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## ASX ANNOUNCEMENT

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### TAG PACIFIC HALF YEAR RESULT

**Sydney – 25 February 2011 – Tag Pacific Limited (ASX: TAG) (NZX: TPC)**

The Tag Pacific Group recorded a significantly stronger underlying trading result than in the prior corresponding period with revenue from continuing operations up from A\$22.4 million to A\$36.9 million for the half year to 31 December 2010. However, the company has reported a net loss after tax and minorities of A\$142,197 for the half year principally due to a negative fair value movement of A\$1.05 million in relation to the investment in iSoft Group Limited.

Revenue from trading subsidiaries was noticeably stronger and the EBITDA generated by them was well in excess of the prior corresponding period. An overview of the performance of Tag's investments for the half year is set out below.

#### **Power investments**

Across the various investments in the power sector which trade under the **MPower** umbrella, an aggregated EBITDA of A\$2.95 million was generated for the half year, a very pleasing result in comparison to EBITDA of A\$1.56 million in the prior period.

The historically robust **M+H Power Systems**, whose activities in Australia, New Zealand and the Pacific Islands traverse stored, portable, emergency and green power did not disappoint with impressive gains generated in the solar power area. Fuelled by an increasing interest in solar generated power there was robust demand in solar products during the half year. While the immediate outlook for this area appears to be very positive the company is cognisant of the competitive pressures and the risk of changes to government policy. The strength of M+H Power Systems lies in the diversity of its income streams and in addition to the significant growth of the green power division there have also been advancements made during the period in its other distribution activities which benefited from the introduction of new products and initiatives.

**Advanced Power's** engineered solutions gained momentum as production for the A\$32 million Gorgon contract went into full swing. In parallel, Advanced Power has been progressively building its resources and leveraging its key capabilities, with a focus on key growth areas including cogeneration power systems.



In January 2011 the business relocated to a large new facility in Sydney which replaces Advanced Power's out-dated premises and will enhance the company's capability and expertise in design, commissioning, maintenance and the delivery of turnkey power systems. At the same time, the new premises will provide upgraded regional distribution facilities and a marked improvement in the production line for portable power generation equipment.

During the half year **Solaris Technology** was acquired, becoming part of the group in mid-November 2010. Solaris has extensive experience in the solar power sector through its specialisation in the design, construction and integration of solar power systems for both residential and commercial applications. In tandem with the M+H Power Systems distribution activities on the one hand and Advanced Power's sophisticated power engineering solutions on the other, Solaris is strategically positioned to enhance MPower's ability to secure commercial opportunities requiring alternative forms of power as the demand for renewable energy increases.

All in all, the investments in power are performing well and are showing considerable promise.

#### **Technology investments**

The Tag Group's investment in **iSOFT Group** (ASX: ISF) caused a A\$1.05 million negative impact to Group EBITDA, a reversal of A\$2.38 million to the previous corresponding period when a gain of A\$1.33 million was reported. The iSOFT Group's share price has continued to languish as the market awaits greater clarity on the company's future.

Tag's equity accounted investment in **Unique World Group** delivered an after tax contribution of A\$0.20 million for Tag's 38% interest. The Unique World Group EBITDA result of A\$1.10 million for the half year was significantly higher than the EBITDA in the prior period of A\$0.50 million and was primarily driven by Unique World's consultancy business which has started to reap the benefits of earlier hard work to develop a pipeline of projects with top tier clients. Unique World has successfully positioned itself as a key strategic adviser to its clients and in the process has transitioned its business to longer term value enhancing engagements. With its ever increasing professionalism and given the scope and scale of its current projects the outlook for Unique World's consultancy business is very positive and continued growth and improvement in results is anticipated.

RecordPoint's proprietary software has gained ground and is beginning to make inroads into its niche records and information management market. Software activities are run independently from other activities within the Unique World Group and as with all software companies in the early stages of their development, the outlook for RecordPoint is difficult to forecast with any degree of certainty. However RecordPoint appears to be on the cusp of incrementally improving fortunes as it moves to becoming a key player in the field of records management.



### **Interior building products investments**

Tag's investments in the interior building products sector were sold in May 2010 and are treated as discontinued operations in the financial statements.

### **Property investments**

The Tag Group has a majority interest in the **Power Property Unit Trust** which owns a commercial property in Melbourne leased to a group company. The property was revalued at 31 December 2010 to reflect the current market value of A\$1.805 million. The positive movement of A\$0.79 million before minority interests has been recognised in equity, but not through the income statement in accordance with the applicable Australian Accounting Standards.

### **Summary**

The Tag Group's financial position remains strong with total equity of A\$26.6 million and no borrowings at a head office level. There is no net debt across the group and cash balances remain strong. As previously foreshadowed, the cash flow from operating activities was negative during the period under review, however this was in line with forecast and primarily reflected timing differences on contracts, the benefits of which were recognised in the 2010 year end results.

The Tag Group is focussing on areas which best suit current market circumstances and whilst seeking to extract structural efficiencies and operating synergies, will continue to pro-actively seek to expand its corporate development program.

**ENDS**

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



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## ASX LISTING RULES APPENDIX 4D

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### Tag Pacific Limited Results for Announcement to the Market for the period ended 31 December 2010

Tag Pacific Limited announces the following results for the Company and its controlled entities for the half year ended 31 December 2010. The results have been subject to review by the Company's external auditor.

#### Results for Announcement to the Market

	Six months to 31 December 2010	Six months to 31 December 2009	Change
	A\$'000	A\$'000	%
Revenue from ordinary activities	36,881	22,354	65
Other (loss)/income	(1,040)	1,400	(174)
(Loss)/Profit after tax attributable to members	(142)	1,879	(108)
Net (loss)/profit for the period attributable to members	(142)	1,879	(108)

Other (loss)/income above relates principally to changes in the fair value of listed investments for the period.

Revenue from ordinary activities for the half year ended 31 December 2009 has been restated to include revenue from continuing operations only.

#### Dividends

No dividend was paid during the period. An interim dividend has not been declared.

#### Net Tangible Assets per Share

Net tangible assets per share as at 31 December 2010 was A\$0.251 (30 June 2010: A\$0.263 per share).

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

On 15 November 2010 the Group gained control of Solaris Technology Pty Limited. Included in the result for the interim period is a net profit of A\$117,184 attributable to Solaris Technology Pty Limited.

#### Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held (%)		Share of Net Profit (A\$'000)	
	Current Period	Previous Period	Current Period	Previous Period
Unique World Group Pty Ltd	37.9	37.9	196	181

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

**Tag Pacific Limited**

ABN 73 009 485 625

**Half Year Financial Report  
31 December 2010**

## 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 2010. 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  
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 A\$142,197 for the half year ended 31 December 2010 (31 December 2009: net profit of A\$1,878,795). Overall the results from the operating subsidiaries within the Group were positive and pleasing given the challenging economic conditions which continued to prevail during the period. The Group's listed investments were subject to deterioration during the first half with a A\$1,049,241 fair value loss being recorded and this had a material effect on the result for the period (31 December 2009: fair value gain of A\$1,335,020).

### Dividends Paid or Recommended

No dividend was paid during the period in respect to the year ended 30 June 2010 (2009: A\$515,145). An interim dividend has not been declared for the half year ended 31 December 2010 (2009: no dividend 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, 25 February 2011

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

25 February 2011

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 2010, 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 Income Statement**  
**For the half year ended 31 December 2010**

		<b>Consolidated</b>	
		<b>Half Year Ended</b>	
		<b>31 Dec</b>	<b>31 Dec</b>
	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>A\$'000</b>	<b>A\$'000</b>
<b>Continuing operations</b>			
Revenue	<b>2</b>	36,881	22,354
Other(loss)/income	<b>2</b>	(1,040)	1,400
Cost of sales		(27,040)	(15,313)
Employee benefits expense		(6,113)	(4,883)
Depreciation and amortisation expense		(161)	(160)
Finance costs		(161)	(82)
Other expenses	<b>3</b>	(1,448)	(1,303)
Share of profit of associates		196	181
<b>Profit before tax</b>		<b>1,114</b>	<b>2,194</b>
Income tax expense		(401)	(149)
<b>Profit for the period from continuing operations</b>		<b>713</b>	<b>2,045</b>
<b>Discontinued operations</b>			
(Loss)/Profit for the period from discontinued operations	<b>11</b>	(89)	125
<b>Profit for the period</b>		<b>624</b>	<b>2,170</b>
<b>(Loss)/Profit attributable to:</b>			
Owners of the company		(142)	1,879
Non-controlling interest		766	291
		<b>624</b>	<b>2,170</b>
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic (cents per share)		(0.2)	2.7
Diluted (cents per share)		(0.2)	2.7
From continuing operations:			
Basic (cents per share)		(0.1)	2.4
Diluted (cents per share)		(0.1)	2.4

The Condensed Consolidated Income Statement should be read in conjunction with the attached notes.

**TAG PACIFIC LIMITED AND CONTROLLED ENTITIES**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For the half year ended 31 December 2010**

	<b>Consolidated</b>	
	<b>Half Year Ended</b>	
<b>Note</b>	<b>31 Dec 2010 A\$'000</b>	<b>31 Dec 2009 A\$'000</b>
Profit for the period	624	2,170
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	(155)	(23)
Loss on cash flow hedges taken to equity	(499)	-
Net gain on revaluation of land and buildings	<b>7</b> 788	-
Income tax relating to components of other comprehensive income	21	-
Other comprehensive profit/(loss) for the period (net of tax)	155	(23)
<b>Total comprehensive income for the period</b>	<b>779</b>	<b>2,147</b>
 Total comprehensive (loss)/income attributable to:		
Owners of the company	(133)	1,856
Non-controlling interest	912	291
	<b>779</b>	<b>2,147</b>

The Condensed Consolidated Statement of 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 2010**

		<b>Consolidated</b>	
		<b>As at</b>	<b>As at</b>
		<b>31 Dec</b>	<b>30 Jun</b>
		<b>2010</b>	<b>2010</b>
<b>Note</b>		<b>A\$'000</b>	<b>A\$'000</b>
<b>CURRENT ASSETS</b>			
	Cash and cash equivalents	11,648	15,479
	Trade and other receivables	16,501	14,404
	Inventories	10,925	7,148
	Other assets	370	361
	<b>TOTAL CURRENT ASSETS</b>	<u>39,444</u>	<u>37,392</u>
<b>NON-CURRENT ASSETS</b>			
15	Investments in associates	2,632	2,436
	Other financial assets	824	1,873
7	Property, plant and equipment	3,121	2,063
	Deferred tax assets	3,783	3,236
9	Intangible assets	2,986	1,717
	<b>TOTAL NON-CURRENT ASSETS</b>	<u>13,346</u>	<u>11,325</u>
	<b>TOTAL ASSETS</b>	<u>52,790</u>	<u>48,717</u>
<b>CURRENT LIABILITIES</b>			
	Trade and other payables	16,076	16,961
10	Borrowings	2,959	2,219
	Current tax liabilities	1,011	650
	Provisions	1,724	1,195
	Other liabilities	1,395	1,220
	<b>TOTAL CURRENT LIABILITIES</b>	<u>23,165</u>	<u>22,245</u>
<b>NON-CURRENT LIABILITIES</b>			
10	Borrowings	2,127	311
	Provisions	89	61
	Other liabilities	781	-
	<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>2,997</u>	<u>372</u>
	<b>TOTAL LIABILITIES</b>	<u>26,162</u>	<u>22,617</u>
	<b>NET ASSETS</b>	<u>26,628</u>	<u>26,100</u>
<b>EQUITY</b>			
5	Issued capital	16,477	16,477
	Reserves	581	572
	Retained earnings	2,411	2,553
	Equity attributable to owners of the company	<u>19,469</u>	<u>19,602</u>
	Non-controlling interest	7,159	6,498
	<b>TOTAL EQUITY</b>	<u>26,628</u>	<u>26,100</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 2010**

	Issued Capital	Retained earnings	Capital Reserve	Foreign Exchange Translation Reserve	Revaluation Reserve	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
<b>Consolidated</b>										
Balance at 1 July 2009	16,093	6,335	658	(287)	-	187	-	22,986	6,571	29,557
Profit for the period	-	1,879	-	-	-	-	-	1,879	291	2,170
<i>Other comprehensive income</i>										
Exchange differences arising on translation of foreign operations	-	-	-	(23)	-	-	-	(23)	-	(23)
Total comprehensive income/(loss) for the period	-	1,879	-	(23)	-	-	-	1,856	291	2,147
Recognition of share based payments	-	-	-	-	-	1	-	1	-	1
Payment of dividends	-	(515)	-	-	-	-	-	(515)	(464)	(979)
Issue of shares (Note 5)	384	-	-	-	-	-	-	384	37	421
<b>Balance at 31 December 2009</b>	<b>16,477</b>	<b>7,699</b>	<b>658</b>	<b>(310)</b>	<b>-</b>	<b>188</b>	<b>-</b>	<b>24,712</b>	<b>6,435</b>	<b>31,147</b>
Balance at 1 July 2010	16,477	2,553	658	(276)	-	190	-	19,602	6,498	26,100
(Loss)/Profit for the period	-	(142)	-	-	-	-	-	(142)	766	624
<i>Other comprehensive income</i>										
Exchange differences arising on translation of foreign operations	-	-	-	(91)	-	-	-	(91)	(64)	(155)
Loss on cash flow hedge taken to equity	-	-	-	-	-	-	(290)	(290)	(209)	(499)
Net gain on revaluation of land and buildings	-	-	-	-	430	-	-	430	358	788
Income tax on other comprehensive income	-	-	-	-	(129)	-	89	(40)	61	21
Total comprehensive income/(loss) for the period	-	(142)	-	(91)	301	-	(201)	(133)	912	779
Payment of dividends	-	-	-	-	-	-	-	-	(251)	(251)
<b>Balance at 31 December 2010</b>	<b>16,477</b>	<b>2,411</b>	<b>658</b>	<b>(367)</b>	<b>301</b>	<b>190</b>	<b>(201)</b>	<b>19,469</b>	<b>7,159</b>	<b>26,628</b>

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 2010**

	Consolidated	
	Half Year Ended	
	31 Dec 2010 A\$'000	31 Dec 2009 A\$'000
Note	A\$'000	A\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	39,034	43,948
Payments to suppliers and employees	(43,567)	(42,168)
Dividends received	95	111
Interest received	205	30
Interest and other costs of finance paid	(132)	(188)
Income tax paid	(523)	(470)
Net cash (used in)/provided by operating activities	(4,888)	1,263
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(205)	(161)
Net cash paid upon acquisition of subsidiary	8 (378)	86
Proceeds from sale of property, plant and equipment	149	81
Net cash (used in)/provided by investing activities	(434)	6
<b>Cash flows from financing activities</b>		
Dividends paid to members of the parent entity (net of equity issue)	-	(131)
Dividends paid to non-controlling interests	(169)	(427)
Distributions paid to non-controlling interests	(82)	(37)
Repayment of other loans	(500)	-
Proceeds from borrowings	10 2,550	671
Repayment of borrowings	10 (265)	(418)
Net cash provided by/(used in) financing activities	1,534	(342)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(3,788)	927
Cash and cash equivalents at the beginning of the period	15,479	3,411
Effects of exchange rate changes on the balance of cash held in foreign currencies	(43)	-
<b>Cash and cash equivalents at the end of the period</b>	11,648	4,338

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 2010**

**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 2010 annual financial report for the financial year ended 30 June 2010, 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 company 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:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the company's accounting policies and has no effect on the amounts reported for the current or prior periods.

**(c) Derivative financial instruments**

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

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

*Hedge accounting*

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

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

*Fair value hedge*

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

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

*Cash flow hedges*

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

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

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**(d) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value is indicated less, where applicable, any accumulated depreciation and impairment losses.

*Land and buildings*

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

	<b>Consolidated Half Year Ended</b>	
	<b>31 Dec 2010 A\$'000</b>	<b>31 Dec 2009 A\$'000</b>
<b>NOTE 2: INCOME</b>		
<b>Continuing operations</b>		
<i>Sales revenue</i>		
Sale of goods and services	36,679	22,204
<i>Other revenue</i>		
Interest revenue	189	30
Other revenue	13	120
Total other revenue	202	150
Total sales revenue and other revenue	36,881	22,354
<i>Other(loss)/income</i>		
Fair value (loss)/gain on financial assets designated as at fair value through profit or loss upon initial recognition	(1,049)	1,335
Gains on disposal of assets	9	65
Total other (loss)/income	(1,040)	1,400
Total income	35,841	23,754

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**Consolidated  
Half Year Ended**  
**31 Dec 31 Dec**  
**2010 2009**  
**A\$'000 A\$'000**

**NOTE 3: EXPENSES**

**Continuing operations**

Other expenses is comprised as follows:

Rental expenses	382	301
Other expenses	1,066	1,002
Total other expenses	1,448	1,303

**NOTE 4: DIVIDENDS**

**Half Year Ended**  
**31 Dec 2010 31 Dec 2009**

	<b>Cents</b>	<b>Total</b>		<b>Cents</b>	<b>Total</b>
	<b>per share</b>	<b>A\$'000</b>		<b>per share</b>	<b>A\$'000</b>

During the period, Tag Pacific Limited made the following dividend payments:

No final ordinary dividend was paid (2009: 16 October 2009 fully franked dividend paid at the tax rate of 30%)

	-	-		0.75	515

**Consolidated**

**31 Dec 31 Dec**  
**2010 2009**

	<b>No.'000</b>	<b>A\$'000</b>		<b>No.'000</b>	<b>A\$'000</b>

**NOTE 5: ISSUE OF EQUITY SECURITIES**

**Fully paid ordinary shares**

Balance at beginning of financial period	70,607	16,477	68,686	16,093
Issue of shares (i)	-	-	1,921	384
Share issue costs	-	-	-	-
Balance at end of financial period	70,607	16,477	70,607	16,477

(i) There were no fully paid ordinary shares issued pursuant to the Company's Dividend Reinvestment Plan during the period (2009: 1,920,902 fully paid ordinary shares issued on 16 October 2009 at an issue price of A\$0.20 paid per ordinary share giving a total amount of A\$384,180).

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**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, M+H Power Systems Pty Ltd, M+H Power Systems Ltd, Advanced Power Pty Ltd and Solaris Technology Pty Ltd from 16 November 2010 (all 59.3% owned at 31 December 2010). 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.
- Fair value investments – consists principally of Tag's investments in iSoft Group Limited. iSoft Group Limited is a health information technology company listed on the ASX with operations in Australia and a number of overseas countries.
- Other investments – consists principally of Tag's investments in Unique World Group Pty Limited and the Power Property Unit Trust. Unique World Group Pty Limited is an IT consultancy and software development group providing products and services leveraging the Microsoft platform 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 a subsidiary of MPower Group Pty Limited in Melbourne, Victoria.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**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 2010 A\$'000	31 Dec 2009 A\$'000	31 Dec 2010 A\$'000	31 Dec 2009 A\$'000
<b>Continuing operations</b>				
Power investments	36,836	22,239	2,947	1,558
Fair value investments	-	111	(1,049)	1,466
Other investments	45	4	45	35
Total for continuing operations	36,881	22,354	1,943	3,059
Share of profits of associates			196	181
Depreciation and amortisation expense			(161)	(160)
Finance costs			(161)	(82)
Unallocated costs			(703)	(804)
Loss/(profit) before income tax from continuing operations)			1,114	2,194
<b>Discontinued operations</b>				
Building products investments	16	17,374	(64)	329
Total for discontinued operations	16	17,374	(64)	329
Depreciation and amortisation expense			-	(98)
Finance costs			-	(124)
Loss/(profit) before income tax from discontinued operations			(64)	107
Income tax expense (continuing and discontinued operations)			(555)	(131)
Consolidated segment profit for the period			495	2,170

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 2010**

**NOTE 6: SEGMENT INFORMATION (CONTINUED)**

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

	<b>As at 31 Dec 2010 A\$'000</b>	<b>As at 30 Jun 2010 A\$'000</b>
<b>Continuing operations</b>		
Power investments	40,727	34,690
Fair value investments	824	1,873
Other investments	10,609	9,001
Total segment assets	52,160	45,564
Assets relating to building products investments (now discontinued)	630	3,153
Total consolidated assets	52,790	48,717

All assets are allocated to reportable segments. There are no assets used jointly by reportable segments. During the half year reporting period, the Group acquired Solaris Technology Pty Limited and this is included within the power investments segment.

**NOTE 7: PROPERTY, PLANT & EQUIPMENT**

	<b>As at 31 Dec 2010 A\$'000</b>	<b>As at 30 Jun 2010 A\$'000</b>
<b>Land and buildings</b>		
– independent valuation 2010 (net of estimated costs of sale) (i)	1,805	-
– at cost	-	1,054
Less: accumulated depreciation	-	(25)
Net balance at the end of the period	1,805	1,029
<b>Plant &amp; equipment</b>		
– at cost	4,063	3,434
Less: accumulated depreciation	(2,747)	(2,400)
Net balance at the end of the period	1,316	1,034
Total property, plant & equipment	3,121	2,063

(i) The Group's land and buildings were revalued during the period by an independent valuer. The revaluation surplus was credited to a revaluation surplus in shareholders' equity (net of estimated costs of sale).

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 8: ACQUISITION OF SUBSIDIARY**

On 15 November 2010 MPower Group Pty Limited completed its purchase of Solaris Technology Pty Limited. As a result, Solaris Technology Pty Limited is now consolidated by the Tag Group from 16 November 2010. Solaris Technology Pty Limited has extensive experience in the solar power sector through its specialisation in the design, construction and integration of solar power systems for both residential and commercial applications. The acquisition is part of the Group's strategy for deeper involvement in renewable energy solutions. Through acquiring 100% of the issued capital of Solaris Technology Pty Limited, the Group has obtained control of the company.

**a) Assets acquired and liabilities assumed at the date of acquisition**

	<b>A\$'000</b>
<b>Current assets</b>	
Cash & cash equivalents	522
Trade and other receivables (i)	1,043
Other assets	14
Inventory	1,100
Total current assets	2,679
<b>Non-current assets</b>	
Deferred tax asset	73
Plant & equipment at cost	515
Less: accumulated depreciation	(195)
Total non-current assets	393
<b>Total assets</b>	<b>3,072</b>
<b>Current liabilities</b>	
Trade & other payables (ii)	(1,310)
Provisions (iii)	(138)
Other liabilities (iv)	(99)
Total current liabilities	(1,547)
<b>Non-current liabilities</b>	
Provisions (iii)	(79)
Other payables (v)	(500)
Borrowings (vi)	(203)
Total non-current liabilities	(782)
<b>Total liabilities</b>	<b>(2,329)</b>
<b>Net assets</b>	<b>743</b>

- (i) The directors believe the receivables are fully recoverable and no provision for impairment is required.
- (ii) Trade and other payables pertain predominantly to liabilities incurred in relation to trading activities conducted by the company.
- (iii) Provisions relate to annual leave and long service leave entitlements accrued by employees up to 15 November 2010.
- (iv) Other liabilities relate to customer deposits received in advance of the provision of services.
- (v) Other payables relates to loans payable to former shareholders of the company.
- (vi) Borrowings relate to loans payable to financial institutions in relation to finance used to acquire plant & equipment.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 8: ACQUISITION OF SUBSIDIARY (CONTINUED)**

**b) Goodwill arising on acquisition**

	<b>A\$'000</b>
Fair value of consideration paid and deferred consideration	2,018
Less: fair value of identifiable net assets acquired	<u>(743)</u>
Goodwill arising on acquisition	<u>1,275</u>

The consideration paid/to be paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development, design and implementation capability in the commercial and industrial solar market and the assembled workforce of Solaris Technology Pty Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Part of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

**c) Net cash outflow/(inflow) arising on acquisition**

	<b>A\$'000</b>
Consideration paid in cash	900
Less: cash and cash equivalent balances acquired	<u>(522)</u>
	<u>378</u>

**d) Impact of acquisition on the results of the Group**

Included in the profit for the interim period is a net profit of A\$117,184 attributable to Solaris Technology Pty Limited. Revenue for the period includes A\$1,239,509 in respect of Solaris Technology Pty Limited. Any inter-group transactions between the related parties from 16 November 2010 have been eliminated on consolidation.

Had Tag Pacific Limited taken control of Solaris Technology Pty Limited on 1 July 2010 the revenue for the period would have increased by A\$4,257,454 while the net profit for the period before non-controlling interest would have increased by A\$21,803.

**e) Consideration transferred**

	<b>A\$'000</b>
Consideration paid in cash	900
Consideration refundable	(231)
Deferred consideration payable (i)	<u>1,349</u>
Total	<u>2,018</u>

(i) Included in consideration transferred/to be transferred is deferred consideration payable by way of instalments over a 2.5 year period which has been valued on a discounted cash flow basis at \$1.349M.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 9: INTANGIBLE ASSETS**

	As at 31 Dec 2010 A\$'000	As at 30 Jun 2010 A\$'000
<b>Goodwill</b>		
<i>Gross carrying amount</i>		
Balance at beginning of period	1,660	1,810
Additional amounts recognised from business combinations occurring during the period	1,275	22
Disposals from business combinations	-	(172)
Balance at the end of the period	<u>2,935</u>	<u>1,660</u>
<i>Accumulated impairment losses</i>		
Balance at beginning of period	7	7
Impairment losses for the period	-	-
Balance at the end of the period	<u>7</u>	<u>7</u>
Net book value	<u>2,942</u>	<u>1,667</u>
<b>Other intangibles</b>		
<i>Gross carrying amount</i>		
Balance at beginning of period	618	617
Additional amounts recognised from business combinations occurring during the period	-	8
Disposals	-	(7)
Balance at the end of the period	<u>618</u>	<u>618</u>
<i>Accumulated amortisation</i>		
Balance at beginning of period	(568)	(523)
Amortisation expense for the period	(6)	(45)
Balance at the end of the period	<u>(574)</u>	<u>(568)</u>
Net book value	<u>44</u>	<u>50</u>
Total intangible assets	<u>2,986</u>	<u>1,717</u>

**NOTE 10: BORROWINGS**

During the period, MPower Group Pty Limited obtained a bank facility with a limit of A\$2,590,000 principally relating to the acquisition of Solaris Technology Pty Limited. The facility bears interest at variable market rates and is repayable over a seven year period. Repayments of other bank loans amounting to A\$453,202 (2009: A\$418,056) were made in line with previously disclosed repayment terms.

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 11: DISCONTINUED OPERATIONS**

On 14 May 2010, PISL Limited and CPPL Pty Limited disposed of their building products businesses to CSR Building Products. The profit/(loss) for the period from the discontinued operations is analysed as follows:

	<b>Half Year Ended 31 Dec 2010 A\$'000</b>	<b>Half Year Ended 31 Dec 2009 A\$'000</b>
(Loss)/gain of building products businesses for period	(89)	125

The following were the results of the building products businesses for the period:

Income	16	17,374
Operating expenses	(80)	(17,267)
(Loss)/profit before income tax	(64)	107
Income tax expense/(benefit)	25	(18)
(Loss)/profit after income tax	(89)	125

**NOTE 12: 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 13: 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.

**NOTE 14: DISCLOSURE OF ADDITIONAL INFORMATION**

On 15 November 2010, MPower Group Pty Limited completed its acquisition of Solaris Technology Pty Limited. As a result, Solaris Technology Pty Limited was consolidated into the Tag Group result from 16 November 2010.

On 17 November 2010 there was a redemption of units in the Power Property Unit Trust held by minority unitholders. As a consequence of the redemption of units, Tag's interest in the Power Property Unit Trust increased from 50.2% to 54.6%.

**NOTE 15: INVESTMENTS IN ASSOCIATES**

There are no material changes to the equity accounted investments reported in the 2010 annual report.

## 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, 25 February 2011

## 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 2010, and the condensed income statement, the condensed statement of 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 19.

### *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 2010 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.

## *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 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 2010 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, 25 February 2011