

TAG PACIFIC HALF YEAR RESULT

Sydney – 27 February 2013 – Tag Pacific Limited (ASX: TAG)

- Moving ahead with new direction and focus
- Net loss of \$1.565 million on revenue of \$30.6 million
- Underlying result impacted by general economic conditions
- Second half outlook more positive as order book grows
- Acquisition of MPower minorities completed
- Integration of MPower well underway and benefits being realised

Tag Pacific Limited
ABN 73 009 485 625

Phone +61 2 8275 6000
Fax +61 2 8275 6060

Level 30 Piccadilly Tower
133 Castlereagh Street
GPO Box 4032
Sydney NSW 2001
Australia

Overview

Tag Pacific Limited today released its result for the half year to 31 December 2012, a net loss of \$1.565 million on revenue of \$30.6 million. The result follows the Market Update provided in December 2012. By way of comparison, the \$3.967 million profit reported in the half year to 31 December 2011 included a \$3.0 million gain on the sale of its Unique World investment. Since that time, Tag has undergone a substantial capital and management transformation as it moves to strategically invest in power through its power convergence group which has been aggregated progressively under the MPower business.

The outlook for the second half of the 2013 financial year is more positive.

The result

During the accounting period, the group underwent a major transformation. Pursuant to the Integration Proposal, the MPower Group became a wholly owned subsidiary in the first quarter; new shares were issued; major dividend payments were made; and shareholders were issued bonus listed options. A surplus of \$2.9 million that arose on acquisition is reflected in reserves.

During the period, considerable management focus was directed towards integrating the company's activities. Costs incurred or provided of \$0.5 million are a component of the reported loss.

Although the integration process has been a distraction, the major contributor to the trading loss was the 20% drop in revenue when compared with the corresponding period in the previous year. As noted in late 2012, the industry-wide downturn in the residential rooftop solar market and general economic conditions have hampered growth, in particular the day-to-day sales of MPower's core distribution products. In addition, timing

TAGPAC.COM
MPOWER.COM.AU

mpower
A Tag Company

ASX ANNOUNCEMENT (continued)

differences between the completion of existing contracts and the commencement of the next series of specialised projects was significant in both limiting profitability and the generation of cash from trading.

Business development

There have been a large number of positive business developments, the benefits of which will flow in future periods.

The August 2012 acquisition of certain DESMO assets is already enhancing MPower's capability in specialised heating, ventilation and air conditioning in conjunction with power projects for the oil & gas sector. An initial contribution to profit is anticipated in the second half of the current financial year.

Two separate contracts worth up to approximately \$20 million for the Inpex Ichthys project were awarded to MPower during the period. The signing of two subsequent deals for BHP Billiton's Western Australian Iron Ore mining operations in the Pilbara and for Chevron's Gorgon LNG gas project on the North West Shelf have lifted to \$29.5 million the total value of significant new projects contracted in a six-month period. In comparative terms, this is a very significant pipeline of forward contracts, the bulk of which are scheduled for delivery in the 2013 calendar year. Further project awards are likely in coming months.

MPower won these contracts against strong international competition, often from much larger companies. MPower's success was also achieved against a backdrop of an economy that is under pressure from a high exchange rate and ongoing wage pressures.

The recently announced strategic alliance with Pramac, a world-class European generator manufacturer, is building on MPower's expertise and reputation for supplying reliable and dependable power systems and will form the basis of an expansion of our catalogue of standby and portable generators. The exclusive alliance began in January and is expected to add to profitability after a lead-in period of several months.

The residential rooftop solar market has been volatile as it reacts to multiple changes in government incentives, the reduction of component prices and the compression of margins. Commercial and off-grid solar, however, appear to have healthier prospects. The sophistication that the wider MPower group can bring to remote stand-alone systems; hybrid diesel / solar integration; grid stability and power storage are competitive advantages that significantly advance the company's prospects.



ASX ANNOUNCEMENT (continued)

Summary

The company is realigning itself to new opportunities and challenges in the market. This involves internal initiatives in human resources, workplace safety and in IT. Staff numbers and skill levels are being increased in the areas of greatest growth. Less productive areas are experiencing contraction as the market warrants.

Whilst the volatility in the residential rooftop solar market continues, it is difficult to predict future sales and prospects with accuracy. The company is fortunate that it has many strengths and capabilities in diverse areas of the power industry. That means that its dependence on the supply of componentry and the installation of solar systems is less than it once was.

In general terms, the company remains confident of its future and anticipates continued growth.

ENDS

For further information please contact:

Peter Wise
Chairman
Tag Pacific Limited
T: +61 2 8275 6000

Nathan Wise
Chief Executive Officer
Tag Pacific Limited
T: +61 2 8275 6000

About

Tag Pacific Limited is a Sydney-based investment house listed on the Australian Securities Exchange with a focus on niche areas of the power industry. Tag has invested in a diverse range of companies and activities that have been brought together primarily to operate under the banner of MPower. The company's mission is to invest in the power industry in a manner that creates and enhances value and achieves above average returns.

ASX LISTING RULES APPENDIX 4D FOR THE PERIOD ENDED 31 DECEMBER 2012

Tag Pacific Limited announces the following results for the Company and its controlled entities for the half year ended 31 December 2012. The results have been subject to review by the Company's external auditor.

Results for Announcement to the Market

	Six months to 31 Dec 2012	Six months to 31 Dec 2011	Change
	A\$'000	A\$'000	%
Revenue from ordinary activities	30,611	38,055	(20)
Other income	5	3,137	(99)
(Loss)/profit after tax attributable to members	(1,565)	3,967	-
Net (loss)/profit for the period attributable to members	(1,565)	3,967	-

Other income during the period is comprised of realised gains arising from the sale of assets. In the prior period other income is comprised of changes in the fair value of listed investments, realised gains arising from the sale of a listed investment and an equity accounted investment during the period.

Dividends

The following recent dividends have been declared and paid:

	Date declared	Cents per share	A\$'000
2011 final dividend	29 August 2011	0.75	530
2012 special dividend	27 February 2012	0.50	357
2012 final dividend	17 September 2012	1.00	707
2013 special dividend	17 September 2012	4.00	2,827
	Total	6.25	4,421

All dividends referred to above were franked to 100% at the Australian corporate income tax rate of 30%.

Net Tangible Assets per Share

Following the implementation of the Integration Proposal and the payment of the ordinary and special dividends referred to above, the net tangible assets per share as at 31 December 2012 was 29.3 cents (30 June 2012: 35.0 cents per share).

Details of entities over which control has been gained or lost during the period

On 28 September 2012 MPower Group Pty Limited and its subsidiaries became wholly owned subsidiaries of Tag Pacific Limited giving rise to a surplus on acquisition of minorities of \$2,871,875 which is reflected in reserves. Tag Pacific Limited previously held 59.3% of MPower Group Pty Limited.

For further information please see the attached Half Year Financial Report.

Tag Pacific Limited
ABN 73 009 485 625

Phone +61 2 8275 6000
Fax +61 2 8275 6060

Level 30 Piccadilly Tower
133 Castlereagh Street
GPO Box 4032
Sydney NSW 2001
Australia

TAGPAC.COM
MPOWER.COM.AU

mpower
A Tag Company

Tag Pacific Limited

ABN 73 009 485 625

**Half Year Financial Report
31 December 2012**

DIRECTORS' REPORT

The directors submit the financial report of Tag Pacific Limited and its controlled entities (the Group) for the half year ended 31 December 2012. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during the half year and until the date of this report are as follows. Directors were in office during and since the end of the half year unless otherwise stated:

Peter Wise
Nathan Wise (appointed 14 August 2012)
Gary Cohen
Robert Constable
Robert Moran
Richard Peterson
Gary Weiss

Review of Operations

The Group recorded a net loss after providing for income tax and eliminating non-controlling interests of \$1,564,624 for the half year ended 31 December 2012 (31 December 2011: net profit of \$3,966,950). The results for the comparative period included other income of \$3,137,313 which mainly related to a gain on disposal of an investment in associate. Overall the results from the operating subsidiaries within the Group were impacted by various factors including uncertain economic conditions that prevailed during the period.

Dividends Paid or Recommended

A dividend comprising an ordinary dividend of 1 cent per share totalling \$706,806 and a special dividend of 4 cents per share totalling \$2,827,226 was declared on 17 September 2012 and paid on 4 October 2012. During the prior financial year an ordinary dividend of 0.75 cents per share totalling \$529,552 was paid on 5 October 2011 and a special dividend of 0.5 cents per share totalling \$356,787 was paid on 26 March 2012. All dividends referred to above were franked to 100% at the corporate income tax rate of 30%. No interim dividend in respect of the half year ended 31 December 2012 has been declared.

Rounding off of Amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

We have received an independence declaration from our auditors, Deloitte Touche Tohmatsu, under section 307C of the *Corporations Act 2001* a copy of which is attached on page 2 of the half year financial report.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the directors



.....
Peter Wise
Chairman
Sydney, 27 February 2013

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

27 February 2013

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 review of the financial statements of Tag Pacific Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants

TAG PACIFIC LIMITED AND CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss
For the half year ended 31 December 2012

	Note	Consolidated	
		Half Year Ended	
		31 Dec 2012 A\$'000	31 Dec 2011 A\$'000
Continuing operations			
Revenue	2	30,611	38,055
Other income	2, 7	5	3,137
Cost of sales		(22,319)	(24,969)
Employee benefits expense		(7,852)	(7,560)
Depreciation and amortisation expense		(263)	(225)
Finance costs		(151)	(276)
Other expenses		(2,613)	(2,343)
Share of loss of associates	7	-	(147)
(Loss)/Profit before tax		(2,582)	5,672
Income tax benefit/(expense)		683	(801)
(Loss)/Profit for the period from continuing operations		(1,899)	4,871
Discontinued operations			
(Loss)/Profit for the period from discontinued operations		(1)	10
(Loss)/Profit for the period		(1,900)	4,881
 (Loss)/Profit attributable to:			
Owners of the company		(1,565)	3,967
Non-controlling interest		(335)	914
		(1,900)	4,881
 (Loss)/Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)		(1.9)	5.6
Diluted (cents per share)		(1.7)	5.5
 From continuing operations:			
Basic (cents per share)		(1.9)	5.6
Diluted (cents per share)		(1.7)	5.5

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the attached notes.

TAG PACIFIC LIMITED AND CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
For the half year ended 31 December 2012

	Consolidated	
	Half Year Ended	
	31 Dec	31 Dec
	2012	2011
	A\$'000	A\$'000
(Loss)/Profit for the period	(1,900)	4,881
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	32	7
Gain on cash flow hedges taken to equity	213	44
Other comprehensive profit for the period (net of tax)	245	51
Total comprehensive income for the period	(1,655)	4,932
Total comprehensive (loss)/income attributable to:		
Owners of the company	(1,353)	4,005
Non-controlling interest	(302)	927
	(1,655)	4,932

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes.

TAG PACIFIC LIMITED AND CONTROLLED ENTITIES
Condensed Consolidated Statement of Financial Position
As at 31 December 2012

	Note	Consolidated	
		As at 31 Dec 2012 A\$'000	As at 30 Jun 2012 A\$'000
CURRENT ASSETS			
Cash and cash equivalents		9,049	17,772
Trade and other receivables		12,959	13,953
Inventories		12,931	13,516
Other assets		1,291	2,112
TOTAL CURRENT ASSETS		<u>36,230</u>	<u>47,353</u>
NON-CURRENT ASSETS			
Other financial assets		17	17
Property, plant and equipment		3,504	3,457
Deferred tax assets		5,163	4,568
Intangible assets		3,311	3,275
TOTAL NON-CURRENT ASSETS		<u>11,995</u>	<u>11,317</u>
TOTAL ASSETS		<u>48,225</u>	<u>58,670</u>
CURRENT LIABILITIES			
Trade and other payables		9,005	11,853
Borrowings		2,655	3,082
Current tax liabilities		-	336
Provisions		2,293	1,994
Other liabilities		944	2,069
TOTAL CURRENT LIABILITIES		<u>14,897</u>	<u>19,334</u>
NON-CURRENT LIABILITIES			
Borrowings		1,996	2,011
Provisions		190	414
Other liabilities		37	45
TOTAL NON-CURRENT LIABILITIES		<u>2,223</u>	<u>2,470</u>
TOTAL LIABILITIES		<u>17,120</u>	<u>21,804</u>
NET ASSETS		<u>31,105</u>	<u>36,866</u>
EQUITY			
Issued capital	4	22,246	16,409
Reserves		3,834	751
Retained earnings		4,700	9,799
Equity attributable to owners of the company		<u>30,780</u>	<u>26,959</u>
Non-controlling interest		325	9,907
TOTAL EQUITY		<u>31,105</u>	<u>36,866</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the attached notes.

TAG PACIFIC LIMITED AND CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2012

	Issued Capital	Retained earnings	Capital Reserve	Foreign Exchange Translation Reserve	Revaluation Reserve	Acquisition of Minorities Reserve (Note 5)	Share Option Reserve	Cash Flow Hedge Reserve	Attributable to owners of the parent entity	Non- Controlling Interest	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Consolidated											
Balance at 1 July 2011	16,477	6,181	658	(372)	301	-	213	(55)	23,403	9,018	32,421
Profit for the period	-	3,967	-	-	-	-	-	-	3,967	914	4,881
<i>Other comprehensive income net of tax</i>											
Exchange differences arising on translation of foreign operations	-	-	-	11	-	-	-	-	11	(4)	7
Loss on cash flow hedge taken to equity	-	-	-	-	-	-	-	27	27	17	44
Total comprehensive income for the period	-	3,967	-	11	-	-	-	27	4,005	927	4,932
Recognition of share based payments	-	-	-	-	-	-	4	-	4	-	4
Issue of shares under dividend reinvestment plan	117	-	-	-	-	-	-	-	117	-	117
Payment of dividends	-	(530)	-	-	-	-	-	-	(530)	(210)	(740)
Balance at 31 December 2011	16,594	9,618	658	(361)	301	-	217	(28)	26,999	9,735	36,734
Balance at 1 July 2012	16,409	9,799	659	(356)	301	-	225	(78)	26,959	9,907	36,866
Loss for the period	-	(1,565)	-	-	-	-	-	-	(1,565)	(335)	(1,900)
<i>Other comprehensive income net of tax</i>											
Exchange differences arising on translation of foreign operations	-	-	-	25	-	-	-	-	25	7	32
Gain on cash flow hedge taken to equity	-	-	-	-	-	-	-	187	187	26	213
Total comprehensive income/(loss) for the period	-	(1,565)	-	25	-	-	-	187	(1,353)	(302)	(1,655)
Acquisition of minority interest	-	-	-	-	-	2,870	-	-	2,870	-	2,870
Recognition of share based payments	-	-	-	-	-	-	1	-	1	-	1
Issue of shares	5,837	-	-	-	-	-	-	-	5,837	-	5,837
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	(8,720)	(8,720)
Payment of dividends	-	(3,534)	-	-	-	-	-	-	(3,534)	(560)	(4,094)
Balance at 31 December 2012	22,246	4,700	659	(331)	301	2,870	226	109	30,780	325	31,105

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the attached notes.

TAG PACIFIC LIMITED AND CONTROLLED ENTITIES
Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2012

	Consolidated	
	Half Year Ended	
	31 Dec 2012 A\$'000	31 Dec 2011 A\$'000
Note		
Cash flows from operating activities		
Receipts from customers	37,286	53,555
Payments to suppliers and employees	(40,502)	(48,396)
Interest received	229	194
Interest and other costs of finance paid	(129)	(253)
Income tax paid	(332)	(1,901)
Net cash (used in)/ provided by operating activities	(3,448)	3,199
Cash flows from investing activities		
Payment for property, plant and equipment	(138)	(272)
Payment for product development costs and other intangible assets	(53)	(281)
Proceeds from sale of financial assets designated as at fair value through profit or loss	-	1,839
Dividends received from equity accounted investments	-	396
Net proceeds from sale of interests in associates	7	5,025
Net cash paid upon acquisition of subsidiary	-	(300)
Proceeds from sale of property, plant and equipment	7	-
Net cash (used in)/provided by investing activities	(184)	6,407
Cash flows from financing activities		
Dividends paid to members of the parent entity (net of equity issue)	(3,534)	(413)
Dividends paid to non-controlling interests	(526)	(184)
Distributions paid to non-controlling interests	(34)	(26)
Proceeds from share issues	17	-
Cost of share issues	(30)	-
Proceeds from borrowings	693	11
Repayment of borrowings	(1,681)	(287)
Net cash used in financing activities	(5,095)	(899)
Net (decrease)/increase in cash and cash equivalents	(8,727)	8,707
Cash and cash equivalents at the beginning of the period including escrow	17,772	11,346
Effects of exchange rate changes on the balance of cash held in foreign currencies	4	(2)
Cash and cash equivalents at the end of the period	9,049	20,051

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the attached notes.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

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

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The 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 their operations and effective for the current reporting period.

New and revised standards and amendments thereof and interpretations effective for the current half year that are relevant to the Group include:

Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'.

The adoption of all the new and revised standards and interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half years. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to the profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, Other comprehensive income and total comprehensive income.

	Consolidated Half Year Ended	
	31 Dec 2012 A\$'000	31 Dec 2011 A\$'000
NOTE 2: INCOME		
Continuing operations		
<i>Sales revenue</i>		
Sale of goods and services	30,205	37,550
<i>Other revenue</i>		
Interest revenue	195	256
Other revenue	211	249
Total other revenue	406	505
Total sales revenue and other revenue	30,611	38,055
<i>Other income</i>		
Gain recognised on disposal of financial assets designated as at fair value through profit or loss	-	108
Gain recognised on disposal of interest in former associate (refer to note 7)	-	3,029
Gains on disposal of assets	5	-
Total other income	5	3,137
Total income	30,616	41,192

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

NOTE 3: DIVIDENDS

	31 Dec 2012		Half Year Ended 31 Dec 2011	
	Cents per share	Total A\$'000	Cents per share	Total A\$'000
During the period, Tag Pacific Limited paid the following dividends franked to 100% at the tax rate of 30%:				
Ordinary dividend paid	1.0	707	0.75	530
Special dividend paid	4.0	2,827	-	-

The ordinary and special dividends were declared on 17 September 2012 and paid on 4 October 2012. (2011: The ordinary dividend was declared on 29 August 2011 and paid on 5 October 2011.)

	31 Dec 2012		Consolidated 31 Dec 2011	
	No.'000	A\$'000	No.'000	A\$'000

NOTE 4: ISSUE OF EQUITY SECURITIES

Fully paid ordinary shares

Balance at beginning of financial period	70,681	16,409	70,607	16,477
Issue of shares ⁽ⁱ⁾	22,939	5,850	750	117
Exercise of options	86	17	-	-
Share issue costs	-	(30)	-	-
Balance at end of financial period	93,706	22,246	71,357	16,594

(i) There were 22,939,447 fully paid ordinary shares issued as part of the acquisition of the minority interest in the MPower Group. Tag Pacific Limited now owns 100% of the MPower Group. The 750,240 fully paid ordinary shares issued in the prior year were pursuant to the dividend reinvestment plan.

The company issued 2,170,000 unlisted share options (2011: 600,000) over ordinary shares under its Executive Share Option plan during the half-year reporting period. These share options had a fair value at grant date of \$0.02 per share option (2011: \$0.01). On 4 October 2012 the company also issued 10,063,538 listed bonus options to existing shareholders on a 1 for 7 basis. These listed options are exercisable at \$0.20 per share and expire 4 October 2017. In the period to 31 December 2012, 86,198 listed options had been exercised.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

NOTE 5: ACQUISITION OF MINORITIES RESERVE

On 28 September 2012 Tag Pacific Limited acquired the remaining shares held by the minority shareholders of MPower Group Pty Limited. The acquisition gave rise to a surplus on acquisition of \$2,871,875 which is reflected in reserves. Tag Pacific Limited previously held 59.3% of MPower Group Pty Limited.

NOTE 6: SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Tag Group's reportable segments are organised into 3 major sectors – power investments, fair value investments and other investments. These sectors are the basis on which the Tag Group reports its reportable segment information. The principal products and services of each of those sectors are as follows:

- Power investments – consists of MPower Group Pty Limited, MPower Business Services Pty Limited, MPower Products Pty Limited, MPower Pacific Limited, MPower Projects Pty Limited, MPower Solar Systems Pty Limited and MPower Nominees Pty Limited. At 31 December 2012 these entities were wholly owned by Tag (2011: 59.3%). This group 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.
- Fair value investments – consisted principally of Tag's investments in iSoft Group Limited which was sold on 18 July 2011.
- Other investments – consists principally of Tag's investment in the Power Property Unit Trust which owns a property occupied by a subsidiary of MPower Group Pty Limited in Melbourne, Victoria. It previously also included Tag's investment in Unique World Group Pty Limited which was sold on 2 December 2011.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

NOTE 6: SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the group's revenue and results from continuing operations by reportable segment:

	Revenue		Segment profit	
	Half Year Ended		Half Year Ended	
	31 Dec 2012 A\$'000	31 Dec 2011 A\$'000	31 Dec 2012 A\$'000	31 Dec 2011 A\$'000
Continuing operations				
Power investments	30,445	37,721	(1,187)	3,596
Fair value investments	-	-	-	108
Gain recognised on disposal of interest in former associate	-	-	-	3,029
Other investments	166	334	258	121
Total for continuing operations	30,611	38,055	(929)	6,854
Share of loss of associates			-	(147)
Depreciation and amortisation expense			(263)	(225)
Finance costs			(151)	(276)
Unallocated costs			(1,239)	(534)
Profit before income tax from continuing operations)			(2,582)	5,672
Discontinued operations				
Building products investments	-	24	(1)	10
(Loss)/profit before income tax from discontinued operations			(1)	10
Income tax benefit/(expense) from continuing and discontinued operations			683	(801)
Consolidated segment (loss)/profit for the period			(1,900)	4,881

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

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

NOTE 6: SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's assets by reportable operating segment:

	As at 31 Dec 2012 A\$'000	As at 30 Jun 2012 A\$'000
Continuing operations		
Power investments	35,395	43,366
Fair value investments	17	17
Other investments	1,863	1,933
Total segment assets	<u>37,275</u>	<u>45,316</u>
Unallocated assets	10,014	13,353
Assets (primarily cash) relating to discontinued operations	-	1
Total consolidated assets	<u>47,289</u>	<u>58,670</u>

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

NOTE 7: INVESTMENTS IN ASSOCIATES

On 2 December 2011 Tag sold its shareholding in Unique World Group Pty Limited. As a result of the sale, equity accounting of this associate ceased from this date and a net gain on sale of \$3,029,144 was realised. An equity accounted loss of \$146,748 was derived in the period from 1 July 2011 to 2 December 2011. Part of the proceeds from the sale are being held in an interest bearing escrow account to be released in two equal instalments on the first and second anniversary of the transaction, subject to any warranty or other claims under the transaction documentation. The first instalment was released in December 2012.

NOTE 8: CONTINGENCIES AND COMMITMENTS

There are no material changes in the contingent liabilities or contingent assets since the end of the last annual reporting period.

NOTE 9: SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Group, the results of its operations, or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

The directors 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; and
- (b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



.....
Peter Wise
Chairman

Sydney, 27 February 2013

Independent Auditor's Review Report to the Members of Tag Pacific Limited

We have reviewed the accompanying half-year financial report of Tag Pacific Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of profit or loss, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 3 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tag Pacific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tag Pacific Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants
Sydney, 27 February 2013