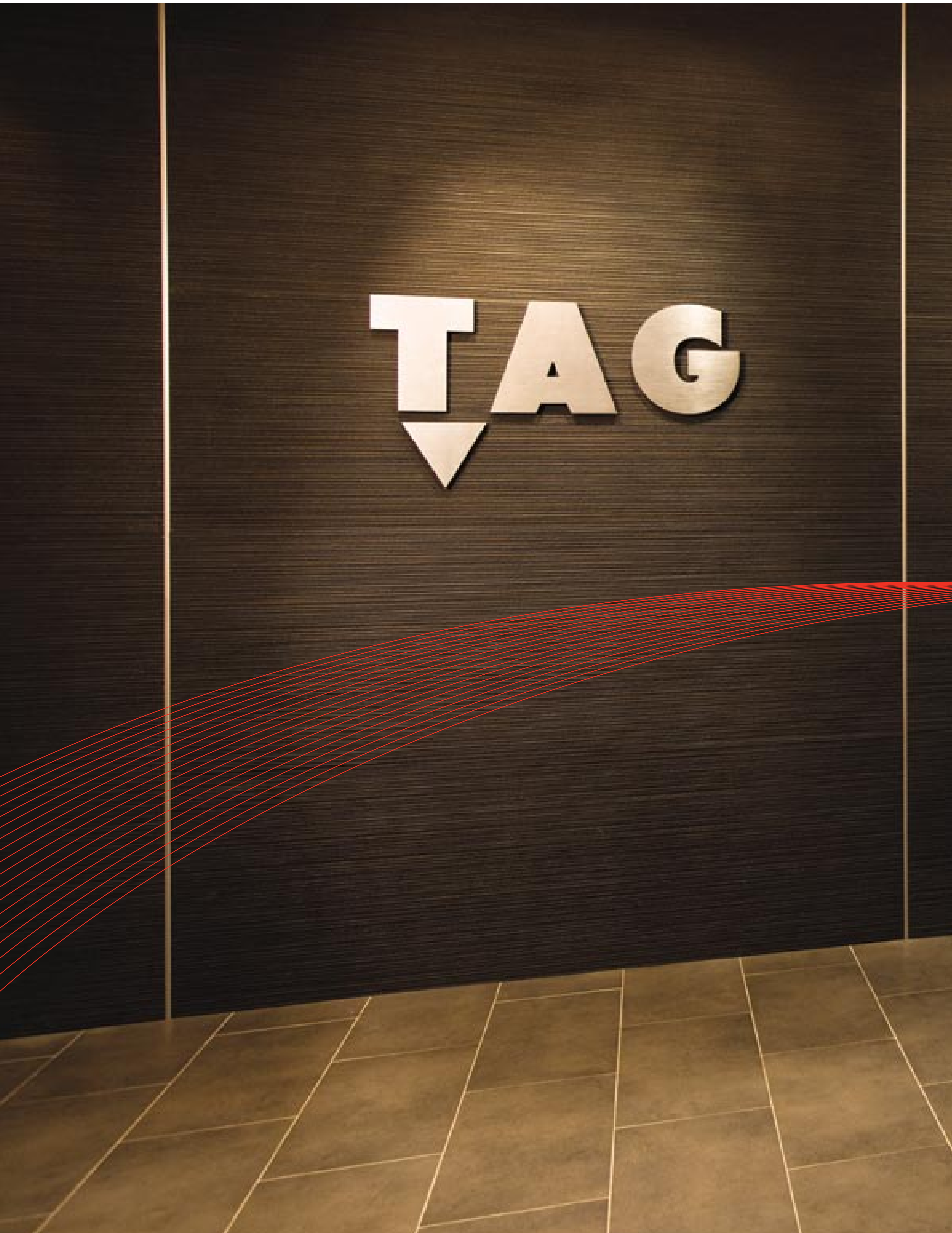
TAG PACIFIC LIMITED
ABN 73 009 485 625

Annual Report 2009


TAG

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Chairman's report

The Tag Group reported net profit after tax and minorities of A$1.18 million for the year to 30 June 2009. The positive contribution for the year was most welcome in light of the prevailing economic landscape but falls short of our view of the Group's earnings potential. Group EBITDA was A$4.2 million (before minority interests and head office costs), being somewhat less than target, but nevertheless pleasing in the circumstances.

Revenue of A$87 million for the year was roughly in line with last year, illustrating the resilience of the Group's investments to withstand tougher economic times. Cash flow from operating activities remained positive for the year and the Group's net debt to equity ratio was below 5% at year end.

Due to the uncertain economic conditions, there were no significant acquisitions or disposals during the year despite a number of opportunities being explored. Several opportunities remain under active consideration.

The following is an analysis of Tag's net assets after the deduction of minority interests. The value attributed to the iSOFT investment reflects the closing market price at balance date which has increased substantially since then. Other investments are shown at their net asset value which is not necessarily reflective of their true worth.

		Per Tag Share
MPower Group	A$7.91 million	11.5 cents
iSOFT Group	A$7.14 million	10.4 cents
Unique World Group	A$2.33 million	3.4 cents
Interior Building Products Group	A$3.25 million	4.7 cents
Other	A$2.37 million	3.5 cents
Total	A$23.0 million	33.5 cents

Power sector

The Group's investment in this sector underwent a metamorphosis during the year under review with the introduction of **MPower**. Tag announced this next stage of the growth and development of its subsidiaries **M+H Power** and **Advanced Power** shortly after year end following many months of planning and preparation.

MPower is a new brand and corporate structure that unites the Group's offering of stored, emergency, generated and green power solutions.

A restructure was commenced during the financial year and implemented in July 2009 whereby MPower Group Pty Limited became the parent company for the M+H Power and Advanced Power businesses which have been reclassified into eight specialised business units across multiple geographies.

The restructure has been undertaken to better align the group; leverage the strengths across the group; and enhance the perception of the group in the market. As a result of the restructure, Tag now holds a 60% interest in the MPower Group, a slight increase on its earlier interest in M+H Power.

MPower's revenue increased during the year to A$47 million as the Group continued to broaden its activities across Australia, New Zealand and Fiji. EBITDA of A$2.7 million was lower than the previous year, due mainly to adverse currency movements and greater competition in some of its distribution activities. MPower continues to tender for and win contracts for specialised power solutions and has earned a reputation for engineering excellence and reliability.

The outlook for the MPower Group is promising, both in terms of organic growth and acquisition opportunities.

Interior building products sector

Tag's investments in the interior building products sector have weathered the economic storm, testing the robustness of the business model and niche market position. Revenue in this sector fell slightly to A$40 million, in part due to the effects of a deterioration in the translation rate from New Zealand currency, and a modest EBITDA of A$0.3 million was recorded.

Potter Interior Systems (100% owned) in New Zealand has withstood the severe market downturn that has devastated many weaker players in its industry by making significant reductions in its overhead structure without overly affecting its core business. These structural changes will be beneficial over the medium to longer term but came at the expense of significant one-off restructure costs that impacted profitability during the year.

In Australia, **Comprador Pacific** (51% owned) has navigated the slowdown in the commercial construction sector with relative grace but not without some difficulty. Comprador has weathered the economic storm and maintained relatively consistent sales volumes. The company also withstood the adverse exchange rate movements last year which had a temporary but significant impact on its financial performance and position.

Comprador continues to adjust its cost base and product offering to suit the prevailing market conditions and these moves have resulted in some non-recurring restructure costs. The **Charles Tims** division is expected to be a beneficiary of government spending in the education sector in which Charles Tims specialises.

With both companies now operating on a lower cost base and with increased focus on product mix and stockholdings, they are well placed to return to more acceptable levels of profitability when the sector rebounds.

Technology sector

The Tag Group's investment in **iSOFT Group** (formerly known as IBA Health) has outperformed the wider market during the year. iSOFT Group has cemented its position as a global leader in healthcare information systems, recently announcing an EBITDA of A$132 million for the year on revenues of A$539 million.

In March 2009, iSOFT Group raised A$124 million from institutional and retail investors. Tag adjusted its iSOFT shareholding during the year by disposing of some iSOFT shares on market while also participating in the capital raising. Tag continues to be one of the largest investors in iSOFT Group and at year end held approximately 11 million shares with a value of approximately A$7.1 million (at A$0.645 cents per share).

Tag's realised and unrealised gains on its iSOFT Group investment amounted to A$0.9 million for the year to 30 June 2009. The iSOFT Group share price has improved further since balance date.

Tag's **Unique World** investment (38% owned) has felt the effects of the global economic crisis, with revenues falling from the prior year's record. Despite this, Unique World has delivered a profit for the year and was able to pay a dividend to its shareholders. Management's core focus during the year was to restructure and redefine the business in light of changing demand patterns, where the company's blue chip client base delayed making commitments on IT infrastructure.

Unique World continues to be a leading provider of Microsoft based technology solutions with a focus on information management. Unique World has developed proprietary records management software which is gaining traction in the market and should be a healthy contributor to the business's future earnings. The company is well placed to continue to service its blue chip corporate and government clients.

Outlook

The Tag Group continues to deliver on its stated strategy of increasing the size and scale of its investments. Whilst the year just completed has certainly had its fair share of challenges, the Group's investments have emerged from the tougher trading conditions in comparatively better shape than many of their competitors.

The current market conditions provide greater opportunities for Tag to acquire quality assets at justifiable values. We have been actively exploring these opportunities whilst keeping an eye on our existing investments to ensure they are prudently managed during these uncertain times.

Tag's solid balance sheet, cash reserves and relatively low levels of debt are of great comfort in the circumstances.

Tag is maintaining its fully franked dividend level of 0.75 cents per share and the Dividend Reinvestment Plan introduced last year remains activated.

A note of thanks is extended to management and staff across the Tag Group for their efforts during the year.

For and on behalf of the Board

Peter Wise
Chairman

25 August 2009

Photo: Transportable floodlight trailer designed and produced by MPower for the Australian Defence Forces.

MPower is a leading provider of innovative and dependable power solutions in Australia, New Zealand and Fiji. MPower provides a diverse range of stored, emergency, generated and green power solutions for every purpose.

MPower has a long history of leading the field in power related solutions. Previously known as M+H Power Systems and Advanced Power, the broad offering has been united under the MPower name.

MPower's wide range of batteries and chargers, portable and black start generators, emergency lighting, UPS systems, power electronics and solar products are fit for a diverse range of applications. They are put to use across a wide range of situations including domestic, government, corporate, co-generation, telecommunications and even military purposes.

The group has offices in five Australian states, three cities in New Zealand, in Fiji and supplies over 500 distribution outlets.

MPower has grown to become a leader in its field due to a combination of solid market and product expansion, strategic acquisitions and a strong client focus. From less than 10 staff in 1995, MPower has grown to over 100 people.

Tag was an early investor in MPower and has been active in assisting the MPower Group to grow and expand.

Outlook

The outlook for the MPower Group remains very promising. The new MPower brand and company restructure have streamlined the company's activities and created a platform that will enhance the company's ability to grow both organically and by acquisition. A number of promising opportunities have emerged for the MPower Group to leverage its experience in specialised power projects and the MPower Group is well placed in this sector. Strong growth is also expected to continue in the company's renewable and sustainable energy activities in light of the global focus on sustainable energies.

Sector details

→ **Revenue**
A$47 million

→ **EBITDA**
(before minority interest)
A$2.7 million

→ **Website**
www.mpower.com.au

→ **Employees**
(approximate)
100

→ **Accounting treatment**
Consolidated

→ **Ownership interest**
58% at year end
(increased to 60%
in July 2009)

Overview: Power sector

Tag held a 58% interest in M+H Power Systems at year end. In July 2009 the MPower brand was launched and M+H Power Systems was restructured. Today, Tag holds a 60% interest in the MPower Group which incorporates the M+H Power Systems and Advanced Power businesses.

Photo: Comprador Pacific warehouse – Sydney, Australia.

Both Potter Interior Systems in New Zealand and Comprador Pacific in Australia distribute a specialised 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 and Christchurch.

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.

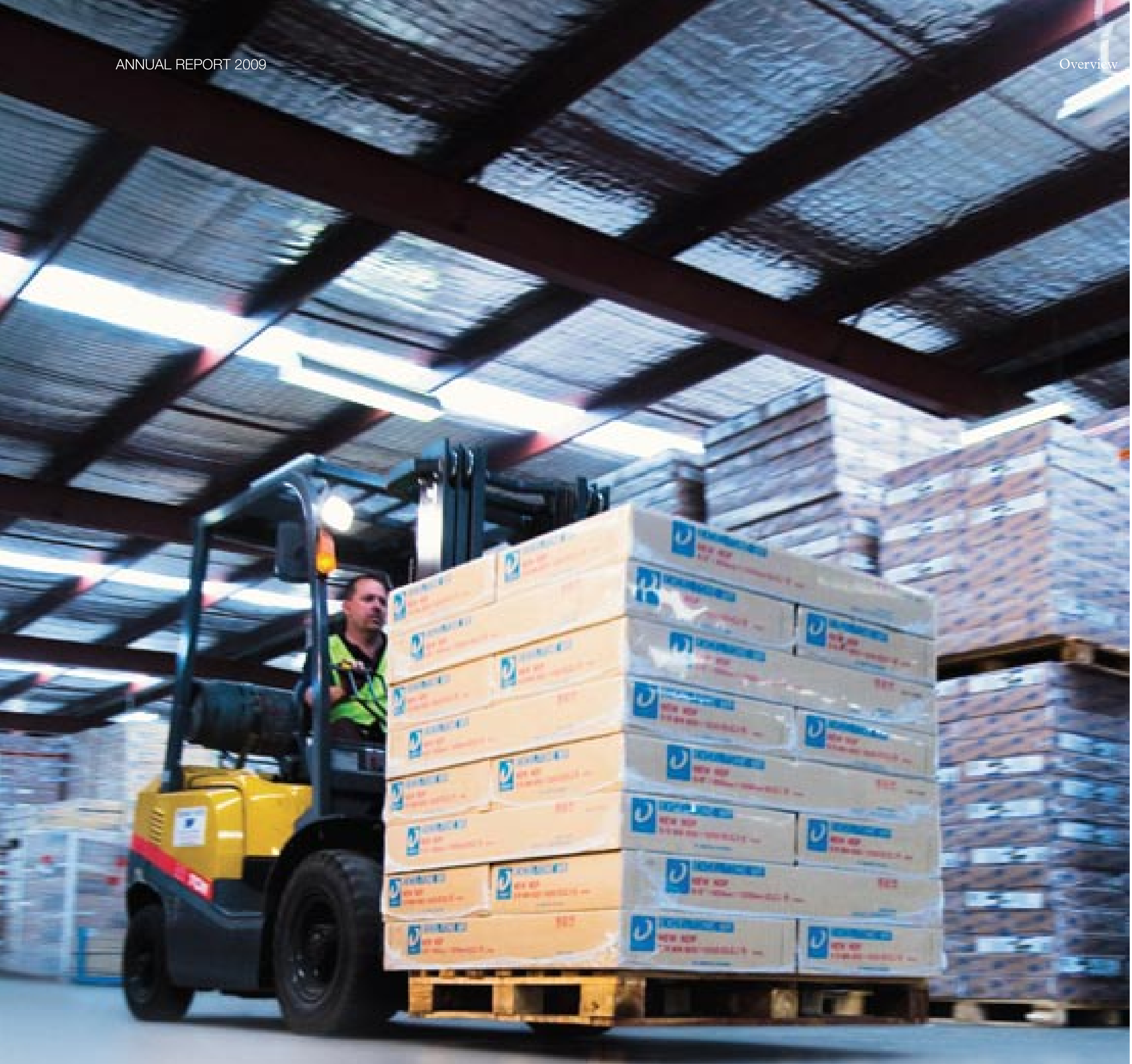
For both Potters and Comprador, clients include tradesmen, building owners and managers, building contractors and sub trades, schools and universities. While the companies operate independently of each other and in different geographies, there are many similarities in their product offering and mode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

Outlook

Both Potter Interior Systems and Comprador Pacific have been reshaped in the year to 30 June 2009 to adapt to the challenging market conditions in the commercial interior building products sector. As a result of these changes, the companies are well placed to return to more acceptable levels of profitability when the sector rebounds. The businesses continue to focus on expanding their product range.

Sector details

- **Revenue**
  A$40 million
- **EBITDA**
  (before minority interest)
  A$0.3 million
- **Websites**
  www.potters.co.nz
  www.comprador.com.au
  www.charlestims.com.au
- **Employees**
  (approximate)
  86
- **Accounting treatment**
  Consolidated
- **Ownership interest**
  Potter Interiors – 100%
  Comprador Pacific – 51%



Overview: Interior building products sector

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

Photo: Unique World offices – Sydney, Australia.

Unique World

Unique World applies the principles of management consulting to deliver innovative technology solutions. These solutions 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 with expertise 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 55 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.

The equity accounted after tax contribution from Unique World was A$0.27 million for the year.

Outlook

The pipeline of projects at Unique World is looking positive at the start of the 2010 financial year. Further development of its proprietary records management software known as RecordPoint is expected to gain traction and should have flow on benefits for the consulting services division of the business.

iSOFT Group Limited

The activities and results of iSOFT Group Limited (ASX: ISF) are publicly available. Tag was one of the early investors in what is now known as the iSOFT Group and has been an active participant in its growth and development over the years. Today, the iSOFT Group is the largest health information technology company listed on the Australian Securities Exchange, and among the world's biggest providers of advanced application solutions in modern healthcare economies. More than 13,000 provider organisations in 39 countries use iSOFT's solutions to manage patient information and drive improvements in their core processes.

Tag is one the largest shareholders in the iSOFT Group with a holding of approximately 11 million shares.

The value of Tag's investment in the iSOFT Group at 30 June 2009 was A$7.1 million (based on a market price of A$0.645 per share). The iSOFT Group share price has improved further since balance date.

Unique World

- **Website**
  www.uniqueworld.net
- **Employees**
  (approximate)
  55
- **Accounting treatment**
  Equity accounted
- **Ownership interest**
  38%

iSOFT Group

- **Website**
  www.isofthealth.com
- **Employees**
  (approximate)
  4,600
- **Accounting treatment**
  Financial asset designated at fair value through profit or loss
- **Ownership interest**
  (approximate)
  11 million shares

uniqueworld
unlock the power of your information

iSOFT

Overview: Technology sector

Tag has two separate investments in the technology sector, Unique World and iSOFT Group.

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 2009 in accordance with the provisions of the Corporations Act 2001 (Cth). The Chairman's Report (pages 2 to 9) contains a review of the operations of the Tag Group during the financial year and the results of those operations and details of significant changes in the Tag Group. The Chairman's Report is incorporated into and forms part of this Directors' Report.

Principal 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 2009 after eliminating minority equity interest and providing for income tax was a profit of A$1,184,459 (2008: loss of A$5,147,999).

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 the following matters and those matters referred to in the Chairman's Report:

a) On 27 July 2009, M+H Power Systems Pty Limited completed a share buy-back and restructure by way of a share capital reduction. As a result of the restructure, MPower Group Pty Limited became the parent company of the M+H Power and Advanced Power businesses and Tag's interest increased from 57.7% of M+H Power Systems Pty Limited to 59.9% of MPower Group Pty Limited following the restructure.

b) On 27 July 2009, the Power Property Unit Trust redeemed all the units held by two minority unitholders. As a result of the redemption of units, Tag's interest in the Power Property Unit Trust increased from 48.9% to 50.2%. Accordingly, the Power Property Unit Trust will be consolidated by the Tag Group for the year ended 30 June 2010. The Power Property Unit Trust is the owner of a property in Melbourne, Victoria occupied by the MPower Group.

   The impact on the balance sheet and income statement for 30 June 2010 has yet to be quantified as the valuation required to determine fair value of the asset of the Power Property Unit Trust upon gaining control has yet to be finalised.

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 2009, a dividend of 0.75 cents per share (totalling A$515,145) franked to 100% at the corporate income tax rate of 30% was declared on 25 August 2009 with a payment date of 16 October 2009 to the holders of fully paid ordinary shares.

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 and paid to holders of fully paid ordinary shares on 5 December 2008.

Indemnification of officers and auditor

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

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

Non-audit services

On 13 November 2008, the shareholders of Tag Pacific Limited resolved to appoint Deloitte Touche Tohmatsu as auditor of Tag Pacific Limited and PKF resigned as auditor with effect from that date. 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 (Cth). 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 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$28,280 for non-audit services were paid to PKF during the year ended 30 June 2009 for advice in relation to taxation compliance work.

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.

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	263,333
22 December 2006	22 December 2011	A$0.40	400,000
31 August 2007	31 August 2012	A$0.39	160,000
31 August 2007	31 August 2012	A$0.45	200,000
17 November 2008	17 November 2013	A$0.24	230,000
17 November 2008	17 November 2013	A$0.30	200,000
		Total	**2,403,333**

During the year ended 30 June 2009 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.

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.

Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2009 has been received and a copy can be found on page 58 of this report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial 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 iSOFT 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 31,768,174 ordinary shares in Tag Pacific Limited and 1,200,000 options over unissued ordinary shares in Tag Pacific Limited.	
Directorships held in other listed entities in the previous 3 years	*Listed entity*	*Relevant dates*
	iSOFT 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 iSOFT Group Limited. Formerly a corporate adviser and a senior legal practitioner.	
Interest in shares	Holds a relevant interest in 5,523,970 ordinary shares in Tag Pacific Limited.	
Special responsibilities	Member of the remuneration committee.	
Directorships held in other listed entities in the previous 3 years	*Listed entity*	*Relevant dates*
	iSOFT 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 Oceania Capital Partners. Practiced as a corporate and commercial lawyer for 12 years.	
Interest in shares	537,611 ordinary shares in Tag Pacific Limited held non-beneficially.	
Special responsibilities	Member of the audit committee (since 27 February 2009).	
Directorships held in other listed entities in the previous 3 years	*Listed entity*	*Relevant dates*
	Oceania Capital Partners Limited	since 25 July 2007
	iSOFT Group Limited	director since 6 November 2008 alternate director 28 May 2008 to 6 November 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 principal of Peterson Law Limited.
Interest in shares	1,170,167 ordinary shares in Tag Pacific Limited held non-beneficially.

Gary Weiss

Director (non-executive)

Qualifications
LLM (NZ), JSD (Cornell)

Experience
Director since 1988. Executive director of Guinness Peat Group plc, director of Ariadne Australia Limited and a director of several other public companies.

Interest in shares
250,000 ordinary shares in Tag Pacific Limited held non-beneficially.

Special responsibilities
Member of the audit committee (until 27 February 2009).

Directorships held in other listed entities in the previous 3 years

Listed entity	*Relevant dates*
Ariadne Australia Limited	since 28 November 1989
Canberra Investment Corporation Limited	27 September 1995 to 28 August 2008
Capral Aluminium Limited	25 November 2003 to 6 November 2008
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 14 to 19.

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	7	–	–	1	1
Robert Constable	10	10	2	2	1	1
Robert Moran	10	10	–	–	–	–
Richard Peterson	10	9	–	–	–	–
Gary Weiss	10	5	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 2009 are as follows:

Nathan Wise

Nathan Wise earned a cash bonus in the amount of A$39,500 in respect of the year to 30 June 2009. 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$200,000 per annum (A$0 to A$66,667). Of the total STI that was available, 59% was awarded and 41% was forfeited due to performance against set criteria.

John Marinos

John Marinos earned a cash bonus in the amount of A$20,250 in respect of the year to 30 June 2009. The total STI that was available (subject to performance against set criteria) was in the range of 0% to 20% of his base remuneration of A$184,904 for the year (A$0 to A$36,980). Base remuneration excludes consulting fees of A$25,096 received from associates during the year. Of the total STI that was available, 55% was awarded and 45% 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 2009 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	–	17 Nov 08	$0.05	$0.30	17 Nov 08	17 Nov 13
Specified senior managers							
John Marinos	–	150,000	17 Nov 08	$0.06	$0.24	17 Nov 08	17 Nov 13
Nathan Wise	–	150,000	17 Nov 08	$0.06	$0.24	17 Nov 08	17 Nov 13
	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 13 November 2008.

Option holdings

	Balance 1 July 2008	Granted as remuneration	Options exercised/ (lapsed)	Balance 30 June 2009	Number of options vested 30 June 2009	Number of options outstanding 30 June 2009	Total unexercisable 30 June 2009
Directors							
Peter Wise	1,000,000	200,000	–	1,200,000	1,200,000	1,200,000	–
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	530,000	150,000	(140,000)	540,000	140,000	540,000	400,000
Nathan Wise	586,667	150,000	(81,667)	655,000	338,333	655,000	316,667
	2,416,667	500,000	(221,667)	2,695,000	1,978,333	2,695,000	716,667

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

At 30 June 2009, the following share-based payment arrangements were in existence under the Tag Pacific Limited Executive Share Option Plan:

Option series	Grant date	Expiry date	Fair value at grant date (A$ cents)	Vesting date
1. Issued 14 April 2005	14 Apr 05	14 Apr 10	7.45	date of grant
2. Issued 22 December 2006	22 Dec 06	22 Dec 11	12.94	01 Jul 07 to 30 Sep 09
3. Issued 22 December 2006	22 Dec 06	22 Dec 11	10.69	date of grant
4. Issued 31 August 2007	31 Aug 07	31 Aug 12	10.67	01 Jul 08 to 30 Sep 10
5. Issued 31 August 2007	31 Aug 07	31 Aug 12	9.08	date of grant
6. Issued 17 November 2008	17 Nov 08	17 Nov 13	5.92	01 Jul 09 to 30 Sep 11
7. Issued 17 November 2008	17 Nov 08	17 Nov 13	4.52	date of grant

There are no further services or performance criteria that need to be met in relation to options granted under series 1, 3, 5 and 7. Senior managers receiving options under the remaining option series are entitled to the beneficial interest under the option when the performance conditions are met and only if they continue to provide services to the Company at that time.

The following table summarises the value of options granted, exercised or lapsed during the year to senior management:

	Value of options granted at the grant date (A$)	Value of options lapsed at the lapsing date (A$)	Value of options exercised at the exercise date ($A)
Peter Wise	9,050	–	–
Nathan Wise	8,883	9,771	–
John Marinos	8,883	17,317	–

Shareholdings

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

	Balance 1 July 2008	Received as remuneration	Net change other	Balance 30 June 2009
Directors				
Peter Wise	30,561,786	–	1,206,388	31,768,174
Gary Cohen	5,314,198	–	209,772	5,523,970
Robert Constable	200,000	–	–	200,000
Robert Moran	512,195	–	25,416	537,611
Richard Peterson	1,125,728	–	44,439	1,170,167
Gary Weiss	250,000	–	–	250,000
Specified senior managers				
John Marinos	11,350	–	–	11,350
Nathan Wise[1]	–	–	–	–
Paul Sharp	71,250	–	–	71,250
Anthony Csillag	–	–	20,000	20,000
Brian Bamforth	42,000	–	–	42,000
	38,088,507	–	**1,506,015**	**39,594,522**

1. Nathan Wise is a director of Anthony Australia Pty Ltd which had a relevant interest in 31,768,174 ordinary shares in Tag Pacific Limited at 30 June 2009.

Company performance, shareholder wealth and director and senior management remuneration

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

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

	2005	2006	2007	2008	2009
Revenue (A$'000)	61,127	80,888	84,127	87,997	86,930
Other income/(loss) (A$'000)	–	4,614	5,317	(6,573)	879
Net profit/(loss) before minority equity interest (A$'000)	2,306	5,665	7,843	(3,942)	1,702
Dividends paid (A$'000)	327	334	501	501	501
Share price at year end (cents per share)	23.0	26.5	34.0	21.0	13.5

The table above shows that with the exception of the 2009 financial year, there has been a general trend of increasing revenue year-on-year. The major item that has impacted the net profit result in recent years is the movement in the fair value of the investment in iSOFT Group Limited. The fair value of the investment is subject to sharemarket volatility which 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 2009 was as follows:

2009 A$	Salary, fees and commissions	Superannuation contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %	Option %
Directors								
Peter Wise Chairman (executive)	325,000	–	–	–	9,050	334,050	3%	3%
Gary Cohen Non-executive director	20,000	–	–	–	–	20,000	–	–
Robert Constable Non-executive director	20,000	–	–	–	–	20,000	–	–
Robert Moran Non-executive director	20,000	–	–	–	–	20,000	–	–
Richard Peterson Non-executive director	20,000	–	–	–	–	20,000	–	–
Gary Weiss Non-executive director	20,000	–	–	–	–	20,000	–	–
Total directors	**425,000**	**–**	**–**	**–**	**9,050**	**434,050**		
Tag executives								
John Marinos[2] Head of Finance	184,904	–	20,250	–	8,883	214,037	14%	4%
Nathan Wise Head of Corporate Development	199,751	–	39,500	–	8,883	248,134	19%	4%
Executives of subsidiaries								
Paul Sharp Group Managing Director MPower Group	284,652	25,810	–	8,846	–	319,308	–	–
Anthony Csillag[3] Managing Director MPower Group – Advanced Power	190,684	49,240	–	10,069	–	249,993	–	–
Brian Bamforth General Manager Potter Interior Systems	187,024	–	–	14,159	–	201,183	–	–
Total executives	**1,047,015**	**75,050**	**59,750**	**33,074**	**17,766**	**1,232,655**		

1. All directors and senior managers held their positions for the whole year. Senior managers held their positions on a full-time basis unless otherwise stated.
2. The remuneration details for John Marinos excludes income derived from an associate company.
3. The cash bonus forming part of Anthony Csillag's remuneration package for the year to 30 June 2009 has yet to be determined.

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	325,000	–	–	–	18,163	343,163	5%	5%
Gary Cohen	20,000	–	–	–	–	20,000	–	–
Robert Constable	20,000	–	–	–	–	20,000	–	–
Robert Moran	20,000	–	–	–	–	20,000	–	–
Richard Peterson	20,000	–	–	–	–	20,000	–	–
Gary Weiss	20,000	–	–	–	–	20,000	–	–
Total directors	**425,000**	**–**	**–**	**–**	**18,163**	**443,163**		
Tag executives								
John Marinos	161,680	–	23,000	–	16,001	200,681	19%	7%
Nathan Wise	190,000	–	41,166	–	16,001	247,167	23%	6%
Executives of subsidiaries								
Paul Sharp	272,878	24,559	–	6,959	–	304,396	–	–
Anthony Csillag	166,674	43,264	41,281	21,782	–	273,001	15%	–
Brian Bamforth	208,028	–	–	27,747	–	235,775	–	–
Total executives	**999,260**	**67,823**	**105,447**	**56,488**	**32,002**	**1,261,020**		

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 three months notice of termination (equating to a termination payment of $52,500).
- 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 six months notice of termination (equating to a termination payment of $110,000).
- 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 six months notice of termination (equating to a termination payment of $119,962).

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. The payment of bonuses and other incentive payments for specified senior managers are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put forward to the board for approval. Bonuses, options and incentives are linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations.

Signed in accordance with a resolution of the directors.

Peter Wise
Chairman

25 August 2009

Income statement

	Note	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Continuing operations					
Revenue	3	86,930	87,997	1,052	243
Cost of sales		(60,667)	(60,118)	–	–
Gross profit		26,263	27,879	1,052	243
Other income/(loss)	3	879	(6,573)	–	–
Share of profits of associates accounted for using the equity method	12	274	590	–	–
Advertising and marketing expense		(648)	(741)	(2)	(3)
Depreciation and amortisation expense	4	(500)	(549)	(19)	(51)
Employee benefits expense		(16,291)	(15,714)	(841)	(866)
Finance costs	4	(447)	(618)	(4)	(3)
Occupancy expense		(1,844)	(1,853)	(98)	(110)
Other expenses		(5,851)	(5,654)	(548)	(483)
Profit/(loss) before income tax	4	1,835	(3,233)	(460)	(1,273)
Income tax (expense)/benefit	5	(133)	(709)	454	359
Profit/(loss) for the year from continuing operations		1,702	(3,942)	(6)	(914)
Attributable to:					
Equity holders of the parent entity		1,185	(5,148)	(6)	(914)
Minority interest		517	1,206	–	–
		1,702	(3,942)	(6)	(914)
Earnings per share					
From continuing operations:					
Basic (cents per share)	30	1.7	(7.7)		
Diluted (cents per share)	30	1.7	(7.7)		
Dividends per share (cents per share)		0.75	0.75		

The accompanying notes form part of these financial statements.

Balance sheet

	Note	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Current assets					
Cash and cash equivalents	7	3,411	3,845	522	463
Trade and other receivables	8	13,530	16,161	11,109	11,742
Inventories	9	15,041	14,419	–	–
Other	10	2,454	1,226	15	16
Total current assets		34,436	35,651	11,646	12,221
Non-current assets					
Financial assets	11	7,237	7,284	–	–
Equity accounted investments	12	2,325	2,109	–	–
Property, plant & equipment	13	1,504	1,706	35	41
Investments	14	–	–	3,276	3,276
Deferred tax assets	15	2,901	2,344	2,195	1,739
Intangible assets	16	1,911	1,895	5	–
Total non-current assets		15,878	15,338	5,511	5,056
Total assets		50,314	50,989	17,157	17,277
Current liabilities					
Trade and other payables	17	13,409	14,365	572	527
Borrowings	18	3,397	3,568	–	–
Current tax liabilities	19	417	501	–	–
Provisions	20	1,411	1,465	7	1
Other	21	533	1,137	18	25
Total current liabilities		19,167	21,036	597	553
Non-current liabilities					
Borrowings	18	1,460	1,677	–	–
Provisions	20	130	90	–	–
Total non-current liabilities		1,590	1,767	–	–
Total liabilities		20,757	22,803	597	553
Net assets		29,557	28,186	16,560	16,724
Equity					
Issued capital	22	16,093	15,741	16,093	15,741
Reserves	23	558	506	187	196
Retained earnings		6,335	5,651	280	787
Tag Parent interest		22,986	21,898	16,560	16,724
Minority equity interest	24	6,571	6,288	–	–
Total equity		29,557	28,186	16,560	16,724

The accompanying notes form part of these financial statements.

Statement of recognised income and expense

	Note	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Exchange differences arising on translation of foreign operations	23	61	(476)	–	–
Net income/(expense) recognised directly in equity	23	61	(476)	–	–
Profit/(loss) for the period		1,702	(3,942)	(6)	(914)
Total recognised income and expense for the period		1,763	(4,418)	(6)	(914)
Attributable to:					
Equity holders of the parent entity		1,246	(5,624)	(6)	(914)
Minority interest		517	1,206	–	–
		1,763	(4,418)	(6)	(914)

The accompanying notes form part of these financial statements.

Statement of changes in equity

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
Balance at 1 July 2007	15,741	11,300	921	27,962	5,266	33,228
Exchange differences arising on translation of foreign operations	–	–	(476)	(476)	–	(476)
Net income recognised directly in equity	–	–	(476)	(476)	–	(476)
Profit/(loss) for year	–	(5,148)	–	(5,148)	1,206	(3,942)
Total recognised income and expense	–	(5,148)	(476)	(5,624)	1,206	(4,418)
Recognition of share-based payments	–	–	61	61	–	61
Payment of dividends (note 6)	–	(501)	–	(501)	(184)	(685)
Balance at 30 June 2008	15,741	5,651	506	21,898	6,288	28,186
Balance at 1 July 2008	15,741	5,651	506	21,898	6,288	28,186
Exchange differences arising on translation of foreign operations	–	–	61	61	–	61
Net income recognised directly in equity	–	–	61	61	–	61
Profit for year	–	1,185	–	1,185	517	1,702
Total recognised income and expense	–	1,185	61	1,246	517	1,763
Recognition of share-based payments	–	–	(9)	(9)	–	(9)
Payment of dividends (note 6)	–	(501)	–	(501)	(234)	(735)
Issue of shares under dividend reinvestment plan	357	–	–	357	–	357
Share issue costs	(5)	–	–	(5)	–	(5)
Balance at 30 June 2009	16,093	6,335	558	22,986	6,571	29,557

Tag Parent

	Issued capital A$'000	Retained earnings A$'000	Other reserves A$'000	Total A$'000
Balance at 1 July 2007	15,741	2,202	135	18,078
Loss for year	–	(914)	–	(914)
Total recognised income and expense	–	(914)	–	(914)
Recognition of share-based payments	–	–	61	61
Payment of dividends (note 6)	–	(501)	–	(501)
Balance at 30 June 2008	15,741	787	196	16,724
Balance at 1 July 2008	15,741	787	196	16,724
Loss for year	–	(6)	–	(6)
Total recognised income and expense	–	(6)	–	(6)
Recognition of share-based payments	–	–	(9)	(9)
Payment of dividends (note 6)	–	(501)	–	(501)
Issue of shares under dividend reinvestment plan	357	–	–	357
Share issue costs	(5)	–	–	(5)
Balance at 30 June 2009	16,093	280	187	16,560

The accompanying notes form part of these financial statements.

Cash flow statement

	Note	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Cash flows from operating activities					
Receipts from customers		97,203	92,948	561	580
Payments to suppliers and employees		(96,487)	(89,312)	(1,601)	(1,499)
Proceeds from sale of fair value assets		1,466	–	–	–
Payment for fair value assets		(550)	–	–	–
Dividends received		57	189	–	–
Interest received		118	161	8	38
Income tax paid		(731)	(905)	–	–
Interest and other costs of finance paid		(396)	(580)	(4)	(3)
Net cash provided by/(used in) operating activities	32	680	2,501	(1,036)	(884)
Cash flows from investing activities					
Proceeds from sale of plant & equipment		141	39	–	–
Payments for intangible assets		(12)	(20)	(12)	(20)
Payments for property, plant & equipment		(377)	(425)	(6)	(7)
Net cash used in investing activities		(248)	(406)	(18)	(27)
Cash flows from financing activities					
Proceeds from share issue		357	–	357	–
Costs associated with share issue		(5)	–	(5)	–
Proceeds from bank borrowings		245	–	–	–
Repayment of borrowings		(751)	(1,112)	–	–
Loan receipts from controlled entities		–	–	1,812	446
Loan payments to controlled entities		–	–	(550)	–
Dividends paid by controlled entities to minority interest		(234)	(177)	–	–
Dividend paid by parent entity		(501)	(501)	(501)	(501)
Net cash (used in)/provided by financing activities		(889)	(1,790)	1,113	(55)
Net (decrease)/increase in cash and cash equivalents		(457)	305	59	(966)
Cash and cash equivalents at the beginning of the financial year		3,845	3,681	463	1,429
Effects of exchange rate changes on the balance of cash held in foreign currencies		23	(141)	–	–
Cash and cash equivalents at the end of the financial year	7	3,411	3,845	522	463

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. General information

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

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

2. Statement of significant accounting policies

Statement of compliance

The financial 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 24 August 2009.

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 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 2009. Goodwill and indefinite lived intangibles are tested annually for impairment and carried at cost less accumulated impairment losses.

No impairment has been recognised in respect of goodwill and indefinite lived intangibles for the year ended 30 June 2009.

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

Accounting policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Tag Pacific Limited and entities controlled by Tag Pacific Limited (its subsidiaries) (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.

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 substantively enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is 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 2(p) for the policy in relation to work in progress and construction contracts.

(d) Property, plant and equipment

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

Plant and equipment

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

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

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.

(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 on a straight line basis over the life of the lease term. Lease incentives under operating leases are recognised as a liability and amortised over the life of the lease term.

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

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

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

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

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

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

(i) Intangible assets
Goodwill
Goodwill 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 acquisition of controlled entities is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing (refer note 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.

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

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

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

Exchange differences arising on the translation of monetary items are recognised in 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.

(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.

(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 fair 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) Share-based payments
Share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 28.

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

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

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

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

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

(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 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	Changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, of Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.	1 January 2009
→ AASB 2007-10 'Further Amendments to Australian Accounting Standards from AASB 101'	Changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, of Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.	1 January 2009
→ AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	Adopts a management reporting approach to identify operating segments and does not require identification of primary segments and secondary segments. AASB 8 requires disclosure of reconciliations between the total reportable measures of operating segments and totals amounts as per the financial report, explanations on how operating segments are determined and how the measures used are determined and entity-wide disclosures (which apply regardless of whether operating segments exist or not).	1 January 2009
→ AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	Provides editorial amendments to AASB 4, AASB 1023 and AASB 1038 as a consequence of the amendments made to AASB 7 requiring enhanced disclosures about fair value measurements and liquidity risk.	1 January 2009 (and that ends on or after 30 April 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 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	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
→ AASB Interpretation 18 'Transfers of assets from Customers'	Clarifies the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. When an item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of transfer, with the credit recognised as revenue.	1 July 2009

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

Standard or Interpretation	**Nature of change**	**Effective for annual reporting periods beginning on or after**
→ AASB 3 'Business Combinations' (revised) and AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	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. 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.	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (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
→ AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	Clarifies hedge accounting with respect to identifying inflation as a hedged risk or position and hedging with options.	1 July 2009
→ AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	Deals with the following issues with respect to net investment hedging: → Which foreign currency risks qualify for hedge accounting and what amount can be designated; → Where within the group, the hedging instrument can be held; and → What amount should be reclassified to profit or loss when the hedged foreign operation is disposed of.	1 October 2009
→ AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvement Process'	Amends various Australian Accounting Standards as a consequence of the annual improvements project.	1 July 2009
→ AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	Amends various Australian Accounting Standards as a consequence of the annual improvements project.	1 January 2010
→ AASB 2009-6 'Amendments to Australian Accounting Standards'	Makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.	1 January 2009
→ AASB 2009-7 'Amendments to Australian Accounting Standards'	Makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.	1 July 2009

	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000

3. Income

	2009 A$'000	2008 A$'000	2009 A$'000	2008 A$'000
Sales revenue				
– sale of goods	74,813	76,985	-	-
– rendering of services	1,978	1,467	-	181
– construction contract revenue	9,959	9,166	-	-
Total sales revenue	86,750	87,618	-	181
Other revenue				
– interest revenue	114	165	8	38
– dividends received: subsidiaries	-	-	1,000	-
– dividends received: other parties	1	-	-	-
– other revenue	65	214	44	24
Total other revenue	180	379	1,052	62
Total sales revenue and other revenue	86,930	87,997	1,052	243
Other income				
– fair value gains/(losses) on financial assets designated as at fair value through profit or loss upon initial recognition	715	(6,590)	-	-
– gains on disposal of assets designated as through profit or loss	164	17	-	-
Total other income	879	(6,573)	-	-
Total income	87,809	81,424	1,052	243

4. Profit for the year

The profit before income tax has been determined after:

Expenses

	2009 A$'000	2008 A$'000	2009 A$'000	2008 A$'000
Finance costs				
– other persons	396	558	4	3
– finance lease charges	51	60	–	–
	447	618	4	3
Depreciation of non-current assets				
– plant & equipment	432	430	12	15
– capitalised leased assets	69	69	–	–
	501	499	12	15
Amortisation of non-current assets	(1)	50	7	36
	500	549	19	51
Reversal of previous impairment loss of receivables from wholly owned controlled entities	–	–	(5)	(11)
Bad and doubtful debts on receivables	120	166	–	–
Operating lease rentals – minimum lease payments	1,844	1,853	98	110
Share-based payments	(9)	61	(9)	61
Fair value loss on forward exchange contract	(424)	–	–	–
Net foreign exchange gain	680	5	–	–
Write down/(write back) of inventory to realisable values	335	187	–	–
Research and development expenses	136	153	–	–

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
Significant revenues and expenses				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Gain on sale of other assets	14	17	–	–
Gain on sale of financial assets	150	–	–	–

5. Income tax expense

(a) The components of tax expense comprise:

	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Current tax	837	1,161	8	–
Deferred tax (refer note 15)	(557)	(437)	(456)	(384)
(Over)/under provision in respect of prior years	(147)	(15)	(6)	25
Tax expense/(tax benefit)	133	709	(454)	(359)

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:

	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Prima facie tax expense/(benefit) on profit/(loss) before income tax at 30% (2008: 30%)	551	(970)	(138)	(381)
Add tax effect of:				
– assessable items	–	26	–	–
– non-allowable items	95	31	(3)	–
– non-allowable items – deferred tax asset not brought to account	–	1,977	–	–
– non-deductible amortisation	30	–	(1)	–
– under provision for income tax in prior year	7	21	–	25
– difference in overseas tax rates	–	10	–	–
Less tax effect of:				
– non-assessable items	(52)	(145)	(306)	(3)
– non-assessable items – fair value gain	(225)	–	–	–
– deductible items not claimed	(36)	(28)	–	–
– share of net profit of associates	(83)	(177)	–	–
– over provision for income tax in prior year	(154)	(36)	(6)	–
Income tax expense/(benefit) attributable to the entity	133	709	(454)	(359)
The applicable weighted average effective tax rates are as follows:	7.3%	(21.9%)	(94.0%)	(28.2%)

6. Dividends

	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Recognised amounts				
Dividend of 0.75 (2008: 0.75) cents per share franked to 100% (2008: 50%) at the tax rate of 30% (2008: 30%)	501	501	501	501
Unrecognised amounts				
A dividend of 0.75 cents per share (total A$515,145) franked to 100% at the tax rate of 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	185	103	185	103

Subsequent to year end, the franking account would be reduced by $220,776 (2008: $214,730) for the declared unrecognised dividend.

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000

7. Cash & cash equivalents

Cash at bank and on hand	3,251	3,328	522	463
Short-term bank deposits	160	517	–	–
	3,411	3,845	522	463
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	3,411	3,845	522	463

The weighted average effective interest rate on cash and cash equivalents for the financial year ended 30 June 2009 was 3.15% (2008: 5.65%).

8. Trade & other receivables

Trade receivables	13,590	16,244	–	–
Less: Provision for impairment of receivables	(182)	(231)	–	–
	13,408	16,013	–	–
Other debtors	122	148	23	117
Amounts receivable from				
– partly owned subsidiaries	–	–	60	60
– wholly owned controlled entities (a)	–	–	12,331	12,875
– provision for impairment of receivables – wholly owned controlled entities	–	–	(1,305)	(1,310)
	–	–	11,086	11,625
	13,530	16,161	11,109	11,742

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

Ageing of past due but not impaired				
0-30 days past due date	508	994	–	–
30+ days past due date	1,089	1,009	–	–
Total	1,597	2,003	–	–

Movement in the provision for impairment of receivables				
Balance at the beginning of the year	231	346	1,310	1,321
Impairment losses recognised on receivables	120	166	–	–
Amounts written off as uncollectible	(173)	(304)	–	–
Amounts recovered during the year	4	23	–	–
Impairment losses reversed	–	–	(5)	(11)
Unwind of discount	–	–	–	–
Balance at the end of the year	182	231	1,305	1,310

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				
0-30 days past due date	–	–	–	–
30+ days past due date	182	231	–	–
Total	182	231	–	–

	Tag Group			Tag Parent
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
Construction contracts				
Construction costs incurred	7,813	4,578	–	–
Recognised profits to date	2,524	1,481	–	–
	10,337	6,059	–	–
Less: Progress billings	(8,154)	(6,020)	–	–
	2,183	39	–	–
Recognised and included in the financial statements as amounts due:				
From customers under construction contracts	2,262	1,013	–	–
To customers under construction contracts	(79)	(974)	–	–
	2,183	39	–	–
Retentions on construction contracts in progress	120	94	–	–
Advances received and receivable on construction contracts in progress	79	1,095	–	–

9. Inventories

At carrying value				
– Raw materials	2,835	2,707	–	–
– Work in progress	125	1,687	–	–
– Finished goods	12,081	10,025	–	–
	15,041	14,419	–	–

10. Other assets

Current				
Prepayments	192	213	15	16
Accrued revenue receivable	2,262	1,013	–	–
	2,454	1,226	15	16

11. Financial assets

Non-current				
Shares in listed corporations at fair value (a)	7,189	7,242	–	–
Other unlisted investments at cost (b)	48	42	–	–
	7,237	7,284	–	–

(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 recorded at cost.

12. Equity accounted investments

Tagpac Securities Ltd has a 37.9% (2008: 37.9%) interest in the ordinary shares of Unique World Group Pty Ltd. 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 2009.

At 30 June 2009, Electro Securities Pty Ltd held a 48.9% interest in the units of the Power Property Unit Trust, which owns a property occupied by MPower Group Pty Limited in Melbourne, Victoria. 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. On 27 July 2009, the Power Property Unit Trust redeemed all the units held by two minority unitholders and Tag's interest in the Power Property Unit Trust increased to 50.2%. Accordingly, the Power Property Unit Trust will be consolidated by the Tag Group for the year ended 30 June 2010. The impact on the balance sheet and income statement for 30 June 2010 has yet to be quantified as the valuation required to determine fair value of the asset of the Power Property Unit Trust upon gaining control has yet to be finalised.

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
(a) Reconciliation of movement during the year in equity accounted investment in associated company:				
Balance at beginning of the financial year	2,109	1,708	–	–
Add: Share of associate's profit after income tax	274	590	–	–
Less: Dividends received	(58)	(189)	–	–
Balance at the end of the financial year	2,325	2,109	–	–
(b) Summarised financial performance:				
Total revenues	8,746	12,937	–	–
Total profit for year before income tax	445	1,872	–	–
Tag Group's share of associate's profit before income tax	168	710	–	–
Tag Group's share of associate's income tax benefit/(expense)	106	(120)	–	–
Tag Group's share of associate's profit after income tax	274	590	–	–
(c) Summarised presentation of financial position:				
Total assets	4,637	4,859	–	–
Total liabilities	1,583	2,381	–	–
Net assets	3,054	2,478	–	–
Tag Group's share of associate's net assets	1,158	940	–	–
Revenue	8,746	12,937	–	–
Profit after income tax of associate	725	1,554	–	–

(d) Dividends received from associates:
During the financial year ended 30 June 2009, the Tag Group received fully franked dividends of $56,849 (2008: $189,498) from its equity accounted associates.

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

There are no capital commitments at balance date.

The Group's share of other expenditure commitments of associates is disclosed in note 25.

13. Property, plant & equipment

	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Plant & equipment				
– at cost	4,060	3,954	190	184
– accumulated depreciation	(2,896)	(2,669)	(155)	(143)
	1,164	1,285	35	41
Leasehold improvements				
– at cost	632	616	–	–
– accumulated amortisation	(349)	(347)	–	–
	283	269	–	–
Capitalised leased assets				
– at cost	146	358	–	–
– accumulated amortisation	(89)	(206)	–	–
	57	152	–	–
Carrying amount at the end of the year	1,504	1,706	35	41

Movements in carrying amounts
Movements 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 2009 year				
Balance at the beginning of the year	1,285	269	152	1,706
Additions	275	76	26	377
Disposals	(6)	(28)	(52)	(86)
Depreciation expense	(394)	(38)	(69)	(501)
Effect of exchange rate differences between the beginning and the end of the year	4	4	–	8
Carrying amount at the end of the year	1,164	283	57	1,504
Tag Parent 2009 year				
Balance at the beginning of the year	41	–	–	41
Additions	6	–	–	6
Depreciation expense	(12)	–	–	(12)
Carrying amount at the end of the year	35	–	–	35

	Plant and equipment A$'000	Leasehold improvements A$'000	Leased plant and equipment A$'000	Total A$'000
Tag Group 2008 year				
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 2008 year				
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

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
Shares in subsidiaries at cost (a)	–	–	3,276	3,276

14. Investments

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

Shares and units in subsidiaries comprise:

Entity	Place of incorporation	Class of share	% Owned 2009	% Owned 2008
Advanced Power Pty Ltd	AUS	Ord	58	58
Advanced Power Southern Pty Limited	AUS	Ord	58	58
Comprador Pacific Pty Limited	AUS	Ord	51	51
Comprador Pacific Unit Trust	AUS	Units	51	51
Electro Securities Pty Limited	AUS	Ord	100	100
Fibumi Pty Ltd	AUS	Ord	100	100
M+H Power Systems Pty Ltd	AUS	Ord	58	58
MPower Group Pty Limited	AUS	Ord	100	–
Nikko Business Equipment Pty Limited	AUS	Ord	58	58
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
Flatbat Ltd	NZ	Ord	100	100
M+H Power Systems Ltd	NZ	Ord	58	58
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.

MPower Group Pty Limited was incorporated during the year ended 30 June 2009. On 27 July 2009, M+H Power Systems Pty Limited completed a share buy-back and restructure by way of a share capital reduction. As a result of the restructure, MPower Group Pty Limited became the parent company of the M+H Power and Advanced Power businesses and Tag's interest increased from 57.7% of M+H Power Systems Pty Limited to 59.9% of MPower Group Pty Limited following the restructure.

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000

15. Taxation

Current tax liabilities

Income tax attributable to:				
– entities in the consolidated group	417	501	–	–
	417	501	–	–

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 2009 year				
Temporary differences				
Property, plant and equipment	–	–	–	–
Intangible asset	13	(7)	–	6
Doubtful debts provision	55	(14)	–	41
Long service leave provision	138	3	–	141
Annual leave provision	268	(7)	–	261
Warranty provision	12	–	–	12
Stock provision	62	10	–	72
Other provisions and accruals	66	35	–	101
Prepayments and other	(1)	1	–	–
	613	21	–	634
Unused tax losses and credits	1,731	536	–	2,267
	2,344	557	–	2,901
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

	Opening balance A$'000	Charged to income A$'000	Exchange differences A$'000	Closing balance A$'000
Tag Parent 2009 year				
Temporary differences				
Other provisions and accruals	55	(23)	–	32
Prepayments and other	–	–	–	–
	55	(23)	–	32
Unused tax losses and credits	1,684	479	–	2,163
	1,739	456	–	2,195
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 Group		Tag Parent	
	2009 A$'000	2008 A$'000	**2009 A$'000**	2008 A$'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	4,139	4,210	4,139	4,210

16. Intangible assets

Capitalised development costs				
– cost	314	314	–	–
– accumulated amortisation	(314)	(314)	–	–
	–	–	–	–
Goodwill				
– cost	1,810	1,799	–	–
Trademarks				
– cost	274	274	–	–
– accumulated amortisation	(178)	(178)	–	–
	96	96	–	–
Other				
– cost	31	24	31	24
– accumulated amortisation	(26)	(24)	(26)	(24)
	5	–	5	–
Carrying amount at the end of the year	1,911	1,895	5	–
Reconciliation of goodwill				
Balance at the beginning of the year	1,799	1,799	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation charge written back	11	–	–	–
Carrying value at the end of the year	1,810	1,799	–	–

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
Reconciliation of trademarks				
Balance at the beginning of the year	96	96	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation charge	–	–	–	–
Carrying value at the end of the year	96	96	–	–
Reconciliation of other				
Balance at the beginning of the year	–	10	–	10
Additions	7	14	7	14
Disposals	–	–	–	–
Amortisation charge	(2)	(24)	(2)	(24)
Carrying value at the end of the year	5	–	5	–

The current amortisation charges for intangible assets are included under note 4. Goodwill has an indefinite 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 investment in the power sector and interior building products sector which are reportable segments. The carrying amount of goodwill with indefinite useful life allocated to the power sector 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 indefinite life for goodwill include:
- → 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 investment in the power sector 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	3%	14%
Advanced Power Pty Ltd	3%	15%

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.

17. Trade & other payables

	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Current unsecured liabilities				
– trade payables	8,465	11,013	–	–
– sundry payables and accrued expenses	4,944	3,352	507	527
– payables to wholly owned controlled entities	–	–	65	–
	13,409	14,365	572	527
Foreign currency liabilities				
Current liabilities not effectively hedged				
– Australian Dollars	348	428	–	–
– Euros	1,423	784	–	–
– Japanese Yen	2	366	–	–
– New Zealand Dollars	1	1	–	–
– Singapore Dollars	373	397	–	–
– United States Dollars	1,941	579	–	–
	4,088	2,555	–	–

The Tag Parent has no foreign currency liabilities. The general policy for subsidiaries within the Tag Group with foreign currency exposure arising from cross border trading is to hedge between 50% and 100% of the exposure.

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

18. Borrowings

	Tag Group 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Current				
– bank facilities (secured)	3,203	3,362	–	–
– finance lease liabilities (secured)	194	206	–	–
	3,397	3,568	–	–
Non-current				
– bank facilities (secured)	1,168	1,305	–	–
– finance lease liabilities (secured)	292	372	–	–
	1,460	1,677	–	–

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$41,534,841 (2008: A$44,363,000).

Summary of borrowing arrangements

The covenants and specific conditions which apply to the bank facilities are as follows:

(a) For Potter Interior Systems Ltd which represents A$0.90 million of the bank borrowings (charged at an interest rate of 5.56% and 5.85%) 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.

(b) For M+H Power Systems Pty Ltd which represents A$1.08 million of the bank borrowings (charged at an interest rate of 5.46%) 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.
- Maximum dividend payout of 30% per annum.

There were no breaches of any covenants at 30 June 2009 (2008: nil).

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

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000

19. Current tax liabilities

Income tax payable	417	501	–	–

20. Provisions

Current				
Short-term employee benefits				
– Opening balance at beginning of year	1,424	1,355	1	–
– Additional provisions raised during year	912	906	9	6
– Amounts used	(965)	(837)	(3)	(5)
– Balance at end of year	1,371	1,424	7	1
Warranties				
– Opening balance at beginning of year	41	41	–	–
– Additional provisions raised during year	–	–	–	–
– Amounts used	(1)	–	–	–
– Balance at end of year	40	41	–	–
	1,411	1,465	7	1
Non-current				
Long-term employee benefits				
– Opening balance at beginning of year	90	78	–	–
– Additional provisions raised during year	69	12	–	–
– Amounts used	(29)	–	–	–
– Balance at end of year	130	90	–	–

(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

Current				
Construction contract advances received	79	1,095	–	–
Forward exchange contract liability	424	–	–	–
Lease incentive	18	25	18	25
Customer deposits in advance	12	17	–	–
	533	1,137	18	25

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000

22. Issued capital

68,685,962 (2008: 66,804,745) fully paid ordinary shares	16,093	15,741	16,093	15,741
Ordinary shares				
At the beginning of the reporting period	15,741	15,741	15,741	15,741
Shares issued during the year (note 22(a))	357	–	357	–
Share issue costs	(5)	–	(5)	–
Shares bought back during the year	–	–	–	–
At reporting date	16,093	15,741	16,093	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.

(a) 1,881,217 fully paid ordinary shares were issued on 5 December 2008 pursuant to the company's Dividend Reinvestment Plan with an issue price of $0.19 per ordinary share.

(b) During the financial year, an on-market share buy-back facility was in place. To date, no purchases have been made under the on-market share buy-back facility.

23. Reserves

Capital reserve	659	659	–	–
Share option reserve	187	196	187	196
Foreign currency translation reserve	(288)	(349)	–	–
	558	506	187	196

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

Foreign currency translation reserve				
Opening balance	(349)	127	–	–
Adjustment arising from the translation of self-sustaining foreign controlled entities' financial statements	61	(476)	–	–
Closing balance	(288)	(349)	–	–

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

Share option reserve				
Opening balance	196	135	196	135
Share based payments for the year	(9)	61	(9)	61
Closing balance	187	196	187	196

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

24. Minority interest in controlled entities

Minority interest comprises				
– capital	1,466	1,466	–	–
– profits	5,105	4,822	–	–
	6,571	6,288	–	–

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000

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	1,043	1,506	92	84
– later than one year but not later than five years	1,334	1,582	184	255
– later than five years	–	–	–	–
	2,377	3,088	276	339
Group's share of operating lease commitments of associates				
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	114	148	–	–
– later than one year but not later than five years	–	97	–	–
– later than five years	–	–	–	–
	114	245	–	–
Finance lease commitments				
Finance leases relate principally to motor vehicles with terms up to 3 year typically with a 25% residual value				
Payable				
– not later than one year	218	250	–	–
– later than one year but not later than five years	310	416	–	–
Minimum lease payments	528	666	–	–
Less: future finance charges	(42)	(88)	–	–
Present value of minimum lease payments	486	578	–	–
Group's share of finance lease commitments of associates				
Finance leases relate principally to computer equipment with terms up to 4 year typically with a 25% residual value				
Payable				
– not later than one year	–	56	–	–
– later than one year but not later than five years	–	10	–	–
Minimum lease payments	–	66	–	–
Less: future finance charges	–	(4)	–	–
Present value of minimum lease payments	–	62	–	–

26. Segment information

Products and services within each business segment

For management purposes, the Tag Group is organised into three major sectors –interior building products, power and investment. These sectors are the basis on which the Tag Group reports its primary segment information. The principal products and services of each of those sectors are as follows:

- Interior building products – consists of Potter Interior Systems Ltd (wholly owned) and Comprador Pacific Pty Limited (51% owned). Both entities distribute a specialised 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 – consists of M+H Power Systems Pty Ltd, M+H Power Systems Ltd and Advanced Power Pty Ltd (all 57.7% owned at 30 June 2009). This grouping is a leading provider of innovative and dependable power solutions for use in all manner of emergency, back-up, generated and renewable power situations in Australia, New Zealand and Fiji.
- Investment – consists principally of Tag's investments in iSOFT Group Limited, Unique World Group Pty Limited and the Power Property Unit Trust. iSOFT 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 a property occupied by MPower Group Pty Limited in Melbourne, Victoria.

Segment Revenues

	External Sales		Share of net profit of equity accounted associates		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
Continuing operations								
Interior building products	39,703	42,000	–	–	14	7	39,717	42,007
Power	47,157	45,920	–	–	–	10	47,157	45,930
Investment	70	77	274	590	865	(6,590)	1,209	(5,923)
Total all segments							88,083	82,014
Eliminations							–	–
Unallocated							–	–
Consolidated income (excluding interest and other revenue)							88,083	82,014

	2009	2008
	A$'000	A$'000
Segment Result		
Continuing operations		
EBITDA		
Interior building products	316	1,502
Power	2,704	3,581
Investment	1,174	(5,950)
	4,194	(867)
Eliminations	–	–
Unallocated expenses	(1,413)	(1,200)
Profit (loss) before tax	2,781	(2,067)
Profit before tax		
Interior building products	(230)	815
Power	2,327	3,370
Investment	1,192	(6,147)
	3,289	(1,962)
Eliminations	–	–
Unallocated expenses	(1,454)	(1,271)
Profit (loss) before tax	1,835	(3,233)
Income tax expense	(133)	(709)
Profit/(loss) for the year from continuing operations	1,702	(3,942)

Segment Assets and Liabilities

	Assets		Liabilities	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
Interior building products	14,929	15,755	11,080	11,274
Power	22,930	23,605	9,167	11,095
Investment	12,455	11,629	510	434
Total of all segments	50,314	50,989	20,757	22,803
Eliminations	–	–	–	–
Unallocated	–	–	–	–
Consolidated	50,314	50,989	20,757	22,803

Other Segment Information

	Interior building products A$'000	Power A$'000	Investment A$'000
2009			
Carrying value of investments accounted for using the equity method	–	–	2,325
Share of net profit of associates and jointly controlled entities accounted for under the equity method	–	–	274
Acquisition of segment assets	55	316	6
Depreciation and amortisation of segment assets	234	247	19
Significant other non-cash expenses	385	82	6
2008			
Carrying value of investments accounted for using the equity method	–	–	2,109
Share of net profit of associates and jointly controlled entities accounted for under the equity method	–	–	590
Acquisition of segment assets	212	301	7
Depreciation and amortisation of segment assets	243	255	51
Significant other non-cash expenses	324	153	1

Information on geographical segments
The investments in both the power sector and interior building products sector 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 and Christchurch.

There are only minor exports made to other countries.

The Tag Group's revenues from external customers and information about its segment assets by geographical location are detailed below:

	Revenue from external customers		Segment Assets		Acquisition of segment assets	
	2009	2008	**2009**	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
Australia	62,451	61,226	42,262	41,831	327	321
New Zealand	24,479	26,771	8,052	9,158	50	199

27. Auditor's remuneration

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$	A$	**A$**	A$
Remuneration of the auditor of Tag Parent for:				
Deloitte Touche Tohmatsu				
– Auditing or reviewing the accounts	235,585	–	60,298	–
– Tax compliance services	–	–	–	–
	235,585	–	60,298	–
PKF				
– Auditing or reviewing the accounts	–	252,360	–	76,222
– Tax compliance services	28,280	43,090	14,400	21,753
	28,280	295,450	14,400	97,975
Total	263,865	295,450	74,698	97,975

28. Employee benefits

Executive Share Option Plan

The following share-based payment arrangement existed at 30 June 2009.

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 2009 (2008: 500,000).

	Tag Group		Weighted average exercise price		Tag Parent	
	2009	2008	**2009**	2008	**2009**	2008
	Number	Number	**A$**	A$	**Number**	Number
Movement in the number of share options held by executives are as follows	2,416,667	2,025,000	0.36	0.34	2,416,667	2,025,000
Opening balance	500,000	500,000	0.26	0.41	500,000	500,000
Granted during the year	(221,667)	(108,333)	0.35	0.33	(221,667)	(108,333)
Lapsed during the year	–	–			–	–
Closing balance	2,695,000	2,416,667			2,695,000	2,416,667

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	415,000
22 December 2006	22 December 2011	A$0.40	400,000
31 August 2007	31 August 2012	A$0.39	230,000
31 August 2007	31 August 2012	A$0.45	200,000
17 November 2008	17 November 2013	A$0.24	300,000
17 November 2008	17 November 2013	A$0.30	200,000
		Total	**2,695,000**

During the year ended 30 June 2009 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.

On 17 November 2008, 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 $0.24 each (in respect of 300,000 options) and $0.30 each (in respect of 200,000 options). The options are exercisable on or before 17 November 2013. The options hold no voting or dividend rights and are not transferable. During the year 221,667 share options lapsed.

The options outstanding at 30 June 2009 had a weighted average exercise price of $0.34 and a weighted average remaining contracted life of 2.56 years. Exercise prices range from $0.24 to $0.45 each in respect of options outstanding at 30 June 2009.

The weighted average fair value of the options granted during the year was $0.05 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	$0.26
Weighted average life of the option	3 years
Underlying share price at issue date	$0.205
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 30% 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 a credit of $9,438 (2008: $61,240) relating in full, to equity-settled share-based payment transactions. This credit reflects the reversal of prior period share-based payment expenses associated with options that did not vest according to performance against set criteria.

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	
	2009	2008
	A$	A$
Current receivables	12,391,398	12,934,185
Less: Provision for impairment	(1,305,322)	(1,309,210)
	11,086,076	11,624,975
Current payables	64,973	–

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 1,206,388 (2008: 140,000) 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 principal of Peterson Law Limited. Peterson Law Limited received fees of A$366 for the financial year (2008: $nil) as the Tag Group's solicitor in New Zealand. These services were provided on an arm's length basis.

	2009	2008
Share transactions of directors	**Number**	Number
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in Tag Pacific Limited	39,449,922	37,974,929

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$14,000 (2008: A$192,800). These services were provided on an arm's length basis.

The ultimate parent company and its wholly owned subsidiaries received A$1,694,052 in dividends from its controlled subsidiaries and associates during the year (2008: A$392,798).

Current at call interest free loans totalling A$12,391,398 are repayable to the ultimate parent company from subsidiaries (2008: A$12,934,185).

Current at call interest free loans totalling A$64,973 are repayable by the ultimate parent company to subsidiaries (2008: A$nil).

(b) Associated companies
Associated companies paid directors fees of A$10,000 to Tag Pacific Limited during the year (2008: 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$nil (2008: A$6,000). 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$1,132,097 during the year (2008: A$846,354).

Management fees were provided between related entities in the amount of A$344,230 during the year (2008: A$351,090). 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, Victoria during the year in the amount of A$172,177 (2008: A$165,500). 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, Potter Interior Systems
- → Paul Sharp – Group Managing Director, MPower Group
- → Anthony Csillag – Managing Director, MPower Group – Advanced Power

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	
	2009	2008	**2009**	2008
	A$	A$	**A$**	A$
Short term employee benefits	1,472,015	1,492,083	809,655	776,680
Post employment benefits	75,050	–	–	–
Other payments	92,824	161,935	59,750	64,166
Termination benefits	–	–	–	–
Share based payments	26,816	50,165	26,816	50,165
	1,666,705	1,704,183	896,221	891,011

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

30. Earnings per share

	Tag Group	
	2009 Cents per share	2008 Cents per share
Basic earnings per share	1.7	(7.7)
Diluted earnings per share	1.7	(7.7)

	Tag Group	
	2009 A$'000	2008 A$'000
Reconciliation of earnings to net profit/(loss)		
Net profit/(loss) after income tax	1,702	(3,942)
Net profit/(loss) attributable to minority interests	(517)	(1,206)
Earnings used in the calculation of basic and diluted earnings per share	1,185	(5,148)
Weighted average number of shares used in the calculation of basic earnings per share	67,876,781	66,804,745
Weighted average number of shares used in the calculation of diluted earnings per share	67,876,781	66,804,745

No options were dilutive for the purposes of determining diluted EPS for the year ended 30 June 2009.

There were 2,695,000 options on issue at year end that have not been considered dilutive for the purposes of determining diluted EPS for the year ended 30 June 2009.

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 other than the following matters:

(a) On 27 July 2009, M+H Power Systems Pty Limited completed a share buy-back and restructure by way of a share capital reduction. As a result of the restructure, MPower Group Pty Limited became the parent company of the M+H Power and Advanced Power businesses and Tag's interest increased from 57.7% of M+H Power Systems Pty Limited to 59.9% of MPower Group Pty Limited following the restructure.

(b) On 27 July 2009, the Power Property Unit Trust redeemed all the units held by two minority unitholders. As a result of the redemption of units, Tag's interest in the Power Property Unit Trust increased from 48.9% to 50.2%. Accordingly, the Power Property Unit Trust will be consolidated by the Tag Group from 27 July 2009. The Power Property Unit Trust is the owner of a property in Melbourne, Victoria occupied by the MPower Group. The impact on the balance sheet and income statement for 30 June 2010 has yet to be quantified as the valuation required to determine fair value of the asset of the Power Property Unit Trust upon gaining control has yet to be finalised.

32. Cash flow information

	Tag Group		Tag Parent	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
Reconciliation of cash flow from operating activities with profit/(loss) after income tax				
Profit/(loss) from operating activities after income tax	1,702	(3,942)	(6)	(914)
Non-cash flows				
– amortisation	(1)	50	7	36
– depreciation	501	499	12	15
– changes to provisions	(3)	(117)	6	–
– share based payments	(9)	61	(9)	61
– share of associated companies operating profit after income tax	(274)	(590)	–	–
– other non-cash items/write-backs	–	–	(4)	–
Proceeds on sale of fair value assets	1,466	–	–	–
Purchase of fair value assets	(550)	–	–	–
Gain on sale of property, plant and equipment	(14)	(17)	–	–
Net fair value (gains)/losses on financial assets	(715)	6,590	–	–
Changes in assets and liabilities				
– decrease/(increase) in receivables and prepayments	1,461	(2,970)	(625)	467
– (increase)/decrease in inventories	(684)	1,246	–	–
– (decrease)/increase in trade creditors & accruals	(1,560)	2,186	40	(165)
– (increase) in income tax balances	(640)	(495)	(457)	(384)
Cash flow provided by/(used in) operating activities	680	2,501	(1,036)	(884)
Credit facilities				
Credit facilities	13,192	11,026	–	–
Amounts utilised	7,518	8,940	–	–
Unused credit facilities	5,674	2,086	–	–

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$26,192 (2008: A$94,743) 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. This strategy remains unchanged from 2008.

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	
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
Financial assets				
Debt (i)	4,857	5,245	–	–
Cash and cash equivalents	(3,411)	(3,845)	(522)	(463)
Net debt	1,446	1,400	(522)	(463)
Equity (ii)	29,557	28,186	16,560	16,724
Net debt to equity ratio	4.9%	5.0%	–	–

(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 2009 A$'000	Tag Group 2008 A$'000	Tag Parent 2009 A$'000	Tag Parent 2008 A$'000
Financial assets				
Loans and receivables	13,530	16,161	11,109	11,742
Cash and cash equivalents	3,411	3,845	522	463
Fair value investments	7,189	7,242	–	–
Financial liabilities				
Amortised cost	18,506	20,838	572	527
Forward exchange contract liability	424	–	–	–

There were performance guarantee contracts in respect of construction contracts of $1,764,339 for the year (2008: $2,312,000). 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. As fair value was considered to be nil consequently, the amount included in the above table is nil.

(c) Financial risk management objectives

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

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

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

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

(d) Market risk
The Tag Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 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**
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
New Zealand Dollars	1	1	1	20
US Dollars	1,723	579	2,664	90
Japanese Yen	120	366	257	–
Euros	1,373	784	1,316	352
Singapore Dollars	373	398	201	–
Other	–	–	–	6
Total	3,590	2,128	4,439	468

The Tag Parent had nil foreign currency denominated monetary assets and monetary liabilities at the reporting date (2008: nil).

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**
	2009	2008	**2009**	2008
	A$'000	A$'000	**A$'000**	A$'000
Profit or loss				
US Dollars	(86)	52	–	–
Japanese Yen	(12)	33	–	–
Euros	5	39	–	–
Singapore Dollars	16	36	–	–
Other	–	(1)	–	–
Total	(77)	159	–	–

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 50% 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 in $A	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
			FC'000	FC'000	**A$'000**	A$'000	**A$'000**	A$'000
Consolidated								
Buy US Dollars								
Less than 3 months	0.673	0.889	1,698	773	2,522	870	467	870
3 to 6 months	0.756	0.900	334	450	442	500	–	500
Buy Euro								
Less than 3 months	0.517	0.610	751	450	1,451	738	143	738
3 to 6 months	–	–	–	–	–	–	–	–
Buy Singapore Dollars								
Less than 3 months	1.170	1.290	235	600	241	465	40	465
3 to 6 months	–	–	–	–	–	–	–	–
Buy Japanese Yen								
Less than 3 months	72.60	94.268	21,058	31,064	290	330	18	330
3 to 6 months	–	–	–	–	–	–	–	–
			24,076	33,337	4,946	2,903	668	2,903

The Tag Parent did not enter into any forward foreign currency contracts during the reporting period (2008: nil).

(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$87,410 (2008: decrease/(increase) by A$93,339). 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 (2008: 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$72,564 (2008: decrease/(increase) by A$58,339). This is mainly attributable to the Tag Group's exposure to interest rates on its cash and cash equivalents.

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

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

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

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

	Maximum risk	
	2009	2008
	A$'000	A$'000
Tag Group		
Trade and other receivables	13,530	16,161
Total	13,530	16,161
Tag Parent		
Amounts receivable from controlled entities	11,109	11,742
Total	11,109	11,742

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

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

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

At reporting date, as the equity investments are designated as at fair value through profit or loss upon initial recognition, if the equity prices had been 5%p.a. higher or lower the net profit for the year ended 30 June 2009 would have increased/(decreased) by $359,458 (before minority equity interest) (2008: $362,065).

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 financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Tag Group can be required to pay. The table includes both interest and principal cash flows.

Tag Group	**Weighted average effective interest rate**	**Less than 3 months**	**3 months to 1 year**	**1-5 years**	**5+ years**
	%	**A$'000**	**A$'000**	**A$'000**	**A$'000**
2009					
Non-interest bearing liability	–	9,423	3,985	–	–
Finance lease liability	6.13	56	163	310	–
Variable interest rate instruments	6.07	2,074	1,129	1,168	–
Fixed interest rate instruments	–	–	–	–	–
Forward exchange contract liability	–	4,946	–	–	–
		16,499	5,277	1,478	–
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	–	–	–	–	–
Forward exchange contract liability	–	–	–	–	–
		15,150	5,470	1,812	–

There were performance guarantee contracts in respect of open construction contracts at year end of $1,764,339 (2008: $2,312,000). 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.

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
2009					
Non-interest bearing liability	–	67	505	–	–
Finance lease liability	–	–	–	–	–
Variable interest rate instruments	–	–	–	–	–
Fixed interest rate instruments	–	–	–	–	–
		67	505	–	–
2008					
Non-interest bearing liability	–	50	477	–	–
Finance lease liability	–	–	–	–	–
Variable interest rate instruments	–	–	–	–	–
Fixed interest rate instruments	–	–	–	–	–
		50	477	–	–

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

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

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

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

On behalf of the Directors

Peter Wise
Chairman

Sydney, 25 August 2009

Auditor's independence declaration

Deloitte.

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

25 August 2009

Dear Board Members

Tag Pacific Limited

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

As lead audit partner for the audit of the financial statements of Tag Pacific Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Deloitte.

Independent Auditor's Report

to the Members of Tag Pacific Limited

Report on the Financial Report
We have audited the accompanying financial report of Tag Pacific Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement, statement of recognised income and expense and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 56.

Directors' Responsibility for the Financial Report
The directors of the company 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 control 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 state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the 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.

Auditor's Independence Declaration
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 is in accordance with
the Corporations Act 2001, including:
(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 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 14 to 19 of the directors' report for the year ended 30 June 2009. 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 for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants

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

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 2009 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 2009 in light of the eight core principles and twenty Recommendations set out by the ASX Corporate Governance Council.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Tag board comprises an executive chairman, Peter Wise, and five non-executive directors being Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary Weiss.

The composition of the board is based on the following factors:
→ size of company;
→ nature and extent of head office operations;
→ tenure of directors; and
→ limited trading in the company's securities.

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

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

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

must retire from office at that general meeting but may stand for re-election.

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

Recommendation 2.2:
The chairman should be an independent director.

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

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

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

Recommendation 2.4:
The board should establish a nomination committee.

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

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

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

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

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

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

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

Independent directors
Robert Constable, Robert Moran, Richard Peterson 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 four independent, non-executive directors and is chaired by Robert Constable who is not chairman of the board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The company aims to keep shareholders informed of its performance and all major developments in an ongoing manner. 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 21 August 2009

Spread of shareholders

Range	Number of shareholders	Number of shares
1 – 1,000	552	268,135
1,001 – 5,000	618	1,669,357
5,001 – 10,000	203	1,578,051
10,001 – 100,000	265	7,352,181
100,001 – and over	51	57,818,238
	1,689	68,685,962

896 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	27,110,727	39.47
Quatro Capital Pty Limited	5,432,613	7.91
Anthony Australia Pty Ltd	4,657,447	6.78
AIB Investments Pty Ltd	4,625,130	6.73
Ms Chun-Hsia Lu	1,511,254	2.20
AIB Investments Pty Limited	1,343,427	1.96
George Chien Hsun Lu + Jenny Chin Pao Lu	1,271,248	1.85
Mr George Chien Hsun Lu + Mrs Jenny Chin Pao Lu	1,205,383	1.75
Excalibur Nominees Limited	1,170,167	1.70
Napla Pty Ltd	574,442	0.84
Noonbah Pty Ltd <Noonbah S/F A/C>	550,000	0.80
Ms Nicola Helen Moran	537,611	0.78
Dr John Aloizos + Mrs Muriel Patricia Aloizos <Superannuation Fund No 2 A/C>	500,000	0.73
Mr Johnny Hsu	425,000	0.62
Mrs Sophie Gelski	400,000	0.58
Alistair Woodside Cunningham	340,000	0.50
Mr Edward James Stephen Dally	336,623	0.49
Lu's International Limited	322,422	0.47
Mr Bruce Siemon	313,331	0.46
Castle Partners Pty Ltd	250,500	0.36
	52,877,325	76.98

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. The buy-back was extended for a further period of 12 months on each of 22 July 2008 and 22 July 2009. 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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Facsimile: +61 2 8275 6060

Website
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Auditors
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Australia

Share registry
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Level 3
60 Carrington Street
Sydney NSW 2000
Telephone: 1300 85 05 05

New Zealand
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Takapuna
Telephone: (09) 488 870