730 (2007: $107,365) for the declared unrecognised dividend.

7. CASH & CASH EQUIVALENTS

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Cash at bank and on hand	3,328	3,183	463	1,144
Short-term bank deposits	517	498	-	285
	3,845	3,681	463	1,429
Reconciliation of cash				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet	3,845	3,681	463	1,429

The weighted average effective interest rate on short term bank deposits for the financial year ended 30 June 2008 was 5.65% (2007: 5.90%).

8. TRADE & OTHER RECEIVABLES

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Trade receivables	16,244	14,063	-	-
Less: Provision for impairment of receivables	(231)	(346)	-	-
	16,013	13,717	-	-
Other debtors	148	143	117	46
Amounts receivable from				
- partly owned subsidiaries	-	-	60	227
- wholly owned controlled entities (a)	-	-	12,875	13,725
- provision for impairment of receivables – wholly owned controlled entities	-	-	(1,310)	(1,321)
	-	-	11,625	12,631
	16,161	13,860	11,742	12,677

(a) Loans to wholly owned entities are subject to repayment at call and are non-interest bearing.

Ageing of past due but not impaired

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
0-30 days past due date	994	490	-	-
30+ days past due date	1,009	2,357	-	-
Total	2,003	2,847	-	-

8. TRADE & OTHER RECEIVABLES (CONTINUED)

Movement in the provision for impairment of receivables

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Balance at the beginning of the year	346	206	-	-
Impairment losses recognised on receivables	166	281	-	-
Amounts written off as uncollectible	(304)	(141)	-	-
Amounts recovered during the year	23	-	-	-
Impairment losses reversed	-	-	-	-
Unwind of discount	-	-	-	-
Balance at the end of the year	231	346	-	-

The average credit period on sales of goods and rendering of services is 60 days. The Tag Group has provided for receivables over 60 days based on estimated irrecoverable 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 impaired receivables.

Ageing of impaired trade receivables

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
0-30 days past due date	-	-	-	-
30+ days past due date	231	346	-	-
Total	231	346	-	-

Construction contracts

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Construction costs incurred	6,815	4,467	-	-
Recognised profits to date	2,351	1,446	-	-
	9,166	5,913	-	-
Less: Progress billings	(9,248)	(5,954)	-	-
	(82)	(41)	-	-
Recognised and included in the financial statements as amounts due:				
From customers under construction contracts	1,013	-	-	-
To customers under construction contracts	(1,095)	(41)	-	-
	(82)	(41)	-	-
Retentions on construction contracts in progress	94	158	-	-
Advances received and receivable on construction contracts in progress	3,210	1,116	-	-

9. INVENTORIES

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
At carrying value				
- Raw materials	2,707	2,090	-	-
- Work in progress	1,687	506	-	-
- Finished goods	10,025	13,733	-	-
	14,419	16,329	-	-

10. OTHER ASSETS

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Current				
Prepayments	213	212	16	-
Accrued revenue receivable	1,013	-	-	-
	1,226	212	16	-

11. FINANCIAL ASSETS

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Non-current				
Shares in listed corporations at fair value (a)	7,242	13,831	-	-
Other unlisted investments at cost (b)	42	41	-	-
	7,284	13,872	-	-

(a) Financial assets designated 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.
(b) Financial assets classified as available for sale. The fair value of unlisted available for sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost.

12. EQUITY ACCOUNTED INVESTMENTS

Tagpac Securities Ltd held a 37.93% (2007: 36.06%) interest in the ordinary shares of Unique World Group Pty Ltd at 30 June 2008. On 12 July 2007 Unique World Group Pty Limited undertook a selective buy-back of its shares. As a consequence Tagpac Securities Limited's shareholding at balance date increased to 37.93%. Unique World Group Pty Limited is incorporated in Australia and its principal activity is the provision of services as a web based technology solution provider. The reporting date of Unique World Group Pty Limited is 30 June 2008.

Electro Securities Pty Ltd holds a 48.92% interest in the units of the Power Property Unit Trust, which owns the property occupied by M+H Power Systems Pty Ltd in Melbourne. All profits of the Power Property Unit Trust are distributed to unitholders and accordingly, Electro Securities Pty Limited does not equity account these interests. The Power Property Unit Trust has a 30 June financial year-end. The value of the property owned by the Power Property Unit Trust is valued at cost less accumulated depreciation.

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
(a) Reconciliation of movement during the year in equity accounted investment in associated company:				
Balance at beginning of the financial year	1,708	1,426	-	-
Add: Share of associate's profit after income tax	590	282	-	-
Less: Dividends received	(189)	-	-	
Balance at the end of the financial year	2,109	1,708	-	-

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000

12. EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

(b) Summarised financial performance:

Total revenues	12,937	9,154	-	-
Total profit for year	1,872	1,273	-	-
Tag Group's share of associate's profit before income tax	710	468	-	-
Tag Group's share of associates' income tax	(120)	(186)	-	-
Tag Group's share of associates' profit after income tax	590	282	-	-

(c) Summarised presentation of financial position:

Total assets	4,859	3,791	-	-
Total liabilities	2,381	2,120	-	-
Net assets	2,478	1,671	-	-
Tag Group's share of associate's net assets	940	602	-	
Revenue	12,937	9,154	-	-
Profit after income tax of associates	1,554	767	-	-

(d) Dividends received from associates:

During the financial year ended 30 June 2008, the Tag Group received dividends of $189,498 (2007: nil) from its associates.

13. PROPERTY, PLANT & EQUIPMENT

Plant & equipment				
- at cost	3,954	3,880	184	176
- accumulated depreciation	(2,669)	(2,628)	(143)	(127)
	1,285	1,252	41	49
Leasehold improvements				
- at cost	616	641	-	-
- accumulated amortisation	(347)	(340)	-	-
	269	301	-	-
Capitalised leased assets				
- at cost	358	457	-	-
- accumulated amortisation	(206)	(220)	-	-
	152	237	-	-
Carrying amount at the end of the year	1,706	1,790	41	49

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000

13. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and equipment A$'000	Leasehold improvements A$'000	Leased plant and equipment A$'000	Total A$'000
Tag Group				
Balance at the beginning of the year	1,252	301	237	1,790
Additions	488	32	-	520
Disposals	(7)	(1)	(16)	(24)
Depreciation expense	(396)	(34)	(69)	(499)
Effect of exchange rate differences between the beginning and the end of the year	(52)	(29)	-	(81)
Carrying amount at the end of the year	1,285	269	152	1,706
Tag Parent				
Balance at the beginning of the year	49	-	-	49
Additions	7	-	-	7
Depreciation expense	(15)	-	-	(15)
Carrying amount at the end of the year	41	-	-	41

14. INVESTMENTS

	Tag Group 2008	Tag Group 2007	Tag Parent 2008	Tag Parent 2007
Shares in subsidiaries at cost (a)	-	-	3,276	3,276

(a) Refer to note 2(a) for accounting policy.

Shares and units in subsidiaries comprise:

Entity	Place of incorporation	Class of share	% Owned 2008	% Owned 2007
Electro Securities Pty Limited	AUS	Ord	100	100
Fibumi Pty Ltd	AUS	Ord	100	100
ShareCover Pty Limited	AUS	Ord	100	100
ShareCover Services Pty Limited	AUS	Ord	100	100
Tagpac Financial Services Pty Limited	AUS	Ord	100	100
Tagpac Securities Ltd	AUS	Ord	100	100
Techno Holdings Pty Limited	AUS	Ord/Pref	100/100	100/100
Comprador Pacific Pty Limited	AUS	Ord	51	51
Comprador Pacific Unit Trust	AUS	Units	51	51
M+H Power Systems Pty Ltd	AUS	Ord	58	58
M+H Power Systems Ltd	NZ	Ord	58	58
Nikko Business Equipment Pty Limited	AUS	Ord	58	58
Advanced Power Pty Ltd	AUS	Ord	58	58
Advanced Power Southern Pty Limited	AUS	Ord	58	58
Flatbat Ltd	NZ	Ord	100	100
Potter Interior Systems Ltd	NZ	Ord	100	100
Spedding Ltd	NZ	Ord	100	100

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

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000

15. TAXATION

Current tax liabilities				
Income tax attributable to:				
- parent entity	-	-	-	-
- entities in the consolidated group	501	212	-	-
- franking deficit payable	-	-	-	-
	501	212	-	-

Deferred tax balances
Deferred tax assets arise from the following:

	Opening balance A$'000	Charged to income A$'000	Exchange differences A$'000	Closing balance A$'000
Tag Group 2008 year				
Temporary differences				
Property, plant and equipment	-	-	-	-
Intangible asset	(20)	33	-	13
Doubtful debts provision	76	(21)	-	55
Long service leave provision	136	2	-	138
Annual leave provision	245	23	-	268
Warranty provision	12	-	-	12
Stock provision	76	(14)	-	62
Other provisions and accruals	98	(23)	(9)	66
Prepayments and other	(57)	56	-	(1)
	566	56	(9)	613
Unused tax losses and credits	1,341	390	-	1,731
	1,907	446	(9)	2,344
Tag Group 2007 year				
Temporary differences				
Property, plant and equipment	7	(7)	-	-
Intangible asset	-	(20)	-	(20)
Doubtful debts provision	48	28	-	76
Long service leave provision	125	11	-	136
Annual leave provision	210	35	-	245
Warranty provision	46	(34)	-	12
Stock provision	134	(58)	-	76
Other provisions and accruals	9	74	15	98
Prepayments and other	-	(57)	-	(57)
	579	(28)	15	566
Unused tax losses and credits	1,158	183	-	1,341
	1,737	155	15	1,907

15. TAXATION (CONTINUED)

	Opening balance A$'000	Charged to income A$'000	Exchange differences A$'000	Closing balance A$'000
Tag Parent 2008 year				
Temporary differences				
Other provisions and accruals	88	(33)	-	55
Prepayments and other	(1)	1	-	-
	87	(32)	-	55
Unused tax losses and credits	1,268	416	-	1,684
	1,355	384	-	1,739
Tag Parent 2007 year				
Temporary differences				
Other provisions and accruals	-	88	-	88
Prepayments and other	-	(1)	-	(1)
		87	-	87
Unused tax losses and credits	885	383	-	1,268
	885	470	-	1,355

	Tag Group		Tag Parent	
	2008 A$'000	2007 A$'000	**2008 A$'000**	2007 A$'000
Deferred tax assets not brought to account which will only be realised if the conditions for deductibility set out in note 2 occur				
- revenue losses	-	-	-	-
- capital losses	4,210	4,210	4,210	4,210

Any material tax liability in relation to a realised gain on investment in relation to IBA Health Group Limited would be offset by the unrecognised tax assets from the capital losses available to the Tag Group. Accordingly, no deferred tax liability has been recognised in relation to the fair value gain.

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000

16. INTANGIBLE ASSETS

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Capitalised development costs				
- cost	314	314	-	-
- accumulated amortisation	(314)	(314)	-	-
	-	-	-	-
Goodwill				
- cost	2,121	2,121	-	-
- accumulated amortisation	(322)	(322)	-	-
	1,799	1,799	-	-
Trademarks				
- cost	274	274	-	-
- accumulated amortisation	(178)	(178)	-	-
	96	96	-	-
Other				
- cost	24	10	24	10
- accumulated amortisation	(24)	-	(24)	-
	-	10	-	10
Carrying amount at the end of the year	1,895	1,905	-	10
Reconciliation of capitalised development costs				
Balance at the beginning of the year	-	314	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Amortisation charge	-	(314)	-	-
Carrying value at the end of the year	-	-	-	-
Reconciliation of goodwill				
Balance at the beginning of the year	1,799	1,712	-	-
Additions	-	87	-	-
Disposals	-	-	-	-
Amortisation charge	-	-	-	-
Carrying value at the end of the year	1,799	1,799	-	-
Reconciliation of trademarks				
Balance at the beginning of the year	96	241	-	-
Additions	-	-	-	-
Disposals	-	(12)	-	-
Amortisation charge	-	(133)	-	-
Carrying value at the end of the year	96	96	-	-
Reconciliation of other				
Balance at the beginning of the year	10	10	10	10
Additions	14	-	14	-
Disposals	-	-	-	-
Amortisation charge	(24)	-	(24)	-
Carrying value at the end of the year	-	10	-	10

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000

16. INTANGIBLE ASSETS (CONTINUED)

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under note 2. Goodwill has an infinite life reviewed annually for any signs of impairment.

The recoverable amount of each cash-generating unit above 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 power products and building products divisions which are reportable segments. The carrying amount of goodwill with indefinite useful life allocated to the power products division cash-generating unit is significant in comparison with the total carrying amount of goodwill. The carrying amount of goodwill allocated to other cash-generating units is not significant in comparison with the total carrying amount of goodwill.

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. As such it is considered that goodwill has an infinite life.

Further factors supporting infinite life for goodwill include:
- the useful life of goodwill is not dependant on the useful life of other assets of the Tag Group;
- there are no legal or similar expiring limits on the use of the asset or the period of control over the assets;
- there is no maintenance expenditure required to obtain the future economic benefits from the asset and the entity's ability and intention to reach such a level; and
- there is increasing market demand for products or services of the power products division which holds a significant amount of the goodwill.

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
M+H Power Systems Pty Ltd	2%	15%
Advanced Power Pty Ltd	5%	16%

The value-in-use calculations have been based on budgets for entities within the M+H Power 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 M+H Power Group operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with entities within the M+H Power Group.

There has been no impairment charge in the income statement in relation to any goodwill.

17. TRADE & OTHER PAYABLES

Current unsecured liabilities				
- trade payables	11,013	11,490	-	-
- sundry payables and accrued expenses	3,352	1,767	527	718
	14,365	13,257	527	718
Foreign currency liabilities				
Current liabilities not effectively hedged				
- Australian Dollars	428	319	-	-
- Euros	46	656	-	-
- Japanese Yen	36	69	-	-
- New Zealand Dollars	1	18	-	-
- Singapore Dollars	-	440	-	-
- UK Pounds Sterling	-	45	-	-
- US Dollars	-	455	-	-
	511	2,002	-	-

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000

18. BORROWINGS

Current				
- bank facilities (secured)	3,362	3,953	-	-
- finance lease liabilities (secured)	206	224	-	-
	3,568	4,177	-	-
Non-current				
- bank facilities (secured)	1,305	1,905	-	-
- finance lease liabilities (secured)	372	304	-	-
	1,677	2,209	-	-

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 A$44,363,000 (2007: A$34,473,000).

Summary of borrowing arrangements
The covenants and specific conditions which apply to the bank facilities are as follows:

- For Potter Interior Systems Ltd which represents A$0.96 million of the bank borrowings, there is a requirement that:
  - Interest coverage ratio must not be below 3 times.
  - Total liabilities to effective equity must be no more than 2.5 times.
- For M+H Power Systems Pty Ltd which represents A$1.56 million of the bank borrowings there is a requirement that:
  - Debt cover to be a minimum of 1.25 times net profit after tax.
  - The minimum tangible net worth must not be below A$5.0 million.
- For Comprador Pacific Unit Trust which represents A$2.15 million of the bank borrowings there is a requirement that:
  - Interest coverage ratio must not be below 3.5 times.
  - Current book value of realisable stock and trade debtors must not fall below A$6.5 million.

There were no breaches of any covenants at 30 June 2008 or at any time during the financial year (2007: nil).

The lease liabilities are secured by the leased assets as disclosed in note 13.

19. CURRENT TAX LIABILITIES

Income tax	501	212	-	-

20. PROVISIONS

Current				
Short-term employee benefits				
- Opening balance at beginning of year	1,355	1,306	-	-
- Additional provisions raised during year	906	855	6	4
- Amounts used	(837)	(806)	(5)	(4)
- Balance at end of year	1,424	1,355	1	-
Warranties				
- Opening balance at beginning of year	41	82	-	-
- Additional provisions raised during year	-	(3)	-	-
- Amounts used	-	(38)	-	-
- Balance at end of year	41	41	-	-
	1,465	1,396	1	-

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000

20. PROVISIONS (CONTINUED)

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Non-current				
Long-term employee benefits				
- Opening balance at beginning of year	78	89	-	-
- Additional provisions raised during year	12	23	-	-
- Amounts used	-	(34)	-	-
- Balance at end of year	90	78	-	-
Number of personnel at year end (No.)	233	205	4	5

(a) 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 to this report.

(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.

21. OTHER LIABILITIES

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Current				
Construction contract advances received	1,095	41	-	-
Lease incentive	25	-	25	-
Customer deposits in advance	17	666	-	-
	1,137	707	25	-

22. ISSUED CAPITAL

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
66,804,745 (2007: 66,804,745) fully paid ordinary shares	15,741	15,741	15,741	15,741
Ordinary shares				
At the beginning of the reporting period	15,741	15,741	15,741	15,741
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
At reporting date	15,741	15,741	15,741	15,741

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.

During the financial year, Tag Pacific Limited put in place an on-market share buy-back facility. To date no purchases have been made under the on-market share buy-back facility. On 22 July 2008 the buy-back was extended for a further 12 months.

Notes to the financial statements
for the financial year ended 30 June 2008

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000

23. RESERVES

Capital reserve	659	659	-	-
Share option reserve	196	135	196	135
Foreign currency translation reserve	(349)	127	-	-
	506	921	196	135
Movements during year				
Capital reserve				
Opening balance	659	659	-	-
Closing balance	659	659	-	-

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

Foreign currency translation reserve				
Opening balance	127	(172)	-	-
Adjustment arising from the translation of self-sustaining foreign controlled entities' financial statements	(476)	299	-	-
Closing balance	(349)	127	-	-

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

Share option reserve				
Opening balance	135	72	135	72
Share based payments for the year	61	63	61	63
Closing balance	196	135	196	135

The share option reserve records items recognised as expenses on valuation of executive share options.

24. MINORITY INTEREST IN CONTROLLED ENTITIES

Minority interest comprise				
- capital	1,466	1,466	-	-
- profits	4,822	3,800	-	-
	6,288	5,266	-	-

25. CAPITAL AND LEASING COMMITMENTS

Capital expenditure commitments	-	-	-	-

Operating lease commitments

Operating leases are non-cancellable property leases with varying terms up to 6 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	1,506	1,783	84	81
- later than one year but not later than five years	1,582	2,070	255	339
- later than five years	-	-	-	-
	3,088	3,853	339	420

25. CAPITAL AND LEASING COMMITMENTS (CONTINUED)

Finance lease commitments

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000
Finance leases relate principally to motor vehicles up to 3 year terms typically with a 25% residual value				
Payable				
- not later than one year	250	247	-	-
- later than one year but not later than five years	416	324	-	-
Minimum lease payments	666	571	-	-
Less: future finance charges	(88)	(43)	-	-
Present value of minimum lease payments	578	528	-	-

26. SEGMENT INFORMATION

	Building products		Power products		Investment		Tag Group	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
PRIMARY REPORTING - BUSINESS SEGMENTS								
Revenue								
External revenue	42,000	45,869	45,920	37,898	77	360	87,997	84,127
Other income	7	-	10	2	(6,590)	5,315	(6,573)	5,317
Share of net profits of equity accounted associates	-	-	-	-	590	282	590	282
Total revenue	42,007	45,869	45,930	37,900	(5,923)	5,957	82,014	89,726
Result								
Segment result	815	2,288	3,370	2,425	(6,147)	5,957	(1,962)	10,670
Unallocated expenses							(1,271)	(2,064)
Profit/(loss) before income tax	815	2,288	3,370	2,425	(6,147)	5,957	(3,233)	8,606
Income tax							(709)	(763)
Profit/(loss) after income tax							(3,942)	7,843
Assets								
Segment assets	15,755	17,952	23,605	18,787	11,629	18,525	50,989	55,264
Liabilities								
Segment liabilities	11,274	13,147	11,095	8,230	434	659	22,803	22,036
Other								
Acquisitions of non-current segment assets	212	180	301	174	7	25	520	379
Other non-cash segment expenses	324	607	153	7	1	326	478	940
Depreciation and amortisation of segment assets	243	281	255	223	51	449	549	953
Investments accounted for using the equity method	-	-	-	-	2,109	1,708	2,109	1,708

26. SEGMENT INFORMATION (CONTINUED)

	Australia		New Zealand		Tag Group	
	2008	2007	**2008**	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
SECONDARY REPORTING - GEOGRAPHIC SEGMENTS						
Segment revenues (from external customers)	61,226	57,892	26,771	26,235	87,997	84,127
Segment other income/(loss)	(6,573)	5,317	-	-	(6,573)	5,317
Share of net profits of equity accounted associates	520	282	-	-	520	282
Segment assets	41,831	45,924	9,158	9,340	50,989	55,264
Acquisition of non-current assets	321	198	199	152	520	350

Accounting policies
Segment revenues and expenses are those directly attributable to the segments and include any joint revenues and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and plant and equipment, net of allowances and accumulated depreciation and amortisation. All such assets can be directly attributed to individual segments and assets are not used jointly by two or more segments.

Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities also include deferred income taxes.

Inter-segment transfers
Segment revenues, expenses and results do not include transfers between segments. These transfers are eliminated on consolidation.

Business and geographical segments

Business segments
The Tag Group has the following three business segments:

- Building products – consists of Potter Interior Systems Ltd (wholly owned) and Comprador Pacific Pty Limited (51% owned). Both entities distribute a unique range of building products to the commercial interiors market across Australia and New Zealand. Both entities also manufacture a leading range of proprietary whiteboards, pinboards and acoustic panels.

- Power products – consists of M+H Power Systems Pty Ltd, M+H Power Systems Ltd and Advanced Power Pty Ltd (all 57.7% owned). This grouping is a leading provider of stored energy products and solutions for use in all manner of emergency, backup, generated and renewable power situations in Australia, New Zealand and Fiji.

- Investment – consists principally of Tag's investments in IBA Health Group Limited, Unique World Group Pty Limited and the Power Property Unit Trust. IBA Health Group Limited is a health information technology company listed on the ASX with operations in Australia and a number of overseas countries. Unique World Group Pty Limited is an IT company which provides Microsoft based solutions to corporate and government organisations across New South Wales, Victoria and the Australian Capital Territory. The Power Property Unit Trust owns the property occupied by M+H Power Systems Pty Ltd in Melbourne.

Geographic segments
Both the power products group and building products group have business segments located across Australia and New Zealand (incorporating Fiji). Specifically, geographical segments consist of branches across Australia in New South Wales, Victoria, Queensland, Western Australia, South Australia and the Australian Capital Territory. The New Zealand segment includes branches in Auckland, Wellington, Christchurch and Tauranga.

There are only minor exports made to other countries.

27. AUDITOR'S REMUNERATION

	Tag Group 2008 A$	Tag Group 2007 A$	Tag Parent 2008 A$	Tag Parent 2007 A$
Remuneration of the auditor of Tag Parent for:				
- Auditing or reviewing the accounts	252,360	200,811	76,222	61,700
- Tax compliance services	43,090	63,939	21,753	41,507
	295,450	264,750	97,975	103,207

28. EMPLOYEE BENEFITS

Executive Share Option Plan

The following share-based payment arrangement existed at 30 June 2008.

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.

500,000 options were granted under the Tag Pacific Limited Executive Share Option Plan in the year to 30 June 2008 (2007: 1,000,000).

	Tag Group 2008 No.	Tag Group 2007 No.	Weighted average exercise price	Tag Parent 2008 No.	Tag Parent 2007 No.
Movement in the number of share options held by employees are as follows					
Opening balance	2,025,000	1,025,000	A$0.34	2,025,000	1,025,000
Granted during the year	500,000	1,000,000	A$0.41	500,000	1,000,000
Lapsed during the year	(108,333)	-	A$0.33	(108,333)	-
Closing balance	2,416,667	2,025,000		2,416,667	2,025,000

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

Grant date	Expiry date	Exercise price	Number of options
14 April 2005	14 April 2010	A$0.33	950,000
22 December 2006	22 December 2011	A$0.33	566,667
22 December 2006	22 December 2011	A$0.40	400,000
31 August 2007	31 August 2012	A$0.39	300,000
31 August 2007	31 August 2012	A$0.45	200,000
		Total	**2,416,667**

During the year ended 30 June 2008 no ordinary shares in Tag Pacific Limited were issued on the exercise of options granted under the Tag Pacific Limited Executive Share Option Plan. No shares have been issued under the Executive Share Option Plan to the date of this report. 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.

28. EMPLOYEE BENEFITS (CONTINUED)

On 31 August 2007, 500,000 share options were granted to executives under the Tag Pacific Limited Executive Share Option Plan to take up ordinary shares with an exercise price of $0.39 each (in respect of 300,000 options) and $0.45 each (in respect of 200,000 options). The options are exercisable on or before 31 August 2012. The options hold no voting or dividend rights and are not transferable. During the year, 108,333 share options had lapsed.

The options outstanding at 30 June 2008 had a weighted average exercise price of $0.36 and a weighted average remaining contracted life of 3.3 years. Exercise prices range from $0.33 to $0.45 each in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was $0.10 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	$0.41
Weighted average life of the option	5 years
Underlying share price at issue date	$0.35
Expected share price volatility	35%
Risk free interest rate	6%

Note that 300,000 of the share options granted during the year may only vest upon the satisfactory achievement of specific performance criteria. For the purposes of determining the share based payment expense for the year it is considered likely that no more than 80% of these share options would vest upon satisfactory achievement of the specified performance criteria.

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

Included under employee benefits expense in the income statement is $61,240 (2007: $63,289) and this relates, in full, to equity-settled share-based payment transactions.

29. 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 14. Transactions occur between certain of these entities during the year, all of which are conducted on normal commercial rates and conditions no more favourable than those available to other parties with no security unless otherwise stated.

Aggregate amounts receivable from/payable to entities in the Tag Group at balance date:

	Tag Parent	
	2008	2007
	A$	A$
Current receivables	12,934,185	13,951,817
Less: Provision for impairment	(1,319,210)	(1,321,068)
	11,624,975	12,630,749

Director related entities
Peter Wise has a controlling interest in Anthony Australia Pty Limited through family interests. Anthony Australia Pty Limited effected a net increase of 140,000 (2007: 205,486) ordinary shares in Tag Pacific Limited during the year under review. Anthony Australia Pty Limited 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 Limited received 200,000 share options during the year under the Tag Group's Executive Share Option Plan. These options are included in the remuneration of directors' disclosures in the Directors' Report.

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.

Richard Peterson is a partner of Harkness & Peterson. Harkness & Peterson did not receive any fees for the financial year (2007: A$476) as the Tag Group's solicitor in New Zealand. These services were provided on an arm's length basis.

29. RELATED PARTIES (CONTINUED)

Share transactions of directors	**2008** No.	2007 No.
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in Tag Pacific Limited	37,974,929	37,834,929

Transactions with related parties:

(a) Ultimate parent company
There were management services provided between related entities and the ultimate parent company in the amount of A$192,800 (2007: A$611,984). These services were provided on an arm's length basis.

The ultimate parent company and its wholly owned subsidiaries received A$392,798 in dividends from its controlled subsidiaries and associates during the year (2007: A$156,832).

Current loans totalling A$12,934,185 are repayable to the ultimate parent company from subsidiaries (2007: A$13,951,818).

(b) Associated companies
There were management services of A$10,000 provided by Tag Pacific Limited to associated companies during the year (2007: A$10,000). These services were provided on an arm's length basis.

Unique World Group Pty Ltd provided web-based consulting services to ShareCover Services Pty Limited during the year in the amount of A$6,000 (2007: A$75,170). These services were provided on an arm's length basis.

(c) Other related parties
There were sales of power and building related products between related entities in the amount of A$846,354 during the year (2007: A$5,235,047).

Management fees were provided between related entities in the amount of A$351,090 during the year (2007: A$525,838). These services were provided on an arm's length basis.

There were rental fees charged by the Power Property Unit Trust to M+H Power Systems Pty Ltd in relation to rental premises in Melbourne during the year in the amount of A$165,500 (2007: A$152,755). All rental charges were provided on an arm's length basis.

(d) 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
- Brian Bamforth – General Manager, Interior Building Products Group
- Paul Sharp – Managing Director, M+H Power Systems Pty Ltd
- Anthony Csillag – Managing Director, Advanced Power Pty Ltd

29. RELATED PARTIES (CONTINUED)

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

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$	A$	**A$**	A$
Short term employee benefits	1,492,083	1,287,010	776,680	691,454
Post employment benefits	-	-	-	-
Other payments	161,935	151,897	64,166	56,255
Termination benefits	-	-	-	-
Share based payments	61,240	63,289	61,240	63,289
	1,715,258	1,502,196	902,086	810,988

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

30. EARNINGS PER SHARE

	Tag Group	
	2008	2007
	A$'000	A$'000
Reconciliation of earnings to net profit/(loss)		
Net profit/(loss) after income tax	(3,942)	7,843
Net profit/(loss) attributable to minority interests	(1,206)	(1,208)
Earnings used in the calculation of basic and diluted earnings per share	(5,148)	6,635
Weighted average number of shares used in the calculation of basic earnings per share	66,804,745	66,804,745
Weighted average number of shares used in the calculation of diluted earnings per share	66,804,745	67,754,745

The weighted average number of options outstanding of 950,000 has been included in determining diluted EPS for the year ended 30 June 2007 as they were dilutive. No options were dilutive for the purposes of determining diluted EPS for the year ended 30 June 2008.

31. 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.

32. CASH FLOW INFORMATION

Reconciliation of cash flow from operating activities with (loss)/profit after income tax

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
(Loss)/profit from operating activities after income tax	(3,942)	7,843	(914)	4,648
Non-cash flows				
- amortisation	50	447	36	-
- depreciation	499	506	15	14
- charges to provisions	(117)	50	-	-
- share based payments	61	63	61	63
- share of associated companies operating profit after income tax	(590)	(282)	-	-
- other non-cash items/write-backs	-	(51)	-	(186)
- dividends received	-	-	-	(4,500)
Gain on sale of property, plant and equipment	(17)	(2)	-	-
Loss on sale of property, plant and equipment	-	29	-	-
Net fair value losses/(gains) on financial assets	6,590	(3,656)	-	
Changes in assets and liabilities				
- (increase)/decrease in receivables and prepayments	(2,970)	(1,197)	467	(435)
- decrease/(increase) in inventories	1,246	(2,550)	-	-
- increase/(decrease) in trade creditors & accruals	2,186	360	(165)	198
- (increase) in income tax balances	(495)	(46)	(384)	(470)
Cash flow provided by/(used in) operating activities	2,501	1,514	(884)	(668)

Credit facilities

	Tag Group 2008 A$'000	Tag Group 2007 A$'000	Tag Parent 2008 A$'000	Tag Parent 2007 A$'000
Credit facilities	11,026	8,715	-	-
Amounts utilised	8,940	6,463	-	-
Unused credit facilities	2,086	2,252	-	-

The above credit facilities include a number of off-balance sheet credit facilities available to entities within the Tag Group including documentary credit facilities, import trade facilities, unused bank overdraft facilities and foreign currency dealing facilities.

Bank overdrafts and loans

Bank overdrafts and loan facilities are arranged with a number of Australian and New Zealand banks 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 A$94,743 (2007: A$188,238) by means of finance leases and hire purchases. These acquisitions are not reflected in the cash flow statement.

33. 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.

The Tag Group's strategy remains unchanged from 2007.

The capital structure of the Tag Group consists of cash and cash equivalents, debt (including the borrowings disclosed in note 18), and equity attributable to equity holders of the Tag Parent, comprising issued capital (disclosed in note 22), reserves (disclosed in note 23) 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 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. 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 18.

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:

	Tag Group		**Tag Parent**	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000
Financial assets				
Debt (i)	5,245	6,386	-	-
Cash and cash equivalents	(3,845)	(3,681)	(463)	(1,429)
Net debt	1,400	2,705	(463)	(1,429)
Equity (ii)	28,186	33,228	16,724	18,078
Net debt to equity ratio	5.0%	8.2%	-	-

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 18.
(ii) Equity includes all capital and reserves and minority interests.

(b) Categories of financial instruments

	Tag Group		**Tag Parent**	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000
Financial assets				
Loans and receivables	16,161	13,860	11,742	12,677
Cash and cash equivalents	3,845	3,681	463	1,429
Financial liabilities				
Amortised cost	20,039	19,643	527	718

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Categories of financial instruments (continued)

There were performance guarantee contracts in respect of construction contracts of $2,312,000 for the year (2007: $436,000). 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. 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 70% 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 33(e)), interest rates (refer note 33(f)) and other price risk (refer note 33(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 building and power related products from countries including Japan, 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	
	2008 A$'000	2007 A$'000	**2008 A$'000**	2007 A$'000
New Zealand Dollars	1	18	20	-
US Dollars	579	456	90	9
Japanese Yen	366	69	-	-
Euros	784	656	352	-
Singapore Dollars	398	440	-	-
Other	-	45	6	-
Total	2,128	1,684	468	9

The Tag Parent had nil currency denominated monetary assets and monetary liabilities at the reporting date (2007: nil).

33. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Foreign currency risk management (continued)

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.

	Tag Group		Tag Parent	
	2008	2007	**2008**	2007
	A$'000	A$'000	**A$'000**	A$'000
Profit or loss				
US Dollars	52	42	-	-
Japanese Yen	33	6	-	-
Euros	39	60	-	-
Singapore Dollars	36	40	-	-
Other	(1)	6	-	-
Total	159	154	-	-

Forward foreign exchange contracts
The Tag Group has entered into contracts to purchase building and power related products from suppliers in countries including the United States, China, Japan, Singapore and Europe. The relevant subsidiaries have entered into forward foreign exchange contracts for terms not exceeding 6 months to cover specific foreign currency payments and receipts within 70% to 100% of their respective exposures.

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 $A**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
			FC'000	FC'000	**$'000**	$'000	**$'000**	$'000
Consolidated								
Buy US Dollars								
Less than 3 months	0.889	0.835	773	685	870	820	870	820
3 to 6 months	0.900	-	450	-	500	-	500	-
Buy Euro								
Less than 3 months	0.610	0.614	450	354	738	577	738	577
3 to 6 months	-	-	-	-	-	-	-	-
Buy Singapore Dollars								
Less than 3 months	1.290	1.255	600	300	465	239	465	239
3 to 6 months	-	-	-	-	-	-	-	-
Buy Japanese Yen								
Less than 3 months	94.268	96.309	31,064	41,255	330	428	330	428
3 to 6 months	-	-	-	-	-	-	-	-
			33,337	42,594	2,903	2,064	2,903	2,064

Subsequent to year end a buy US dollar contract less than 3 months in the amount of $320,000 was cancelled.

The Tag Parent did not enter into any forward foreign currency contracts during the reporting period (2007: nil).

33. FINANCIAL INSTRUMENTS (CONTINUED)

(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 Parent and Tag Group are detailed in note 33(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) by A$93,339 (2007: decrease/(increase) by A$11,565). 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.

The Tag Parent had no exposure to fixed and floating rate financial instruments at reporting date (2007: nil).

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) by A$58,339 (2007: decrease (increase) by A$51,578). 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.

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

	Maximum risk	
	2008	2007
	A$'000	A$'000
Tag Group		
Trade and other receivables	16,161	13,860
Total	16,161	13,860
Tag Parent		
Amounts receivable from controlled entities	11,742	12,677
Total	11,742	12,677

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

(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 5%p.a. higher or lower the net profit for the year ended 30 June 2008 would have increased/decreased by $362,065 (before minority equity interest) (2007: $691,584).

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 32 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 Parent's and the Tag Group's remaining contractual maturity for its non-derivative 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 A$'000	3 months to 1 year A$'000	1-5 years A$'000	5+ years A$'000
2008					
Non-interest bearing liability	-	12,157	4,853	91	-
Finance lease liability	8.44	48	201	416	-
Variable interest rate instruments	9.72	2,945	416	1,305	-
Fixed interest rate instruments	-	-	-	-	-
		15,150	5,470	1,812	-
2007					
Non-interest bearing liability	-	12,492	2,868	78	-
Finance lease liability	8.35	62	185	324	-
Variable interest rate instruments	10.10	233	-	345	-
Fixed interest rate instruments	10.91	-	3,720	1,560	-
		12,787	6,773	2,307	-

There were performance guarantee contracts in respect of open construction contracts at year end of $2,312,000 (2007: $436,000). 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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Liquidity risk management (continued)

Tag Parent

	Weighted average effective interest rate %	Less than 3 months A$'000	3 months to 1 year A$'000	1-5 years A$'000	5+ years A$'000
2008					
Non-interest bearing liability	-	50	503	-	-
Finance lease liability	-	-	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-
		50	503	-	-
2007					
Non-interest bearing liability	-	92	541	-	-
Finance lease liability	-	-	-	-	-
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-
		92	541	-	-

(j) Fair value of financial instruments

The financial instruments of the Tag Group and Tag Parent, as disclosed in note 33(b) above, are included in the balance sheet at amounts that approximate fair value.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

34. 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, the financial statements and notes on pages 15 to 55, and the remuneration disclosures that are contained in the remuneration report in the Directors' Report set out on pages 10 to 14, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and the Tag Group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

  (ii) compliance with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2;

(c) the remuneration disclosures that are contained in the remuneration report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001;

(d) 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; and

(e) the directors have been given the declarations required by section 295A of the Corporations Act 2001 for the year ended 30 June 2008.

Signed in accordance with a resolution of the directors.

Peter Wise
Chairman

Sydney, 29 August 2008

Auditor's independence declaration

Chartered Accountants
& Business Advisers

To: The Directors of Tag Pacific Limited

As lead auditor for the audit of Tag Pacific Limited and its controlled entities for the year ended 30 June 2008 I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tag Pacific Limited and the entities it controlled during the year.

PKF

John Bresolin
Partner

Sydney
29 August 2008

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Independent auditor's report

Chartered Accountants
& Business Advisers

To the members of Tag Pacific Limited

Report on the Financial Report

We have audited the accompanying financial report of Tag Pacific Limited and controlled entities, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Tag Pacific Limited and of the consolidated entity. The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Tag Pacific Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also stated, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 and fair presentation of the financial report 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.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

a) the financial report of Tag Pacific Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Tag Pacific Limited and controlled entities for the year ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.

PKF

John Bresolin

Partner

Sydney, 29 August 2008

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 Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations") released 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 Best Practice Recommendations
The company has made an early transition to the revised Recommendations published in August 2007, notwithstanding that it is not required to report against them until publication of the 2009 annual report.

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 2008 with each of the Recommendations.

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

This statement outlines the company's main corporate governance practices for the year ended 30 June 2008 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.

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 appears under Recommendation 2.6. The company has not adopted the recommendation for a majority of the board to be independent directors given 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. This recommendation is inappropriate to the company's particular circumstances.

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, of whom half 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, Richard Peterson 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 trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The board has an informal policy to restrict directors and senior managers from acting on material information to trade in the company's securities until such information has been released to the market and adequate time has passed for it to be reflected in the price of those securities.

Material information means information concerning the company's financial position, strategy or operations and any other information which a reasonable person might consider, if it were made public, would be likely to have a material impact on a decision to buy or sell the company's securities.

The recommendation to publish details of the trading policy has not been adopted in view of the limited dealings undertaken by directors and senior managers in the company's securities and the fact that interests associated with the directors and senior managers hold a majority of the company's issued securities.

Recommendation 3.3:
Provide the information indicated in the Guide to reporting on Principle 3.

Any departure from Recommendations 3.1 to 3.3 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 three 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 Weiss 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. Information disclosed to the ASX is available by a link on the company's website.

Additionally, information is communicated to shareholders through:

- the annual report which is distributed to all shareholders;
- the half annual report which is distributed to all shareholders in an abbreviated form; 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 remuneration committee comprises two non-executive directors.

The role 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 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.

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 meets at least once per annum.

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:
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 8.3:
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 8.3 is explained under the relevant Recommendation.

New Zealand Stock Exchange Corporate Governance

Fully paid ordinary shares issued by Tag Pacific Limited are quoted on the Australian Securities Exchange (under the code TAG) and on the New Zealand Stock Exchange (under the code TPC). The corporate governance rules and principles of the Australian Securities Exchange may materially differ from the New Zealand Stock Exchange's corporate governance rules and the principles of the New Zealand Corporate Governance Best Practice Code. Further information about the corporate governance and principles of the Australian Securities Exchange may be found on the Australian Securities Exchange website (www.asx.com.au).

Shareholder information

The following information is current as at 22 August 2008

Spread of shareholders

Range	Number of shareholders	Number of shares
1 – 1,000	556	274,558
1,001 – 5,000	628	1,727,595
5,001 – 10,000	206	1,638,654
10,001 – 100,000	266	7,517,281
100,001 – and over	56	55,646,657
	1,712	66,804,745

858 shareholders held less than a marketable parcel

Substantial shareholders

Name	Number of shares	Percentage
Anthony Australia Pty Ltd	30,041,314	44.97
AIB Investments Pty Ltd and associates	7,538,035	11.28
Quatro Capital Pty Ltd and associates	5,238,436	7.84

Twenty largest shareholders

Name	Number of shares	Percentage
Anthony Australia Pty Ltd	26,081,205	39.04
Quatro Capital Pty Limited	5,299,198	7.93
Anthony Australia Pty Ltd	4,480,581	6.71
AIB Investments Pty Ltd	4,449,492	6.66
AIB Investments Pty Limited	1,292,410	1.93
Ms Chun-Hsia Lu	1,211,254	1.81
George Chien Hsun Lu & Jenny Chin Pao Lu	1,060,645	1.59
Mr George Chien Hsun Lu & Mrs Jenny Chin Pao Lu	959,513	1.44
Excalibur Nominees Limited	863,977	1.29
Noonbah Pty Ltd	550,000	0.82
RHC Management Pty Limited	492,195	0.74
Mr Johnny Hsu	425,000	0.64
Lu's International Limited	416,000	0.62
Mrs Sophie Gelski	400,000	0.60
Napla Pty Ltd	400,000	0.60
Alistair Woodside Cunningham	340,000	0.51
Mr Edward James Stephen Dally	336,623	0.50
Lu's International Ltd	315,139	0.47
Dr John Aloizos and Mrs Muriel Patricia Aloizos	300,000	0.45
Mrs Wang Li-Chih Han	300,000	0.45
	49,973,232	74.80

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 announced an on-market buy-back of up to 5% of its issued shares on 23 July 2007. On 22 July 2008, the buy-back was extended for a further period of 12 months. To date, no shares have been purchased by the company under the on-market buy-back.

Stock exchange listings
Fully paid ordinary shares issued by Tag Pacific Limited are quoted on the Australian Securities Exchange (under the code TAG) and on the New Zealand Stock Exchange (under the code TPC).

Corporate directory

Directors
Peter Wise (Chairman)
Gary Cohen
Robert Constable
Robert Moran
Richard Peterson
Gary Weiss

Company secretary
Nathan Wise

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