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## ASX ANNOUNCEMENT

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### PRELIMINARY FINAL REPORT

Sydney – 26 August 2010 – Tag Pacific Limited (ASX: TAG) (NZX: TPC)

The year to 30 June 2010 was a year of highs and lows for the Tag Group.

The highpoints were the quantum leap in the scale and scope of the MPower Group's activities; the successful sale of the interior building products businesses late in the financial year; and the commencement of the Unique World Group's turnaround. Together, these activities (which form the core of the Tag Group's operational investments) accounted for A\$86.1 million in revenues and A\$4.0 million in EBITDA before minority interests. This EBITDA compares to A\$1.9 million in the 2009 financial year.

These gains were marred by a market downgrade in the ASX listed iSoft Group Limited, with the value of the Tag Group's shares in that company suffering a reversal in value of A\$5.1 million against a gain of A\$0.7 million in the prior year. It was this reversal of fortunes in the last quarter of the financial year that caused the Tag Group's overall loss of A\$3.3 million after tax and minority interests.

Overall revenue of A\$86.1 million (inclusive of discontinued operations) was in line with the prior year. Revenue from continuing operations was A\$56.8 million, up 20% from A\$47.2 million in the prior period. General business conditions were difficult, particularly in the interior building products sector, so the advances made by the Group for the year were satisfying.

#### **Continued rise of the power sector**

A year ago, **MPower** was launched as a new brand and corporate structure to unite the Group's diverse offering of stored, emergency, generated and green power solutions. The MPower Group comprises the **M+H Power** and **Advanced Power** businesses which collectively operate through 8 business units from 10 locations around Australia and New Zealand.

The inauguration of MPower coincided with a ramp up of activities and an increase in the scope and scale of MPower's operations. MPower achieved revenues of A\$56.6 million during year, up from A\$47.2 million in the prior year. EBITDA before minority interests also increased significantly from A\$2.7 million last year to A\$3.8 million this year.



In late 2009 MPower announced that it had been awarded a A\$32 million power contract for the Gorgon Project in Western Australia. The contract, which is proceeding satisfactorily, is for the design, manufacture and commissioning of a 28 megawatt power generation plant to power the construction and commissioning phase of the Gorgon Project. The project win has been a significant milestone for the company and has also been a quantum step up for MPower, providing opportunities for the development of expertise and resources. At the same time, it has acted as a catalyst for expanding the platform on which MPower will build its future growth and its reach into new and developing fields.

Amongst these areas of development is MPower's active and flourishing involvement in the field of renewables. Already recognised as a proficient and reliable marketer of solar system components, MPower is gradually increasing its concentration on renewable energy through its green business unit. The recent implementation of new supply arrangements is a precursor to increased deployment in what is forecast to be a growing sector. In parallel, MPower is also expanding its expertise in cogeneration projects and other sustainable energy projects which are becoming more and more commonplace in commercial developments.

MPower is, in itself, a diversified business. But within that diversification there is a clear focus on developing expertise in the provision of "Power with Purpose". The year ahead looks set to deliver further growth for MPower and as the business develops, so do the opportunities for organic growth and growth by way of acquisition.

At 30 June 2010, Tag held a 60% interest in the MPower Group, up from 58% at 30 June 2009.

#### **Sale of interior building products sector businesses**

The Tag Group's involvement in the interior building products sector has a long history, particularly in the case of **Potter Interior Systems**, a name that has become synonymous with quality products and great service in the New Zealand interior building products market.

Through Tag's involvement with Potter Interior Systems in New Zealand, the opportunity arose to acquire the assets of a similar business in Australia. When **Comprador Pacific** was established, Tag took a 51% interest and Comprador Pacific successfully operated a specialist commercial ceilings business from four branches around Australia. Comprador Pacific later acquired the long established **Charles Tims** business, expanding Comprador Pacific's activities into whiteboards, pin-boards and acoustic panels, thus mirroring the activities of its sister company in New Zealand.

In April this year we announced that Potter Interior Systems and Comprador Pacific had reached agreement to sell their respective businesses to CSR Building Products in a deal that has seen the Tag Group exiting fully from its investments in the interior building products sector.

The parallel but separate transactions completed in May 2010 placed a headline enterprise value of approximately A\$8 million on the businesses before the retirement of bank debt. Tag realised an after tax gain of approximately A\$1 million over and above the carrying value of its investments, after allowing for the interest of a minority shareholder.



A range of opportunities had been investigated in recent years to grow the investments in the interior building products sector by way of organic growth and by way of both acquisition and merger. However Tag's aspirations were thwarted by a number of obstacles, including deteriorating market conditions in the last few years and compounded by constraints around supply arrangements. In light of the mature nature of the sector and the diminishing prospects of any meaningful uplift, it was determined that other parties more closely aligned to the building sector were better positioned than Tag to extract value from the Potter Interior Systems and Comprador Pacific businesses.

When viewed in retrospect, the 100% investment in Potter Interior Systems must be viewed as having been successful, particularly because of its ability to generate surplus cash on a continuing basis. However, the 51% investment in Comprador Pacific, which initially was also very beneficial in terms of its contribution, turned into something less favourable in more recent years.

The sale of Potter Interior Systems and Comprador Pacific took the form of a sale of assets and included a period of transition following ownership passing to the purchaser. Accordingly, certain assets and liabilities relating to the businesses remained in the accounts at year end and will be converted to cash or discharged (as the case may be) in coming months.

Whilst the sale of our investments in this sector marks the end of an era, it signifies the commencement of a new phase that will enable Tag to invest in other areas where the growth prospects are better aligned to our investment parameters.

### **iSoft Group Limited**

The value of Tag's shareholding in **iSoft Group Limited** (ASX: ISF) plummeted during the year, reflecting the fall in the iSoft share price from \$0.645 per share at the start of the year to \$0.17 per share at 30 June 2010. The fall in value is predominantly attributed to an earnings downgrade issued by the company in June 2010. The iSoft share price movement translates to an unrealised loss of A\$5.1 million for Tag in the financial year which is taken through the income statement in accordance with the applicable accounting standards for fair value assets.

A small number of iSoft shares were sold during the year at an average price of A\$0.78 per share, leaving Tag with a holding of approximately 11 million iSoft shares at year end.

Whilst the fall in the value of the iSoft investment is a non-cash item, it has had a major impact on Tag's capital base.

### **Other matters**

With offices in Sydney, Melbourne and Canberra, **Unique World** provides information management solutions across Australia to enterprises within the financial services, government, manufacturing, property & construction and utility industries.



**RecordPoint Software** delivers innovative software solutions that solve local compliance problems. RecordPoint Software, which is still in its infancy, continues to refine its records management software offering and is now actively seeking to market the software to organisations with complex records management requirements.

Tag has maintained its 37% investment in the Unique World and RecordPoint Software businesses which were separated operationally during the year. The two businesses made a combined after tax equity accounted contribution of A\$0.3 million during the year which was slightly ahead of the prior year but below the desired level of performance. The 2010 year was punctuated by a number of delays and deferrals in project work; however during the last quarter it became evident that because of its expertise and focus on niche projects, Unique World would begin the new financial year with a record confirmed pipeline of business to carry it into 2011. This is seen as a welcome development.

Tag's investment in the **Power Property Unit Trust** increased during the year, moving it from being an equity accounted investment in the past to being a 50.2% owned consolidated entity. The Power Property Unit Trust is a property trust that was originally established in 1997 to own a property in Rowville, Victoria which is leased to the MPower Group. The property is recorded in the accounts at its original cost less accumulated depreciation and not at its current market value.

The Tag Group balance sheet continues to be robust. Group cash stood at A\$15.5 million at year end, partly due to the timing of cash flows relating to major power projects and partly as a result of the sale of Tag's investments in the interior building products sector. Whilst group cash will not remain at this high level on a continuing basis, it does demonstrate the strength of the balance sheet and the ability to take advantage of opportunities as they arise. Cash flow from operating activities was very strong and cash reserves exceeded bank debt at year end by a very healthy margin.

Although it had no cash effect, the fall in the carrying value of the iSoft investment during the year has caused directors to adopt a conservative approach when considering a 2010 dividend. The underlying activities and operations of Tag's core investments remain sound, however the directors believe that cash preservation at a parent company level is paramount, and have decided that no dividend will be declared at present. The reinstatement of dividends will of course be considered at the earliest possible time.

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

**ENDS**

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**[www.tagpac.com](http://www.tagpac.com)**

## Appendix 4E

### Preliminary Final Report to the Australian Securities Exchange

<b>Name of Entity</b>	Tag Pacific Limited
<b>ACN</b>	009 485 625
<b>Financial Year Ended</b>	30 June 2010
<b>Previous Corresponding Reporting Period</b>	30 June 2009

#### Results for announcement to the market

	\$'000	Percentage increase /(decrease) over previous corresponding period
<b>Revenue (from continuing operations)</b>	56,531	20%
<b>Revenue (from continuing and discontinued operations)</b>	86,015	(1)%
<b>Other income (from continuing and discontinued operations)</b>	(3,956)	(550)%
<b>Loss after tax attributable to members</b>	(3,256)	(375)%
<b>Net loss for the period attributable to members</b>	(3,256)	(375)%
<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	Nil
<b>Previous corresponding period</b>	0.75 cents	0.75 cents
<b>Record date for determining entitlements to the dividends (if any)</b>	Not applicable	
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>		
Refer to the attached Annual Financial Statements.		

## Dividends

The directors have not declared a dividend in relation to the financial year ended 30 June 2010.

## NTA Backing


	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	26.3¢	31.9¢

## Other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer to the attached Annual Financial Statements.

## Attachments forming part of Appendix 4E

Attachment #	Details
1.	Annual Financial Statements

Signed by Chairman	
Print Name	Peter Wise
Date	26 August 2010