TAG

Annual Report 2018

TAG PACIFIC LIMITED
ABN 73 009 485 625

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TAG

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Chairman's report

Our investment in niche areas of the power industry is approaching a tipping point as MPower becomes more firmly established as a leader in quality integrated power systems and products, specialising in renewable energy, hybrid systems and energy storage. The move towards decentralised power and the growing popularity of microgrids comes at the same time as solar and battery storage solutions are gaining favour, as technology improves, and the cost of technology diminishes. We expect that MPower's accomplishments in these areas will in time be recognised by the investment community.

In June 2018 Tag announced a deal involving the acquisition of Energy Made Clean, a subsidiary business of Carnegie Clean Energy Limited (ASX: CCE). The acquisition is intended to capitalise on the rapidly growing off-grid and fringe-of-grid solar, battery storage and microgrid market to create a regional leader in the development, financing, Engineering, Procurement, Construction (EPC) and Build, Own, Operate (BOO) of renewables, battery storage and microgrids.

Under the existing transaction documentation, the purchase price for the Energy Made Clean business is to be satisfied by Tag issuing 58,507,377 new fully paid ordinary shares to Carnegie, which shares are to be distributed by Carnegie to the Carnegie shareholders by way of an in-specie distribution. The existing transaction is subject to a number of conditions precedent including the approval of both Tag and Carnegie shareholders and a capital raising by Tag. Tag shareholders gave their approval on 25 September 2018.

On 28 September 2018 Tag and Carnegie agreed to change the end date for the transaction from 31 October 2018 to 30 November 2018; to remove the cash component of the sale consideration previously payable by Carnegie; and to renegotiate the consideration payable under the Share Purchase Agreement.

The parties are targeting to finalise the amendments to the Share Purchase Agreement by 16 October 2018 and to complete the transaction as soon as possible. If the parties are unable to reach agreement on the amendments to the Share Purchase Agreement by 16 October 2018, the Share Purchase Agreement will automatically terminate.

The underlying objectives of the proposed acquisition remain unchanged. Tag intends to fully integrate the Energy Made Clean business with its MPower business to become an ASX-listed renewables and battery storage leader which will hold a market leading position and will benefit from increased scale and enhanced national reach. It is still intended for head entity, Tag Pacific, to be renamed MPower.

It is intended that the combined business will integrate the engineering, procurement and construction activities of both existing businesses under the MPower brand, maintaining their strong presence in New South Wales and Western Australia to deliver a national and regional capability. It is also intended to integrate Energy Made Clean's solar and battery storage project development pipeline in order to establish a stand-alone build, own and operate solar and microgrid asset portfolio in the future.

The proposed acquisition coincides with the rapidly evolving changes to the Australian power sector. MPower's integration capability in the new era power sector is strategic and unique in that its solutions are engineered in-house and encompass work for blue chip enterprises; power utilities; and leading energy providers.

Current and past projects demonstrate MPower's capacity to design and build complex power systems with innovation that integrates multiple power technologies. MPower's technical excellence continued to develop during the year under review and included work on numerous noteworthy projects:

- A landmark 5.6 MWh energy storage project underway in the Cook Islands. The project is intended to provide increased flexibility for the island's electricity utility to manage the increasing renewable generation feeding into the local grid.
- Sophisticated off-grid DC power systems for the Northern Gas Pipeline, featuring solar PV arrays, battery energy storage and control systems.
- A large grid support battery for the Illawarra region of NSW that will augment the grid in times of peak demand, potentially delaying the need for major capital expenditure associated with growing power demand in a residential area.

On 14 September 2018 MPower announced an early works agreement for a 5MW solar farm being developed by Renew Power Group Pty Limited in Port Pirie, South Australia. The Early Works Agreement includes preliminary designs and associated activities to an initial value of $100K in relation to the Pirie Solar Farm project. The parties are now working towards executing a full Engineering, Procurement and Construction contract which is estimated to have a contract value to MPower of between $8 million to $9 million. The contract would, upon execution, result in a further strengthening of MPower's current order book.

Group revenue for the 2018 financial year was $40.8 million, 2% above the prior comparative period. After taking head office and corporate costs into account the after-tax loss for the year attributable to owners of the company was $2.9 million compared to $3.9 million in the 2017 financial year.

Management continues to focus on improving MPower's prospects and has made progress on a number of fronts. Business development resources are well coordinated and are working with determination to achieve tangible outcomes. The prospective pipeline for projects continues to increase and the confirmed order book includes a range of high specification projects.

Significant efforts have been made to contain costs with lower operating costs recorded in some divisions, including changes to operating premises and facilities. MPower's distribution activities continue to focus on batteries and solar componentry, particularly for off-grid situations in Australia, New Zealand and the Pacific. The proprietary Bardic emergency lighting range is becoming more recognised and is making a positive contribution, but still has some way to go. The distribution activities provide some stability to the timing of revenue by smoothing the peaks and troughs inherent in MPower's project activities.

The balance sheet continues to be tightly managed. As anticipated at half year the natural cash flow cycles relating to project activities resulted in greater cash outflows in the second half but this is expected to replenish as new projects come on stream during FY2019. Borrowings increased by $0.1 million to $5.6 million.

The group holds significant intellectual property, including power solution and development work that has been undertaken, but no intangibles of any material consequence are capitalised on the consolidated balance sheet. Future tax benefits are also not capitalised on the balance sheet.

Property

The Tag Group continues to hold a 55% majority interest in the Power Property Unit Trust which owns a commercial property in Melbourne occupied by MPower. There was no material change to the carrying value of the property of $1.8 million during the year.

Dividends

No dividend has been declared. Franking credits of $7.4 million are available for use at a later date.

Shares and options

No shares were issued during the year; nor were any shares purchased during the half year under the Company's on market share buy-back facility which remains in place. The Company's listed options that traded under the ASX code TAGO expired on 4 October 2017.

Directors and staff

On behalf of the board, thanks are due to management and staff for their continued loyalty and dedication.

Looking ahead

The company has been resource constrained in its capacity to fund and manage some of its aspirations moving forward and the proposed acquisition of EMC, the associated capital raising and the repositioning of the group are intended to provide a basis for transforming Tag from being a company 'invested in the power sector' to MPower, 'a leader within the power sector'.

MPower is positioned to meet the burgeoning demand for reliable, cheaper and cleaner power. The sweet spot for MPower is in integrating solutions that will cater for the accelerating move away from centralised power generation towards multiple sources of distributed renewable energy. Managing the complexities and challenges that arise from intermittent power generation being fed into existing power networks or microgrids, integrated with battery storage solutions, is a core MPower competency.

Peter Wise
Chairman

28 September 2018

Directors' report

The directors present their report on the company (Tag Parent) and its controlled entities (Tag Group) for the financial year ended 30 June 2018 in accordance with the provisions of the Corporations Act 2001 (Cth). The Chairman's Report (pages 1 to 2) contains a review of the operations of the Tag Group during the financial year and the results of those operations and details of significant changes in the Tag Group. The Chairman's Report is incorporated into and forms part of this Directors' Report.

Principal activity

The Tag Group is an investment company that strategically invests in the power sector.

Review of operations

The operating result of the Tag Group for the financial year ended 30 June 2018 after eliminating non-controlling interests and providing for income tax was a loss of $2,929,000 (2017: $3,887,000). Reference should be made to the Chairman's Report for a more detailed review of operations.

Changes in the state of affairs

There were no significant changes in the state of affairs of the Tag Group during the financial year.

Subsequent events

On 28 June 2018 the Company announced that it had signed an Implementation Deed for the acquisition of Energy Made Clean, a subsidiary business of Carnegie Clean Energy Limited (ASX: CCE) (Carnegie). Under the existing transaction documentation, the purchase price for the Energy Made Clean business is to be satisfied by Tag issuing 58,507,377 new fully paid ordinary shares to Carnegie,which shares are to be distributed by Carnegie to the Carnegie shareholders by way of an in-specie distribution. At completion Carnegie is required to deliver net tangible assets to Tag of $4.2 million. Immediately following completion, it is expected that Carnegie's shareholders will hold approximately 32% of the ordinary shares on issue in the Company. The transaction is conditional on the Company undertaking a capital raising of at least $4.0 million to coincide with completion amongst other conditions. Following completion, the Company will change its name to MPower Group Limited.

The existing transaction documentation was signed on 17 August 2018 and the transaction remains subject to a number of conditions precedent, including the approval of CCE shareholders, a capital raising of at least $4.0 million and third party consents being obtained. Tag shareholders gave their approval at the Extraordinary General Meeting in Sydney on 25 September 2018.

On 28 September 2018 the Company and Carnegie agreed:

(a) to change the end date for the transaction from 31 October 2018 to 30 November 2018;
(b) to remove the cash component of the sale consideration previously payable by Carnegie; and
(c) to renegotiate the consideration payable under the Share Purchase Agreement as a result of the removal of the cash component.

The parties are targeting to finalise the amendments to the Share Purchase Agreement by 16 October 2018 and to complete the transaction as soon as possible. If the parties are unable to reach agreement on the amendments to the Share Purchase Agreement by 16 October 2018, the Share Purchase Agreement will automatically terminate.

Other than as noted above, there are no other matters or circumstances which have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Tag Group, the results of those operations, or the state of affairs of the Tag Group in future financial years.

Future developments

Details of the future developments of the Tag Group are contained in the Chairman's Report. To the extent that the disclosure of information regarding likely developments in the activities of the Tag Group in future financial years and the expected results of those activities is likely to result in unreasonable prejudice to the Tag Group, it has not been disclosed in this report.

Dividends

No dividends have been paid or declared during the current or previous financial years.

Indemnification of directors, officers and auditor

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

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

Non-audit services

Details of amounts paid or payable to Deloitte Touche Tohmatsu for non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements. The directors are satisfied the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth). The directors are of the opinion the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit committee, for the following reasons:

→ all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
→ none of the services undermine the principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks or rewards.

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Options on issue

At the date of this report, the options on issue over unissued ordinary shares in Tag Pacific Limited were as follows:

Unlisted options (ESOP)

Grant date	Expiry date	Exercise price	Number of options
02 Dec 2016	31 May 2019	$0.07	541,500
02 Dec 2016	31 May 2020	$0.07	541,500
02 Dec 2016	31 May 2021	$0.07	722,000
31 Jan 2018	31 May 2019	$0.10	390,000
31 Jan 2018	31 May 2020	$0.10	390,000
31 Jan 2018	31 May 2021	$0.10	520,000
Total			**3,105,000**

No unlisted options granted under the Tag Pacific Limited Executive Share Option Plan (ESOP) were exercised during the year. 9,965,872 listed options in Tag Pacific Limited expired on 4 October 2017.

No person entitled to exercise an option had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

Environmental regulations

There are no particular or significant environmental regulations under a law of the Commonwealth or of a state or territory affecting the Tag Group.

The Tag Group's operations do not pose a high risk for breach of environmental legislation and in the directors' opinion there is no known breach of regulatory requirements that may:

→ potentially result in financial penalties;
→ result in the governing authority having the ability to suspend an operation;
→ have a major impact on surrounding ecosystems; or
→ have a financial impact on the operations and results of the Tag Group.

Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2018 has been received and a copy can be found on page 46 of this report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2017/191, and in accordance with the Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Corporate governance

A copy of the company's 2018 corporate governance statement can be found at http://tagpac.com/corporate_governance.html.

Information on directors

The names and particulars of the current directors of the company during or since the end of the financial year are as follows. References to directors' relevant interest in shares are current at the date of this report.

Peter Wise	**Chairman** (executive)	
Qualifications	Dip ID	
Experience	Appointed Chairman and board member in 1986. Chairman of MPower Group Pty Limited and other subsidiaries within the Tag Group.	
Interest in shares	56,946,518 ordinary shares in Tag Pacific Limited held by Anthony Australia Pty Ltd.	
Nathan Wise	**Chief Executive Officer and Managing Director**	
Qualifications	BCom, LLM (UNSW)	
Experience	Appointed Chief Executive Officer and Managing Director in 2012 after serving as Head of Corporate Development from 2003. Company Secretary from 2006 until 2012. Director of MPower and a number of controlled entities within the Tag Group. Practiced as a corporate and commercial lawyer before joining the Tag Group.	
Interest in shares	56,946,518 ordinary shares in Tag Pacific Limited held by Anthony Australia Pty Ltd. 1,500,000 unlisted options over unissued ordinary shares in Tag Pacific Limited held by Investment Associates Pty Limited.	
Gary Cohen	**Director** (non-executive)	
Qualifications	B Comm, LLB, LLM (Hons)	
Experience	Director since 1999. CEO of Invigor Group Limited.	
Interest in shares	Holds a relevant interest in 619,766 ordinary shares in Tag Pacific Limited.	
Special responsibilities	Member of the remuneration committee.	
Directorships held in other listed entities in the previous 3 years	Listed entity Invigor Group Limited	Relevant dates since 18 July 2012
Robert Constable	**Director** (non-executive)	
Qualifications	MA (Cantab.)	
Experience	Director since 1986. Former positions include secretary of the Beecham Group, director of Sime Darby Holdings Limited and deputy chief executive of Bousteadco Singapore Limited.	
Interest in shares	310,000 ordinary shares in Tag Pacific Limited.	
Special responsibilities	Chairman of the audit committee and a member of the remuneration committee.	
Robert Moran	**Director** (non-executive)	
Qualifications	BEc LLB (Hons)	
Experience	Director since 2002. Chairman of Oceania Capital Partners. Has extensive experience in principal investing and previously practiced as a corporate and commercial lawyer.	
Interest in shares	1,708,911 ordinary shares in Tag Pacific Limited.	
Special responsibilities	Member of the audit committee.	
Directorships held in other listed entities in the previous 3 years	Listed entity Oceania Capital Partners Limited	Relevant dates since 25 July 2007
Darrell Godin	**Company Secretary**	
Qualifications	BCom, BAcc, CA	
Experience	Appointed Company Secretary and Chief Financial Officer of Tag Pacific Limited in 2012. Secretary of a number of controlled entities within the Tag Group. Prior to joining Tag, worked at Investec Bank Australia Limited for approximately 12 years after having practised as a Chartered Accountant for 12 years.	
Interest in shares	200,000 ordinary shares and 475,000 unlisted options over unissued ordinary shares in Tag Pacific Limited.	

Changes to directors

Changes to the directors of Tag Pacific Limited during the year and up to the date of this report were:
→ Gary Weiss retired as a non-executive director with effect from 31 August 2017.

Remuneration of directors

Information about the remuneration of directors and senior management is set out in the remuneration report on pages 6 to 11.

Directors' meetings

The following table outlines the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, eleven board meetings, two audit committee meetings and two remuneration committee meetings were held.

	Board meetings		**Audit committee meetings**		**Remuneration committee meetings**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Peter Wise	11	11	–	–	–	–
Nathan Wise	11	11	–	–	–	–
Gary Cohen	11	9	–	–	2	2
Robert Constable	11	10	2	2	2	2
Robert Moran	11	10	2	2	–	–
Gary Weiss [1]	2	2	–	–	–	–

1. Gary Weiss retired as a non-executive director with effect from 31 August 2017.

Remuneration report

This report details the remuneration arrangements in respect of each director of Tag Pacific Limited and the key management personnel.

Remuneration policy

The remuneration policy details set out below are relevant to Tag Pacific Limited ('Tag') only.

The board of each controlled entity in the Tag Group determines the remuneration policy for the senior managers of that controlled entity. Accordingly, Tag's remuneration policy does not extend to senior managers of controlled entities. Details of the remuneration of controlled entity senior managers have been included in this report where applicable for compliance reasons.

Tag's remuneration policy has been designed to align director and senior manager objectives with shareholder and business objectives by providing a fixed remuneration component and, where applicable, offering specific short-term and long-term incentives based on key performance areas affecting Tag's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best senior managers and directors to run and manage Tag, as well as create goal congruence between directors, senior managers and shareholders.

The board's policy for determining the nature and amount of remuneration for executive board members and key management personnel of Tag is as follows:
→ The remuneration policy, setting the terms and conditions for executive directors and other senior managers, was developed by the remuneration committee and approved by the board.
→ Senior managers may receive base remuneration (which is based on factors such as length of service and experience), superannuation, fringe benefits, short-term incentives or long-term incentives.
→ The remuneration committee reviews certain senior manager packages annually by reference to Tag's performance, senior manager performance and comparable information from industry sectors.

The performance of Tag's senior managers is measured against criteria agreed regularly with each senior manager and is based predominantly on the forecast growth of the Tag Group's profits and shareholder value. Short-term incentives, where applicable, are linked to predetermined performance indicators where possible. The board may exercise its discretion in relation to approving short-term and long-term incentives and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance indicators. The policy is designed to attract the highest calibre of senior managers and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and senior managers is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board's policy is to remunerate non-executive directors for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors based on market practice, duties and accountability. Independent external advice may be sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders. Fees for non-executive directors are not linked to Tag's performance. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the company.

Performance based remuneration

Tag has a policy which sets out the framework for awarding performance based remuneration to Tag senior managers. Performance based remuneration may comprise both a short-term incentive ('STI') and a long-term incentive ('LTI') component. The STI takes the form of a cash bonus and the LTI comprises the issue of options under the Tag Pacific Limited Executive Share Option Plan. The remuneration committee has the discretion to determine the STI and LTI for eligible senior managers.

Short-term incentives

The remuneration package for an eligible senior manager may comprise a STI in the form of a performance based cash bonus. The maximum STI component of a remuneration package is expressed as a percentage of the relevant senior manager's base remuneration. A senior manager may be awarded a STI depending on performance against a set of performance indicators. The performance indicators may differ for each senior manager and are determined by the remuneration committee from time to time. A weighting is given to each performance indicator at the time the performance indicators are set.

Details of the STI's awarded in respect of the year to 30 June 2018 are as follows:

Nathan Wise
At the date of this report a cash bonus in respect of the year to 30 June 2018 had not been assessed for Nathan Wise. The total STI that is available (subject to performance against set criteria) is in the range of 0% to 40% of his base remuneration of $335,000 per annum ($0 to $134,000). The performance criteria against which the STI will be assessed are improvement in group profitability; shareholder value; long term strategy and people management.

Darrell Godin
A cash bonus of $11,046 in respect of the 30 June 2016 financial year was awarded to Darrell Godin during the 30 June 2017 financial year and remains payable. At the date of this report a cash bonus in respect of the year to 30 June 2018 had not yet been assessed for Darrell Godin. The total STI that is available (subject to performance against set criteria) is in the range of 0% to 25% of his base remuneration of $276,000 for the year ($0 to $69,000).

The performance criteria against which the STI will be assessed are group profitability and contribution to it, contribution to the enhancement of operational performance of group companies, including improvements to systems, processes and efficiencies, and contribution to the strategic direction and growth of the group and enhancement of shareholder value.

In addition to the above, the remuneration committee has the discretion to award super cash bonus payments in excess of the above STI formula in the event of exceptional circumstances or performance by a senior manager.

Long-term incentives

Options over unissued shares in Tag Pacific Limited may be awarded to eligible senior managers in accordance with the Tag Pacific Limited Executive Share Option Plan. The award of options is considered appropriate as it contains an element of reward for individual achievement together with an incentive aligned to the group's longer term performance. The approach also aligns management's interests with those of shareholders.

The maximum number of options that can be on issue under the Executive Share Option Plan at any time is 5% of the shares on issue at that time. In addition, the maximum number of options that can be issued to any one senior manager is 2,350,000 (2017: 2,350,000). The remuneration committee must make reference to these and other rules of the Executive Share Option Plan when deciding on long-term incentive components.

1,000,000 executive share options were issued to directors and key management personnel during the year ended 30 June 2018 (2017: 1,450,000).

Option holdings

(i) Unlisted Executive Share Option holdings

2018	Balance 1 July 2017 No.	Granted as compensation No.	Lapsed/ exercised No.	Balance 30 June 2018 No.	Unvested No.	Vested and exercisable No.
Nathan Wise [1]	900,000	600,000	–	1,500,000	1,500,000	–
Darrell Godin	327,000	200,000	(52,000)	475,000	475,000	–
Anthony Csillag	335,000	200,000	(60,000)	475,000	475,000	–
Total	**1,562,000**	**1,000,000**	**(112,000)**	**2,450,000**	**2,450,000**	**–**

2017	Balance 1 July 2016 No.	Granted as compensation No.	Lapsed/ exercised No.	Balance 30 June 2017 No.	Unvested No.	Vested and exercisable No.
Nathan Wise [1]	550,000	900,000	(550,000)	900,000	900,000	–
Darrell Godin	251,000	275,000	(199,000)	327,000	327,000	–
Anthony Csillag	257,000	275,000	(197,000)	335,000	335,000	–
Total	**1,058,000**	**1,450,000**	**(946,000)**	**1,562,000**	**1,562,000**	**–**

1. Shareholder approval for the options issued to Nathan Wise was obtained under ASX Listing Rule 10.14 on 28 October 2016.
2. Under the terms of the Executive Share Option Plan, options may be issued to and held by an executive or their nominee.

Refer to note 29 for the factors and assumptions used in determining share-based payments.

At 30 June 2018, the following share-based payment arrangements were in existence under the Tag Pacific Limited Executive Share Option Plan:

Option series	Grant date	Expiry date	Fair value at grant date (cents)	Vesting date
1. Issued 2 December 2016	2 Dec 2016	31 May 2021	0.02	01 Mar 2019 to 01 May 2021
2. Issued 31 January 2018	31 Jan 2018	31 May 2021	0.02	01 Mar 2019 to 01 May 2021

There are no performance criteria that need to be met in relation to executive share options granted, however, the options lapse if the relevant senior manager no longer provides services to or is no longer employed by the Group.

The following executive share options previously held by directors and key management personnel lapsed during the year:

	No. of options	Grant date
Darrell Godin	52,000	10 Oct 2013
Anthony Csillag	60,000	10 Oct 2013
Total	112,000	

1. Under the terms of the Executive Share Option Plan, options may be issued to and held by an executive or their nominee.

ii) Listed option holdings

	Balance at 1 July 2017 No.	Net other change No.	Balance at 30 June 2018 No.
Directors			
Peter Wise [1] / Nathan Wise [1]	5,013,068	(5,013,068)	–
Gary Cohen	140,068	(140,068)	–
Robert Constable	28,571	(28,571)	–
Robert Moran	157,502	(157,502)	–
Gary Weiss [2]	21,429	(21,429)	–
Key management personnel			
Darrell Godin	2,827	(2,827)	–
Anthony Csillag	32,138	(32,138)	–
Total	5,395,603	(5,395,603)	–

1. Peter Wise and Nathan Wise are directors of Anthony Australia Pty Ltd which had an interest in 5,013,068 listed options over unissued ordinary shares in Tag Pacific Limited at 30 June 2017.
2. Gary Weiss retired as a non-executive director with effect from 31 August 2017.
3. 5,395,603 listed options held by directors and key management personnel expired on 4 October 2017.

Shareholdings

Key management personnel and key management personnel-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in ordinary shares in Tag Pacific Limited:

2018	Balance at 1 July 2017 No.	Net other change No.	Balance at 30 June 2018 No.
Directors			
Peter Wise [1] / Nathan Wise [1]	56,902,518	44,000	56,946,518
Gary Cohen	1,519,766	(900,000)	619,766
Robert Constable	310,000	–	310,000
Robert Moran	1,708,911	–	1,708,911
Key management personnel			
Darrell Godin	200,000	–	200,000
Anthony Csillag	1,574,747	35,437	1,610,184
Total	62,215,942	(820,563)	61,395,379

2017	Balance at 1 July 2016 No.	Net other change No.	Balance at 30 June 2017 No.
Directors			
Peter Wise [1] / Nathan Wise [1]	56,902,518	–	56,902,518
Gary Cohen	1,519,766	–	1,519,766
Robert Constable	310,000	–	310,000
Robert Moran	1,708,911	–	1,708,911
Gary Weiss [2]	232,500	–	232,500
Key management personnel			
Darrell Godin	200,000	–	200,000
Anthony Csillag	1,557,747	17,000	1,574,747
Total	62,431,442	17,000	62,448,442

1. Peter Wise and Nathan Wise are directors of Anthony Australia Pty Ltd which had an interest in 56,946,518 ordinary shares in Tag Pacific Limited at 30 June 2018.
2. Gary Weiss retired as a non-executive with effect from 31 August 2017.

Company performance, shareholder wealth and director and senior management remuneration

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

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

	2014	2015	2016	2017	2018
Revenue ($'000)	54,650	54,326	56,530	40,123	40,802
Other gains/(losses) ($'000)	47	82	89	120	4
Net loss before non-controlling interests ($'000)	(5,594)	(12,101)	(1,060)	(3,855)	(2,895)
Dividends paid ($'000)	–	–	–	–	–
Share price at year end (cents per share)	10.5	10.0	3.9	4.3	7.9
Loss per share					
Basic (cents per share)	(6.0)	(6.0)	(12.9)	(12.9)	(1.0)
Diluted (cents per share)	(1.0)	(3.1)	(3.1)	(2.4)	(2.4)

Details of remuneration

The remuneration for each director and the key management personnel in respect of the year to 30 June 2018 was as follows:

2018 $	**Salary, fees and allowances**	**Superannuation Contributions**	**Cash bonus**	**Non-cash benefits**	**Options**	**Total**	**Performance related %**
Directors							
Peter Wise							
Chairman (executive) [1]	312,000	–	–	–	–	312,000	–
Nathan Wise							
Chief Executive Officer	335,000	–	–	–	2,792	337,792	0.8
Gary Cohen							
Non-executive director	20,000	–	–	–	–	20,000	–
Robert Constable							
Non-executive director	20,000	–	–	–	–	20,000	–
Robert Moran							
Non-executive director	20,000	–	–	–	–	20,000	–
Total directors	707,000	–	–	–	2,792	709,792	
Key management personnel							
Darrell Godin							
Chief Financial Officer [2]	255,951	20,049	–	3,029	801	279,830	0.3
Anthony Csillag							
Managing Director MPower Projects	316,217	22,658	–	31,652	801	371,328	0.2
Total key management personnel	572,168	42,707	–	34,681	1,602	651,158	
Total	**1,279,168**	**42,707**	**–**	**34,681**	**4,394**	**1,360,950**	

1. Management fees of $550,335 are accrued and payable at 30 June 2018.
2. Cash bonus of $11,046 awarded in respect of the year ended 30 June 2016 is accrued and payable at 30 June 2018.

All directors and key management personnel held their positions for the whole year other than Gary Weiss who resigned as a director with effect from 31 August 2017.

The remuneration for each director and the key management personnel in respect of the year to 30 June 2017 was as follows:

2017 $	Salary, fees and allowances	Superannuation Contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %
Directors							
Peter Wise Chairman (executive) [1]	387,000	–	–	–	–	387,000	–
Nathan Wise Chief Executive Officer	335,000	–	–	–	596	335,596	0.2
Gary Cohen Non-executive director	20,000	–	–	–	–	20,000	–
Robert Constable Non-executive director	20,000	–	–	–	–	20,000	–
Robert Moran Non-executive director	20,000	–	–	–	–	20,000	–
Gary Weiss Non-executive director [2]	20,000	–	–	–	–	20,000	–
Total directors	802,000	–	–	–	596	802,596	
Key management personnel							
Darrell Godin Chief Financial Officer [3]	251,510	18,889	11,046	7,464	577	289,486	4.0
Anthony Csillag Managing Director MPower Projects	309,000	29,355	54,075	27,685	533	420,648	13.0
Total key management personnel	560,510	48,244	65,121	35,149	1,110	710,134	
Total	**1,362,510**	**48,244**	**65,121**	**35,149**	**1,706**	**1,512,730**	

1. Management fees of $250,335 were accrued and payable at 30 June 2017.
2. Gary Weiss retired as a non-executive director with effect from 31 August 2017.
3. Cash bonus of $11,046 awarded in respect of the year ended 30 June 2016 was accrued and payable at 30 June 2017.

Except where noted, directors and key management personnel held their positions for the whole year.

Contract details

There were no written contracts in place with directors or key management personnel other than the following:

1. A written contract is in place in respect of the services provided by Nathan Wise to Tag Pacific Limited. The contract has no specified duration and requires three months' notice of termination (equating to a termination payment of $83,750).
2. A written contract is in place in respect of the services provided by Darrell Godin to Tag Pacific Limited. The contract has no specified duration and requires one months' notice of termination (equating to a termination payment of $23,000).
3. A written contract is in place in respect of the services provided by Anthony Csillag to MPower Projects Pty Limited. The contract has no specified duration and requires six months' notice of termination (equating to a termination payment of $169,178).

Performance income as a proportion of total remuneration

In some circumstances, senior managers are paid performance bonuses based on set monetary figures and not as a proportion of their salary. These bonuses have been set to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Tag Group. The payment of bonuses and other incentive payments for specified senior managers are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put forward to the board for approval. Bonuses, options and incentives are linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives, bonuses and options and can make changes to the committee's recommendations.

Signed in accordance with a resolution of the directors.

Peter Wise
Chairman

28 September 2018

Consolidated statement of profit or loss and other comprehensive income

	Note	**2018 $'000**	2017 $'000
Continuing operations			
Revenue	3	40,770	40,076
Other revenue	4	32	47
Other income	5	4	120
Raw materials and consumables used		(26,557)	(25,143)
Advertising and marketing expense		(153)	(173)
Depreciation and amortisation expense	7	(288)	(315)
Employee benefits expense	7	(11,440)	(12,366)
Finance costs	6	(329)	(362)
Freight and transport		(770)	(813)
Occupancy expense		(329)	(1,160)
Other expenses		(3,835)	(3,766)
Loss before income tax		(2,895)	(3,855)
Income tax expense	8	–	–
LOSS FOR THE YEAR		(2,895)	(3,855)
Attributable to:			
Owners of the company		(2,929)	(3,887)
Non-controlling interest		34	32
		(2,895)	(3,855)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss:			
Gain / (loss) on cash flow hedges taken to equity		347	(146)
Exchange loss on translating foreign operations		(54)	(21)
Other comprehensive income / (loss) net of tax		293	(167)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,602)	(4,022)
Total comprehensive loss attributable to:			
Owners of the company		(2,636)	(4,054)
Non-controlling interest		34	32
		(2,602)	(4,022)
Earnings per share			
Basic (cents per share)	31	(2.4)	(3.1)
Diluted (cents per share)	31	(2.4)	(3.1)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

	Note	**2018 $'000**	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	9	2,438	3,855
Trade and other receivables	10	8,524	9,486
Inventories	11	6,454	7,449
Other assets	12	603	1,428
Other financial assets	14	129	21
Total current assets		18,148	22,239
Non-current assets			
Property, plant & equipment	15	2,936	2,855
Total non-current assets		2,936	2,855
Total assets		21,084	25,094
Liabilities			
Current liabilities			
Trade and other payables	18	8,049	8,628
Borrowings	19	4,428	4,204
Provisions	20	1,430	1,624
Other liabilities	21	45	809
Total current liabilities		13,952	15,265
Non-current liabilities			
Borrowings	19	1,122	1,228
Provisions	20	44	90
Other liabilities	21	82	94
Total non-current liabilities		1,248	1,412
Total liabilities		15,200	16,677
Net assets		5,884	8,417
Equity			
Issued capital	22	23,410	23,410
Reserves	23	617	266
Accumulated losses		(18,589)	(15,660)
Equity attributable to owners of the company		5,438	8,016
Non-controlling interest	24	446	401
Total equity		5,884	8,417

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity

	Issued capital	Reserves	Accumulated losses	Attributable to owners of parent entity	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016	23,410	409	(11,773)	12,046	382	12,428
Loss for the period	–	–	(3,887)	(3,887)	32	(3,855)
Other comprehensive income/(loss) net of tax						
Exchange differences arising on translation of foreign operations	–	(21)	–	(21)	–	(21)
Loss on cash flow hedge taken to equity	–	(145)	–	(145)	–	(145)
Total comprehensive income/(loss) for the period	–	(166)	(3,887)	(4,053)	32	(4,021)
Recognition of revaluation of property	–	22	–	22	21	43
Recognition of share-based payments	–	1	–	1	–	1
Payment of distributions	–	–	–	–	(34)	(34)
Balance at 30 June 2017	**23,410**	**266**	**(15,660)**	**8,016**	**401**	**8,417**
Balance at 1 July 2017	23,410	266	(15,660)	8,016	401	8,417
Loss for the period	–	–	(2,929)	(2,929)	34	(2,895)
Other comprehensive income/(loss) net of tax						
Exchange differences arising on translation of foreign operations	–	(54)	–	(54)	–	(54)
Gain on cash flow hedge taken to equity	–	347	–	347	–	347
Total comprehensive income/(loss) for the period	–	293	(2,929)	(2,636)	34	(2,602)
Recognition of revaluation of property	–	52	–	52	43	95
Recognition of share-based payments	–	6	–	6	–	6
Payment of distributions	–	–	–	–	(32)	(32)
Balance at 30 June 2018	**23,410**	**617**	**(18,589)**	**5,438**	**446**	**5,884**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

	Note	**2018** **$'000**	2017 $'000
Cash flows from operating activities			
Receipts from customers		45,234	48,749
Payments to suppliers and employees		(46,098)	(48,558)
Cash (used in) / generated by operations		(864)	191
Interest received		5	12
Interest and other costs of finance paid		(328)	(308)
Net cash used by operating activities	9	(1,187)	(105)
Cash flows from investing activities			
Proceeds on sale of property, plant & equipment		20	217
Payments for property, plant & equipment		(288)	(329)
Net cash used in investing activities		(268)	(112)
Cash flows from financing activities			
Proceeds from borrowings		4,262	3,942
Repayment of borrowings		(4,158)	(3,652)
Distributions paid by controlled entities to non-controlling interests		(32)	(34)
Net cash generated by financing activities		72	256
Net (decrease) / increase in cash and cash equivalents		(1,383)	39
Cash and cash equivalents at the beginning of the financial year		3,855	3,834
Effects of exchange rate changes on the balance of cash held in foreign currencies		(34)	(18)
Cash and cash equivalents at the end of the financial year	9	2,438	3,855

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the financial year ended 30 June 2018

1. General information

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

The registered office and principal place of business of the company is:
Tag Pacific Limited
Level 32, Australia Square
264 George Street
Sydney NSW 2000
Australia

2. Statement of significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the

Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 September 2018.

The following is a summary of the material accounting policies adopted by the Tag Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

The consolidated financial statements have been prepared on the basis of historical costs, except for certain properties and financial instruments that are measured at revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and the measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use AASB 136.

The Tag Parent has applied the relief available to it in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. Accordingly, amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Tag Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates — Construction contracts
Revenue and expenses for power related projects are characterised as construction contracts under AASB 111 and recognised in the profit or loss by reference to the stage of completion of each identifiable component for construction contracts. A fundamental condition for being able to estimate percentage of completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with the Tag Group's system for project control and that the project management team has the necessary skills. Project control also includes a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, risk management and prior management of projects.

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

(a) Basis of consolidation

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

Control is achieved when Tag Pacific Limited:
- → has the power over the investee;
- → is exposed, or has rights to variable returns from its involvement with the investee; and
- → has the ability to use its power to affect the returns.

Tag Pacific Limited reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. A list of subsidiaries is contained in note 13. All controlled entities have a 30 June financial year-end.

The results of the subsidiaries acquired or disposed of during the year are included in consolidated profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Tag Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the parent entity disclosures in note 33 for Tag Pacific Limited, intra-group transactions ('common controlled transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Tag Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests' interest in the subsidiary's equity are allocated against the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as required.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:
- → deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- → liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payments of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- → assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB3.

(b) Income tax

Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Capitalised losses are only brought to account when it is probable they will be recouped through future taxable gains.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Refer to note 2(p) for the policy in relation to work in progress and construction contracts.

(d) Property, plant and equipment

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

Plant and equipment

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

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

Land and buildings

Freehold land and buildings are shown at their fair value being the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date, 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 profit or loss.

Depreciation

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.

The depreciable amount of all fixed assets including capitalised lease assets are depreciated on a straight-line and diminishing value basis over their useful lives to the Tag Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Leasehold improvements	6-33%
Plant and equipment	5-40%
Buildings	2.5%
Leased plant and equipment	20-23%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(e) Leased assets

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Tag Group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term. Lease incentives under operating leases are recognised as a liability and amortised over the life of the lease term.

(f) Financial assets

Recognition

Financial assets are initially measured at fair value on trade date, which includes transaction costs (other than financial assets at fair value through profit/loss), when the related contractual rights or obligations exist. Subsequent to initial recognition these financial assets are measured as set out below.

Financial assets at fair value through profit or loss

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

Loans and receivables
Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment. Interest income is recognised by applying the effective interest rate.

Fair value
For all quoted investments fair value is determined by reference to observable prices of market transactions for identical assets at or near the measurement date whenever that information is available. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(g) Impairment of assets
At each reporting date, the Tag Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Tag Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

(i) Intangible assets
Goodwill
Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of controlled entities is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to reduce the other assets of the cash-generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

Patents and trademarks
Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow hedge.

Tag Group companies
The financial results and position of foreign operations whose functional currency is different from the Tag Group's presentation currency are translated as follows:
→ assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
→ income and expenses are translated at average exchange rates for the period; and
→ retained earnings are translated at the historical exchange rates.

Exchange differences arising on translation of foreign operations are transferred directly to the Tag Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated profit or loss in the period in which the operation is disposed.

(k) Employee benefits
A liability is recognised at balance date for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Tag Group to employee superannuation funds and are charged as an expense when employees have rendered service entitling them to the contributions.

(l) Provisions
Provisions are recognised when the Tag Group has a present obligation (legal or constructive), as a result of a past event, for which it is probable that the Tag Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) Provision for warranties
Provision is made in respect of the Tag Group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Tag Group's history of warranty claims.

(n) Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(o) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:
→ installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of costs incurred to date relative to the total estimated total cost of the transaction; and
→ revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognised in accordance with the accounting policy set out in note 2(p).

Sale of goods
Revenue from sale of goods is recognised upon delivery of goods to customers.

Dividend, distribution and interest revenue
Dividend and distribution revenue from investments is recognised when the Tag Group's right to receive payment has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of goods and services tax (GST).

(p) Construction contracts and work in progress
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or completion of a physical proportion of the contract work, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

(q) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(r) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(s) Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(t) Derivative financial instruments
The Tag Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Note 32 contains details of the fair values of the derivative instruments used for hedging purposes.

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.

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.

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.

(u) Share-based payments
Share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 29.

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

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

(v) Adoption of new and revised Accounting Standards
In the current year, 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 its operations and effective for the current annual reporting period. There has been no material impact of these changes on the Group's accounting policies.

(v.1) Standards and Interpretations in issue not yet adopted
At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The impact of some of these standards has not been assessed yet.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 9 'Financial Instruments'	1 January 2018	30 June 2019
AASB 2016-5 'Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019
AASB Interpretation '22 Foreign Currency Translation and Advance Consideration'	1 January 2018	30 June 2019
AASB 2017-5 'Amendments to Australian accounting standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Correction'	1 January 2018	30 June 2019
AASB 2017-4 Amendments to Australian accounting standards – IFRIC 23 'Uncertainty over Income Tax Treatments'	1 January 2019	30 June 2020
2018-1 'Amendments to Australian Accounting Standards – Annual improvements 2015-2017	1 January 2019	30 June 2020
2018-2 'Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement AASB 119 – 'Employee Benefits'	1 January 2019	30 June 2020

Impact of adoption of AASB–9 – Financial Instruments
AASB 9 Financial Instruments (revised December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014). This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard will become mandatory for reporting periods beginning on or after 1 January 2018. The Group does not intend to early adopt the standard. Retrospective application is required with some exceptions.

Restatement of comparatives is not required; however, the comparative period can be restated if it can be done so without the use of hindsight. The Group has undertaken an assessment of the classification and measurement impacts of the new standard and does not expect the new standard to have a significant impact on the classification of its financial assets.

Impact of adoption of AASB –15 – Revenue from Contracts with Customers
AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. This standard will become mandatory for reporting periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Significant judgments and estimates are used in determining the impact, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project execution productivity. The implementation project is ongoing and therefore all impacts are current estimates which are subject to finalisation prior to final implementation

Construction revenue
The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Contracted revenue will continue to be recognised over time, however the new standard provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue is currently recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur for these modifications.

Services revenue
Services revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes. Under AASB 15, these are predominantly to be recognised over time with reference to inputs on satisfaction of the performance obligations. The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time therefore revenue continues to be recognised over time. As with construction revenue, incentives, variations and claims exist which are subject to the same higher threshold criteria of only recognising revenue to the extent it is highly probable that a significant reversal of revenue will not happen.

Tender costs & contract costs
Currently under AASB 111 Construction Contracts, costs incurred during the tender process are capitalised within Other Assets when it is deemed probable the contract will be won. Under the new standard costs can only be capitalised if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of a project.

Conclusion
The expectation is that the above adjustments, across all controlled entities, are accounted for as a cumulative catch up on the original contract under AASB 15. The Group has analysed each contract and determined the higher recognition thresholds in the new standard might lead to a currently estimated adjustment reducing opening equity by around $0.3 million (after tax).

The new standard also introduces expanded disclosure requirements and changes in presentation, particularly in relation to key judgements and future revenue expected to be generated. These are expected to change the nature and extent of the Group's disclosure about its revenue from contracts with customers and associated assets, particularly in the year of adoption of the new standard. AASB 15 needs to be implemented either fully retrospectively, which would require restatement of comparatives, or using the cumulative effect method, which would not require a restatement of comparatives, upon the effective date of 1 July 2018. AASB 15 contains a number of practical expedients for the full retrospective approach including the option to omit the restatement impact of completed contracts that begin and end within the same annual reporting period and/or completed at the beginning of the earliest period presented. The Group is in the process of assessing the available options for transition but expects to adopt a modified retrospective approach on 1 July 2018.

Impact of adoption of AASB –16 – Leases
AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and the related interpretations.

As at the reporting date, the Group has non-cancellable operating lease commitments of $4.6 million, refer to Note 26: Capital and Leasing Commitments.

The Group manages its owned and leased assets to ensure there is an appropriate level of premises capacity and equipment to meet its current and future operational requirements. The decision as to whether to lease or purchase an asset is dependent on a broad range of considerations at the time including financing, risk management and operational strategies. Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made as the business grows and new projects are tendered for or contracted. As such the Group has not finalised its quantification of the effect of the new standard, however the following impacts are expected:

- → the total assets and liabilities on the balance sheet will increase with a decrease in total net assets, due to the reduction of the capitalised asset being on a straight-line basis whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;
- → the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities;
- → interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease's life due to the higher principal value causing profit variability over the course of a lease life. This effect maybe partially mitigated due to a number of leases held in the Group at different stages of their terms; and
- → repayment of the principal portion of all lease liabilities will be classified as financing activities.

AASB 16 needs to be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach. AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts as leases under current accounting standards to be carried over to AASB 16. Under the modified retrospective approach, on a lease by lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease. The Group is in the process of assessing the available options for transition but expects to adopt a modified retrospective approach on 1 July 2019.

(w) Going concern
The financial statements have been prepared on the going concern basis, which assumes the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated statement of profit or loss and other comprehensive income reflects a total comprehensive loss after tax of $2.602 million and the consolidated statement of cash flows reflects net cash outflows from operations of $1.187 million for the year ended 30 June 2018. The Directors have reviewed the cash flow forecast prepared by management for the period through to 30 September 2019. The cash flow forecast indicates that the Group will have sufficient funding to operate as a going concern during the forecast period, and on this basis the Directors have prepared the financial statements on the going concern basis.

The cash flow forecast is predicated on the successful completion of the acquisition of the Energy Made Clean business and the associated capital raising of at least $4.0 million (refer Note 34 for further details), and the Group achieving its anticipated rate of cash inflows from conversion and delivery of sales pipeline opportunities over the forecast period. The Directors believe that the actions undertaken over the past twelve months to re-align the core business operations will support achieving these outcomes.

If the Group is unable to successfully complete the acquisition of the Energy Made Clean business, then in the absence of the Group meeting its forecast operating cash flows, it is likely that alternative funding and/or additional capital will need to be secured. In the absence of such additional funding, material uncertainty would exist that may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

	2018 $'000	2017 $'000

3. Revenue

The following is an analysis of the group's revenue for the year from continuing operations (excluding other revenue – refer note 4):

	2018 $'000	2017 $'000
– Revenue from sale of goods	25,864	27,405
– Revenue from the rendering of services	2,561	2,616
– Revenue from projects and installations [(a)]	12,345	10,055
Total revenue	40,770	40,076

(a) Revenue from projects and installations includes revenue characterised as construction contract revenue under AASB 111 of $12.35 million (2017: $10.06 million). Construction contracts in progress are detailed in note 17.

4. Other revenue

	2018 $'000	2017 $'000
Interest revenue	5	12
Rental Income	–	30
Other	27	5
Total other revenue	32	47

The following is an analysis of other revenue earned on financial assets by category of asset:

	2018 $'000	2017 $'000
Loans and receivables (including cash and bank balances)	5	12
Total interest income for financial assets not designated at fair value through profit or loss	5	12
Rental Income	–	30
Other income earned on non-financial assets	27	5
Total other revenue	32	47

5. Other income

	2018 $'000	2017 $'000
Gain on disposal of assets	4	120

6. Finance costs

	2018 $'000	2017 $'000
Finance costs		
– banks/financial institutions	316	340
– finance lease charges	13	22
Total finance costs	329	362

	2018 $'000	2017 $'000

7. Loss for the year

The loss before income tax has been determined after:

	2018 $'000	2017 $'000
Depreciation of property plant & equipment	288	315
Employee benefits expense		
– Post-employment benefits	445	686
– Short-term employee benefits	10,989	11,679
– Share-based payments	6	1
Total employee benefits expense	11,440	12,366
Provision for doubtful debts raised	21	64
Operating lease rentals – minimum lease payments net of lease surrender benefit	215	1,067
Net foreign exchange loss	125	180

8. Income tax expense

(a) The components of income tax expense comprise:

	2018 $'000	2017 $'000
Current tax		
In respect of the current year	–	–
Deferred tax		
In respect of the current year	–	–
Total income tax expense recognised in the current year	–	–

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

	2018 $'000	2017 $'000
Prima facie tax benefit on loss before income tax at 30%	(869)	(1,157)
Add tax effect of:		
– unused tax losses not brought to account	869	1,157
Income tax expense attributable to the entity	–	–
The applicable weighted average effective tax rates are as follows:	–	–

The tax rate used for the reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

	2018 $'000	2017 $'000

9. Cash & cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2018 $'000	2017 $'000
Cash and bank balances	2,426	3,706
Short-term bank deposits	12	149
	2,438	3,855

The weighted average effective interest rate on cash and cash equivalents for the financial year ended 30 June 2018 was 0.16% (2017: 0.31%).

Reconciliation of loss for the year to net cash flow from operating activities

	2018 $'000	2017 $'000
Loss from operating activities after income tax	(2,895)	(3,855)
Non-cash flows		
– depreciation	288	315
– share based payments	6	1
– unrealised currency losses	125	180
– gain on sale of property, plant and equipment	(4)	(120)
Changes in assets and liabilities		
– decrease in receivables, prepayments and other assets	1,709	3,616
– decrease in inventories	990	578
– decrease in trade creditors & accruals	(1,141)	(522)
– decrease in provisions	(265)	(298)
Net cash used by operating activities	(1,187)	(105)

Liquidity risk management
Financing facilities [1]

	2018 $'000	2017 $'000
Credit facilities	13,026	13,415
Amounts utilised	(7,233)	(8,441)
Unused credit facilities	5,793	4,974

1. Finance facilities include bank guarantees and surety bonds.

Loan and non-financial facilities
Loan and non-financial facilities are arranged with a number of Australian and New Zealand institutions with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

Non-cash financing and investment activities
During the year the Tag Group did not acquire any plant and equipment by means of finance leases and hire purchases (2017: nil).

	2018 $'000	2017 $'000

10. Trade & other receivables

	2018 $'000	2017 $'000
Trade receivables	4,503	7,508
Allowance for doubtful debts	(111)	(141)
	4,392	7,367
Other debtors	340	345
Accrued revenue receivable	3,792	1,774
Total trade & other receivables	8,524	9,486
Ageing of past due but not impaired		
60-90 days	82	66
90-120 days	530	726
Total	612	792
Average age of trade receivables (days)	40	68
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	141	88
Impairment losses recognised on receivables	19	66
Amounts written off during the year as uncollectible	(49)	(13)
Balance at the end of the year	111	141

The average credit period on sales of goods and rendering of services ranges from 30 to 60 days. The Tag Group has provided for receivables based on estimated unrecoverable amounts from sales of goods and rendering of services, determined by reference to the particular circumstances in relation to the debt and past default experience.

In determining the recoverability of a trade receivable, the Tag Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. There is no security held in relation to these balances.

Ageing of impaired trade receivables	2018 $'000	2017 $'000
90-120 days	111	141
Total	111	141

11. Inventories

At lower of cost and net realisable value:

	2018 $'000	2017 $'000
Raw materials	321	332
Goods-in-transit	520	493
Finished goods	5,613	6,624
Total inventories	6,454	7,449

The cost of inventory recognised as an expense during the year was $31.2 million (2017: $28.8 million).

12. Other assets

	2018 $'000	2017 $'000
Current		
Prepayments	603	1,428
Total other assets	603	1,428

13. Subsidiaries

Details of the Group's subsidiaries at 30 June 2018 are as follows:

Entity	Place of incorporation	Class of share	% Owned 2018	% Owned 2017
ACN 071 129 738 Pty Limited	Australia	ord	100	100
Electro Securities Pty Limited	Australia	ord	100	100
MPower Business Services Pty Limited	Australia	ord	100	100
MPower Group Pty Limited	Australia	ord	100	100
MPower Nominees Pty Limited	Australia	ord	100	100
MPower Products Pty Limited	Australia	ord	100	100
MPower Projects Pty Limited	Australia	ord	100	100
Power Property Nominees Pty Ltd (i)	Australia	ord	75	75
Power Property Unit Trust (i)	Australia	units	55	55
ShareCover Pty Limited	Australia	ord	100	100
ShareCover Services Pty Limited	Australia	ord	100	100
Tagpac Financial Services Pty Limited	Australia	ord	100	100
Flatbat Ltd (ii)	New Zealand	ord	100	100
MPower Pacific Limited (ii)	New Zealand	ord	100	100
PISL Limited (ii)	New Zealand	ord	100	100
Spedding Ltd (ii)	New Zealand	ord	100	100
MPower Samoa Limited (ii)	Samoa	ord	100	100

(i) The Tag group has majority ownership and board representation of all non-wholly owned subsidiaries. Percentages have been rounded.
(ii) Companies incorporated in New Zealand and Samoa carry on business primarily in their respective countries.

14. Other financial assets

	2018 $'000	2017 $'000
Current		
Derivatives designated and effective as hedging instruments carried at fair value		
Forward exchange contracts	129	21

The financial assets have been classified in this manner as this group of assets is managed and its performance is evaluated monthly on a fair value basis in accordance with an investment strategy.

	2018	2017
	$'000	$'000

15. Property, plant & equipment

	2018 $'000	2017 $'000
Cost or valuation	6,738	6,691
Accumulated depreciation	(3,802)	(3,836)
Total property, plant & equipment	2,936	2,855
Plant & equipment	845	785
Leasehold improvements	–	–
Capitalised leased assets	242	290
Land & buildings	1,849	1,780
Total property, plant & equipment	2,936	2,855

Cost	**Plant & equipment at cost**	**Leasehold improvements at cost**	**Capitalised leased assets at cost**	**Land & buildings at fair value**	**Total**
	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2016	3,974	188	786	1,900	6,848
Additions	323	–	–	5	328
Revaluation of assets	–	–	–	43	43
Other disposals	(376)	–	(152)	–	(528)
Effect of foreign currency exchange differences	–	–	–	–	–
Balance at 30 June 2017	3,921	188	634	1,948	6,691
Additions	293	–	–	–	293
Revaluation of assets	–	–	–	95	95
Other disposals	(328)	–	–	–	(328)
Effect of foreign currency exchange differences	(13)	–	–	–	(13)
Balance at 30 June 2018	3,873	188	634	2,043	6,738

Accumulated depreciation	**Plant & equipment**	**Leasehold improvements**	**Capitalised leased assets**	**Land & buildings**	**Total**
	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2016	(3,213)	(187)	(405)	(142)	(3,947)
Eliminated on disposals of assets	303	–	123	–	426
Depreciation expense	(226)	(1)	(62)	(26)	(315)
Effect of foreign currency exchange differences	–	–	–	–	–
Balance at 30 June 2017	(3,136)	(188)	(344)	(168)	(3,836)
Eliminated on disposals of assets	314	–	–	–	314
Depreciation expense	(214)	–	(48)	(26)	(288)
Effect of foreign currency exchange differences	8	–	–	–	8
Balance at 30 June 2018	(3,028)	(188)	(392)	(194)	(3,802)
Net Balance at 30 June 2018	845	–	242	1,849	2,936
Net Balance at 30 June 2017	785	–	290	1,780	2,855

Assets pledged as security
The Group's freehold land and buildings are measured on a fair value basis. The freehold land and buildings have been pledged as security for bank loans under a mortgage that was used to acquire the land and buildings. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. Buildings are depreciated at the rate of 2.5% per year.

Fair value measurement of the Group's freehold land and buildings
An independent valuation of the Group's land and buildings was performed by Savills Valuations Pty Limited to determine the fair value of the land and buildings. The valuation which conforms to International Valuation Standards, was determined by reference to market transactions on arm's length terms. The fair value was determined principally based on the income capitalisation method of valuation.

The Group has classified its freehold land and buildings as Level 3 hierarchy assets due to their fair value being based on unobservable inputs as follows:

Class of property	Fair value hierarchy	Fair value 2018	Valuation technique	Key unobservable inputs	Monthly input range 2018	Relationship of unobservable input to fair value
Commercial	Level 3	$1,850,000	Income capitalisation method	Market rent	$75-$110m2	The higher the passing and market rent per square metre, the higher the fair value.
				Capitalisation rate	7.50%-8.50%	The higher the capitalisation rate, the lower the fair value.

	2018 $'000	2017 $'000
Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:		
Land and buildings	830	856

16. Taxation

Current tax liabilities	–	–
Deferred tax balances	–	–
Deferred tax assets not brought to account which will only be realised if the conditions for deductibility set out in note 2(b) occur comprise:		
– timing differences	745	901
– revenue losses	9,151	8,177
– capital losses	4,201	4,201

The recoverability of the deferred tax assets has been determined by reference to forecast future taxable profits of the group. As a result of the uncertainty as to the timing of utilisation of tax losses, total deferred tax assets of $9,896 million have not been raised (2017: $9,078 million). This position is reassessed on an ongoing basis. The losses will remain available indefinitely to offset against future taxable profits, subject to continuing to meet the statutory tax tests of continuity of ownership or failing that, the same business test.

Tax consolidation
The company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Tag Pacific Limited. The wholly-owned Australian resident entities that are members of the tax-consolidated group are included in the list of subsidiaries in note 13. MPower Group Pty Limited and its Australian resident subsidiaries joined the Tag Pacific Limited tax consolidated group on 28 September 2012 on acquisition by Tag of the minority interest.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

	2018 $'000	2017 $'000

17. Construction contracts

Contracts in progress

	2018 $'000	2017 $'000
Recognised and included in the financial statements as amounts due:		
– Revenue accrued on construction contracts in progress	3,786	1,721
– Retentions on construction contracts in progress	171	118
– Costs accrued on construction contracts in progress	1,968	1,881

The above relates to power projects that are characterised as construction contract revenue under AASB 111.

Revenue from construction contracts is detailed in note 3.

18. Trade & other payables

	2018 $'000	2017 $'000
Current unsecured liabilities		
– trade payables	4,527	4,129
– sundry payables and accrued expenses	3,522	4,499
	8,049	8,628

The general policy for subsidiaries within the Tag Group with foreign currency exposure arising from cross border trading is to hedge between 50% and 100% of the exposure.

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

19. Borrowings

	2018 $'000	2017 $'000
Current		
– Bank facilities (secured)	4,172	3,997
– Other interest bearing liabilities	183	93
– Asset finance liabilities (secured) (refer note 26)	73	114
	4,428	4,204
Non-current		
– Bank facilities (secured)	1,030	1,063
– Asset finance liabilities (secured) (refer note 26)	92	165
	1,122	1,228

Bank facilities are fully secured by registered mortgage debentures given by controlled entities over their assets. The total carrying amounts of assets pledged as security are $21,313,645 (2017: $25,386,476).

Summary of borrowing and financial facility arrangements

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

(a) The Power Property Unit Trust has $1.1 million of the bank borrowings from National Australia Bank Limited charged at an interest rate of 5.93%. The facility has no financial covenants for the year ending 30 June 2018.

(b) MPower Group Pty Ltd (and subsidiaries) has $4.3 million of borrowings from St George Bank Limited charged at a weighted average interest rate of 6.06%. At 30 June 2018 the MPower Group was required to maintain a maximum gearing ratio of two times net tangible assets and a minimum liquidity ratio of current assets to current liabilities (excluding provisions) of 1.25 times.

There were no breaches of any covenants at 30 June 2018 (2017: nil).

The lease liabilities are secured by the leased assets as disclosed in note 15.

20. Provisions

	2018 $'000	2017 $'000
Employee benefits [(a)]	1,353	1,609
Warranties [(b)]	121	105
Total provisions	1,474	1,714
Current	1,430	1,624
Non-current	44	90
Total provisions	1,474	1,714
Warranties		
Opening balance at beginning of year	105	171
Provisions raised during year	40	30
Amounts used	(24)	(96)
Balance at end of year	121	105

(a) The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees. A provision has been recognised for employee entitlements relating to long service leave. The calculation for the present value of future cash flows in respect of long service leave is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in note 2.

(b) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Tag Group's warranty program for projects undertaken or products sold. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes, other events affecting product quality or changes in the nature of projects undertaken.

21. Other liabilities

	2018 $'000	2017 $'000
Current		
Forward exchange contract liability	2	339
Customer deposits in advance	43	470
Total current other liabilities	45	809
Non-Current		
Sundry other liabilities	82	94
Total non-current other liabilities	82	94

22. Issued capital

	2018 $'000	2017 $'000
124,328,175 (2017: 124,328,175) fully paid ordinary shares	23,410	23,410

	Number of shares '000	Share capital $'000
Balance at 30 June 2016	124,328	23,410
Shares issued during the year [(a)]	–	–
Balance at 30 June 2017	124,328	23,410
Shares issued during the year [(a)]	–	–
Balance at 30 June 2018	124,328	23,410

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value in respect of the issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each is entitled to one vote for each share held.

(a) No shares were issued during the current financial year (2017: nil).

(b) During the financial year, an on-market share buy-back facility was in place. No shares were acquired under the facility during the year (2017: nil) and to date a total of 1,532,983 shares have been purchased for $368,541.

(c) 3,105,000 unlisted executive share options remain on issue at 30 June 2018 (refer note 29).

(d) On 28 November 2017 the shareholders approved a share placement facility which allows the issue of equity securities up to 10% of the issued capital of the company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2.

	2018	2017
	$'000	$'000

23. Reserves

Revaluation reserve [a]	425	373
Share option reserve [b]	262	256
Foreign currency translation reserve [c]	(230)	(176)
Cash flow hedge reserve [d]	160	(187)
Total reserves	617	266

(a) Revaluation reserve

Balance at beginning of the year	373	351
Revaluation of property net of minority interests	52	22
Balance at end of the year	425	373

The revaluation reserve records a revaluation of land and buildings (refer note 15).

(b) Share option reserve

Balance at beginning of the year	256	255
Share based payments for the year	6	1
Balance at end of the year	262	256

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

(c) Foreign currency translation reserve

Balance at beginning of the year	(176)	(155)
Exchange differences arising on translating the foreign operations	(54)	(21)
Balance at end of the year	(230)	(176)

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

(d) Cash flow hedge reserve

Balance at beginning of the year	(187)	(42)
Cash flow hedges movements for the year net of tax	347	(145)
Balance at end of the year	160	(187)

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as an adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line item in the consolidated statement of profit or loss and other comprehensive income:

Other expenses	(32)	(130)

	2018 $'000	2017 $'000

24. Non-controlling interest in controlled entities

	2018 $'000	2017 $'000
Non-controlling interest comprises:		
– profits	446	401

25. Dividends

Recognised amounts
No dividends were paid during the current or previous years.

	2018 $'000	2017 $'000
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax, amounts transferred in and franking debits arising from payment of dividends	7,420	7,420

26. Capital and leasing commitments

Operating lease commitments
Operating leases are non-cancellable property leases with varying terms, with variable renewable options and contingent rental provisions.

	2018 $'000	2017 $'000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Minimum lease payments payable		
– not later than one year	606	949
– later than one year but not later than five years	2,094	904
– later than five years	1,895	–
Minimum lease payments	4,595	1,853

Finance lease commitments
Finance leases relate principally to motor vehicles with terms up to 5 years typically with a 20% residual value.

	2018 $'000	2017 $'000
Minimum lease payments payable		
– not later than one year	81	128
– later than one year but not later than five years	97	178
Minimum lease payments	178	306
Less: future finance charges	(13)	(27)
Present value of minimum lease payments	165	279

27. Segment information

(a) Products and services from which reportable segments derive their revenues
Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under AASB 8 are therefore as follows:

→ Power investments – consists of MPower Group Pty Limited, MPower Business Services Pty Ltd, MPower Products Pty Ltd, MPower Pacific Ltd, MPower Projects Pty Ltd, MPower Samoa Limited, ACN 071 129 738 Pty Ltd and MPower Nominees Pty Ltd (all 100% owned at 30 June 2018). 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 the Pacific Islands.
→ Property investments consist principally of Tag's investments in the Power Property Unit Trust which owns a property occupied by MPower Group in Melbourne, Victoria.

(b) Segment revenues and results
The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit/(loss)	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Continuing operations				
Power investments	40,802	40,011	(822)	(1,565)
Property investments	171	171	162	156
Other (net of inter-segment eliminations)	(167)	61	(167)	61
Total for continuing operations	40,806	40,243	(827)	(1,348)
Depreciation and amortisation expense			(288)	(315)
Finance costs			(329)	(362)
Unallocated costs			(1,451)	(1,830)
Consolidated segment loss for the year			(2,895)	(3,855)

Revenue reported above represents revenue generated from external customers. The only inter-segment sale during the year was rental income charged by the other investments segment to the power investments segment of $170,720 which was eliminated on consolidation (2017: $170,720).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. 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 purposes of resource allocation and assessment of segment performance.

(c) Segment assets and liabilities

	2018	2017
	$'000	$'000
Segments assets		
Power investments	19,271	23,212
Property investments	2,118	2,037
Total segment assets	21,389	25,249
Unallocated assets	(305)	(155)
Consolidated assets	21,084	25,094
Segments liabilities		
Power investments	12,809	14,677
Property investments	1,076	1,095
Total segment liabilities	13,855	15,772
Unallocated liabilities	1,315	905
Consolidated liabilities	15,200	16,677

For the purposes of monitoring performance and allocating resources between segments:
(i) All assets are allocated to reportable segments. There are no assets used jointly by reportable segments.
(ii) All liabilities are allocated to reportable segments. There are no liabilities for which reportable segments are jointly liable.

(d) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Power investments	260	286	282	323
Property Investments	26	26	–	5
Unallocated	2	3	11	–
Total	288	315	293	328

(e) Revenue from major products and services
The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	2018 **$'000**	2017 $'000
Power investments – project and installations revenue (i)	12,345	10,055
Power investments – other revenue (ii)	28,457	29,956
Other	4	232
Total	40,806	40,243

(i) Project and installations revenue includes revenue characterised as construction contract revenue under AASB 111 of $12.35 million (2017: $10.06 million).
(ii) Other revenue relates to the sale of goods and rendering of services.

(f) Geographical information
The investment in the power sector has business segments located across Australia and New Zealand. Specifically, geographical segments consist of branches across Australia in New South Wales, Victoria, Queensland, Western Australia and South Australia and includes overseas projects (including Samoa) managed in Australia. The New Zealand segment includes branches in Auckland, Wellington and Christchurch.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		**Non-current assets**	
	2018 **$'000**	2017 $'000	**2018** **$'000**	2017 $'000
Australia	33,209	33,587	2,485	2,420
New Zealand	7,593	6,536	451	435
Total	40,802	40,123	2,936	2,855

(g) Information about major customers
Included in revenues arising from power projects and installation revenue of $12.37 million (2017: $10.06 million) are revenues of $3.3 million (2017: $2.1 million) which arose from sales to the Group's largest customer.

28. Auditor's remuneration

	2018 **$**	2017 $
Remuneration of the auditor of Tag Group:		
Deloitte Touche Tohmatsu (including network member firms)		
– Auditing or reviewing financial statements	97,750	115,000
– Taxation services	5,252	4,646
Total	103,002	119,646

29. Employee benefits

Executive Share Option Plan
The following share-based payment arrangement existed at 30 June 2018.

Under the Tag Pacific Limited Executive Share Option Plan, the remuneration committee may offer options to executives having regard to their length of service with the group, the contribution made to the Tag Group by the executive, the potential contribution of the executive and any other matters considered relevant.

The maximum number of options that can be on issue at any time is 5% of the shares on issue at that time. In addition, the maximum number of options that can be issued to any one executive is 2,350,000 (2017: 2,350,000).

An option may be exercised, if vested, by the relevant participant lodging a Notice of Exercise of Option and Application for Shares, together with the exercise price for each share to be issued on exercise. Options may only be exercised by a participant at the times and in the numbers and subject to the satisfaction of any conditions set by the remuneration committee at the time of the offer of the options. The remuneration committee may stipulate that options may only be exercised if the company achieves stipulated performance benchmarks.

There are no performance criteria that need to be met in relation to the options currently on issue, however, an option not exercised will lapse on the expiry of the exercise period or if the relevant senior manager no longer provides services to or is no longer employed by the company. Unless the remuneration committee determines otherwise, options may not be transferred.

1,300,000 options were granted under the Tag Pacific Limited Executive Share Option Plan during the year ended 30 June 2018 (2017: 1,985,000).

	Tag Group		Weighted average exercise price	
	2018 No.	2017 No.	**2018 $**	2017 $
Movement in the number of share options held by executives are as follows:				
Opening balance	2,145,000	1,523,000	0.0800	0.2394
Issued during year	1,300,000	1,985,000	0.1000	0.0700
Lapsed during the year	(340,000)	(1,363,000)	0.2274	0.2510
Balance at end of the year	**3,105,000**	**2,145,000**	**0.0826**	**0.0800**
Number of holders of share options	7	9		

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

Grant date	Expiry date	Exercise price	Fair value at grant date	Number of options
2 December 2016	31 May 2019	$0.0700	$0.01	541,500
2 December 2016	31 May 2020	$0.0700	$0.01	541,500
2 December 2016	31 May 2021	$0.0700	$0.01	722,000
31 January 2018	31 May 2019	$0.1000	$0.03	390,000
31 January 2018	31 May 2020	$0.1000	$0.03	390,000
31 January 2018	31 May 2021	$0.1000	$0.03	520,000
Total				**3,105,000**

During the year 1,300,000 options were issued under the Tag Pacific Limited Executive Share Option Plan, no options were exercised, and 340,000 share options lapsed. No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

The options outstanding at 30 June 2018 had a weighted average exercise price of $0.0826, a weighted average remaining contracted life of 2.02 years and the exercise prices range from $0.0700 to $0.0100.

The fair value of options issued is calculated by using a Black Scholes option pricing model. Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of potential future movements, which may not eventuate.

Included under employee benefits expense in the statement of profit or loss and other comprehensive income is an expense of $5,595 (2017: $2,355) relating to equity-settled share-based payment transactions.

30. Related parties

Parent entity
The parent entity and ultimate parent entity of the group is Tag Pacific Limited.

Controlled entities
Information relating to controlled entities is set out in note 13.

Director related entities
(a) Anthony Australia Pty Limited
Peter Wise has a controlling interest in Anthony Australia Pty Ltd through family interests and Nathan Wise is a director of the company. During the year the company was entitled to management fees and allowances for services rendered of $312,000 (2017: $387,000). Management fees of $550,335 (2017: $250,335) were accrued and payable at 30 June 2018. The company acquired 44,000 ordinary shares in Tag Pacific Limited during the year (2017: Nil). The details of the fees and executive share options are included in the remuneration of directors' disclosures in the Directors' Report. The company held no unlisted executive share options during the year.

(b) Investment Associates Pty Limited
Nathan Wise has a controlling interest in Investment Associates Pty Ltd through family interests. During the year the company received management fees for services rendered of $335,000 (2017: $335,000). 600,000 unlisted executive share options over unissued ordinary shares in Tag Pacific Limited were granted during the year (2017: 900,000). The details of the fees and executive share options are included in the remuneration of directors' disclosures in the Directors' Report. During the prior year 350,000 unlisted executive share options held by the company over unissued ordinary shares in Tag Pacific Limited lapsed.

Directors
The names of the directors of the Tag Group during the year under review were Peter Wise, Nathan Wise, Gary Cohen, Robert Constable, Robert Moran and Gary Weiss. Information on the remuneration of directors and their respective periods of service is set out in the Directors' Report. Information on directors' interests in shares is detailed in the Directors' Report.

Key management personnel
The names and positions held by key management personnel of the Tag Group who have held office during the current and previous financial years are:
→ Peter Wise – Chairman (executive)
→ Nathan Wise – Chief Executive Officer and Managing Director
→ Gary Cohen – Non-executive Director
→ Robert Constable – Non-executive Director
→ Robert Moran – Non-executive Director
→ Gary Weiss – Non-executive Director – retired with effect from 31 August 2017
→ Darrell Godin – Chief Financial Officer and Company Secretary
→ Anthony Csillag – Managing Director, MPower Projects Pty Limited

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

		Tag Group
	2018	2017
	$	$
Short-term employee benefits	1,279,168	1,427,631
Post-employment benefits	42,707	48,244
Other payments	34,681	35,149
Share based payments	4,394	1,706
	1,360,950	1,512,730

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

31. Earnings per share

	2018 cents per share	2017 cents per share
Basic earnings per share	(2.4)	(3.1)
Diluted earnings per share	(2.4)	(3.1)

	2018 $'000	2017 $'000
Reconciliation of earnings to net loss		
Net loss after income tax	(2,895)	(3,855)
Attributable to non-controlling interests	(34)	(32)
Earnings used in the calculation of basic and diluted earnings per share	(2,929)	(3,887)
Weighted average number of shares used in the calculation of basic earnings per share	124,328,175	124,328,175
Weighted average number of shares used in the calculation of diluted earnings per share	124,328,175	124,328,175

No dilution has been included as losses were incurred in the current and previous years.

32. Financial instruments

(a) Capital risk management
The Tag Group manages its capital to ensure that entities in the Tag Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. This strategy remains unchanged from the previous year.

The capital structure of the Tag Group consists of cash and cash equivalents, debt (including the borrowings disclosed in note 19), and equity attributable to equity holders of the Tag Parent, comprising issued capital (disclosed in note 22), reserves (disclosed in note 23) and retained earnings. The Tag Group also utilises certain off-balance sheet bank financing arrangements, including documentary credit facilities to facilitate the purchase of goods from overseas suppliers and the provision of performance guarantees to customers. The Tag Group operates internationally through subsidiary companies established in Samoa, New Zealand and a branch in Fiji. None of the Tag Group entities are subject to externally-imposed capital requirements other than those specific bank covenants and conditions referred to under note 19. Operating cash flows are used to maintain and expand the group's manufacturing and distribution assets, as well as to make routine outflows of tax, dividends and repayment of maturing debt.

Gearing ratio
The Tag Group's senior management reviews the capital structure on a semi-annual basis. As part of this review, senior management considers the cost of capital and the risks associated with each class of capital. The Tag Group has a target gearing ratio in line with the industry custom that is determined as a proportion of net debt to equity. The Tag Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year-end was as follows:

	2018	2017
	$'000	$'000
Debt [(i)]	5,550	5,432
Cash and cash equivalents	(2,438)	(3,855)
Net debt	3,112	1,577
Equity [(ii)]	5,884	8,417
Net debt to equity ratio	52.9%	18.7%

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 19.
(ii) Equity includes all capital, reserves and non-controlling interests.

(b) Categories of financial instruments

	2018	2017
	$'000	$'000
Financial assets		
Trade and other receivables	8,524	9,486
Cash and cash equivalents	2,438	3,855
Forward exchange contract assets	129	21
Total financial assets	11,091	13,362
Financial liabilities		
Amortised cost	13,642	14,060
Forward exchange contract liabilities	2	339
Total financial liabilities	13,644	14,399

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

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

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

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

(d) Market risk
The Tag Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 32(e)) and interest rates (refer note 32(f)).

Market risks are reviewed at least monthly at a Tag Group level and at a subsidiary company level.

There has been no change to the Tag Group's exposure to market risks or the manner in which it manages and measures the risk from the previous year.

(e) Foreign currency risk management
The Tag Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

To manage its exposure to foreign currency risk the Tag Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on sales denominated in foreign currencies and the import of power related products from countries including Europe, China, Singapore and the United States.

The carrying amount of the Tag Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
New Zealand Dollars	1,064	1,335	2,770	3,329
US Dollars	1,680	1,396	233	1,609
Euros	87	25	106	–
Singapore Dollars	159	94	–	–
British Pounds	–	–	8	–
Total	2,990	2,850	3,117	4,938

Foreign currency sensitivity analysis
The following table details the Tag Group's sensitivity to a 10% increase or decrease in the Australian Dollar against the relevant foreign currencies. This sensitivity of 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2018	2017
	$'000	$'000
Profit or loss		
US Dollars	132	(19)
NZ Dollars	(155)	(181)
Euros	(2)	2
Singapore Dollars	14	8
Total	(11)	(190)

Forward foreign exchange contracts
The Tag Group has entered into contracts to purchase power related products from suppliers in countries including the United States, China, Singapore and Europe. The Tag Group has also entered contracts with customers denominated in USD and NZD. The relevant subsidiaries have entered into forward foreign exchange contracts for terms not exceeding 2 years to cover anticipated foreign currency payments and receipts within 50% to 100% of their respective exposures, which are designated into cash flow hedges.

At 30 June 2018, the aggregate amount of gains/(losses) under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to these anticipated future transactions is a loss of $31,917 (2017: profit of $130,302). It is anticipated the purchases of products will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of inventory. It is anticipated the inventory will be sold within 6 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

The following table details the forward foreign currency contracts for the Tag Group outstanding as at reporting date:

Outstanding contracts	Average exchange rate		Foreign currency amount		Contract value in A$		Fair value in A$	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
			FC'000	FC'000	**$'000**	$'000	**$'000**	$'000
Consolidated								
Buy US Dollars								
Less than 3 months	0.7934	0.7552	360	1,203	454	1,594	34	(27)
3 to 12 months	0.7622	0.7542	2,142	3,301	2,810	4,376	86	(74)
Sell US Dollars								
Less than 3 months	–	–	–	–	–	–	–	–
3 to 12 months	–	0.8147	–	424	–	521	–	(32)
Sell NZ Dollars								
Less than 3 months	1.0795	1.1038	345	4,268	319	3,867	3	(191)
3 to 12 months	–	–	–	–	–	–	–	–
Buy Euro								
Less than 3 months	–	–	–	–	–	–	–	–
3 to 12 months	0.6381	0.6961	228	110	357	158	4	7
Buy Singapore Dollars								
Less than 3 months	–	–	–	–	–	–	–	–
3 to 12 months	–	1.0257	–	80	–	78	–	(2)
Total					3,940	10,594	127	(319)

(f) Interest rate risk management
The Tag Group is exposed to interest rate risk as entities in the Tag Group borrow funds at both fixed and floating interest rates. The risk is managed by the Tag Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Tag Group does not enter into interest rate hedging activities.

Exposures to interest rates on the financial liabilities of the Tag Group are detailed in note 32(h) below.

Interest rate sensitivity analysis
The following analysis illustrates the Tag Group's sensitivity to a 200 basis point (i.e. 2% p.a.) increase or decrease in nominal interest rates, based on exposures in existence at the reporting date. This represents management's assessment of the reasonably possible change in interest rates as at that date.

At reporting date, if interest rates on borrowings had been 200 basis points higher (or lower) and all other variables were held constant, the Tag Group's net profit would decrease/(increase) by $108,000 (2017: $101,000). This is mainly attributable to the Tag Group's exposure to interest rates on its variable rate borrowings.

There was no significant change in the Tag Group's sensitivity to interest rates during the current year.

At reporting date, if interest rates had been 200 basis points higher (or lower) and all other variables were held constant, the Tag Group's net profit would increase/(decrease) on deposits by $49,000 (2017: $77,000). This is mainly attributable to the Tag Group's exposure to interest rates on its cash and cash equivalents.

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

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

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

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

	Maximum risk	
	2018	2017
	$'000	$'000
Tag Group		
Trade and other receivables	8,524	9,486
Total	8,524	9,486

(h) Liquidity risk management
Liquidity risk is the risk that the Tag Group will encounter difficulty in meeting its obligations associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Tag Parent board of directors, who have built an appropriate liquidity risk management framework for the management of the Tag Group's short, medium and long-term funding and liquidity management requirements. The Tag Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 9 is a listing of additional undrawn facilities that the Tag Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables
The following tables detail the Tag Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Tag Group can be required to pay. The table includes both interest and principal cash flows.

Tag Group	**Weighted average effective interest rate**	**Less than 3 months**	**3 months to 1 year**	**1-5 years**	**5+ years**
	%	$'000	$'000	$'000	$'000
2018					
Non-interest bearing liability	–	7,002	1,047	82	–
Finance lease liability	6.19	20	61	97	–
Variable interest rate instruments	6.86	4,327	29	491	538
Forward exchange contract liabilities	–	–	2	–	–
Total		11,349	1,139	670	538
2017					
Non-interest bearing liability	–	6,860	1,768	–	–
Finance lease liability	6.20	32	96	178	–
Variable interest rate instruments	5.78	4,077	14	361	701
Forward exchange contract liabilities	–	27	312	–	–
Total		10,996	2,190	539	701

MPower Group Pty Limited (and subsidiaries) has an available performance guarantee and surety bond facility with Vero Insurance. There were performance guarantee and surety bond contracts in respect of open construction contracts at year end of $1,783,283 (2017: $940,488). At the end of the year it was not probable that the counterparty to any of the performance guarantee contracts will claim under the contract. Consequently, the amount included in the above table is nil.

The Tag Group is planning to finance the payment of the above liabilities by way of expected cash-flow arising from operating activities based upon prepared forecasts and budgets.

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Tag Group	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2018					
Non-interest bearing	–	4,843	–	–	–
Variable interest rate instruments	0.15	2,426	–	–	–
Fixed interest rate instruments	2.30	–	9	3	–
Forward exchange contracts	–	39	90	–	–
Total		7,308	99	3	–
2017					
Non-interest bearing	–	7,853	–	–	–
Variable interest rate instruments	0.39	3,706	–	–	–
Fixed interest rate instruments	1.82	46	100	3	–
Forward exchange contracts	–	–	21	–	–
Total		11,605	121	3	–

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(i) Fair value measurements recognised in the statement of financial position

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 30 June 2018	Fair value as at 30 June 2017	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	$'000	$'000				
Foreign currency forward contracts			Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Assets	129	21				
Liabilities	2	339				

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of the following financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values at 30 June:

	2018	2017
	$'000	$'000
Financial assets		
Trade and other receivables	8,524	9,486
Cash and cash equivalents	2,438	3,855
Total	10,962	13,341
Financial liabilities		
Trade and other payables	8,049	8,628
Borrowings	5,550	5,432
Total	13,599	14,060

33. Parent entity disclosures

	Tag Parent	
	2018	2017
	$'000	$'000
(a) Financial position		
Assets		
Current assets	8,151	8,342
Non-current assets	1,111	1,130
Total assets	9,262	9,472
Liabilities		
Current liabilities	1,862	1,446
Non-current liabilities	–	–
Total liabilities	1,862	1,446
Equity		
Issued capital	23,410	23,410
Accumulated losses	(16,272)	(15,640)
Share option reserve	262	256
Total equity	7,400	8,026
(b) Financial performance		
Loss for the year	(634)	(1,503)
Other comprehensive income	–	–
Total comprehensive loss	(634)	(1,503)

(c) Guarantees entered into by the parent entity
Tag Pacific Limited has not provided any guarantees in relation to any of its subsidiaries.

(d) Contingent liabilities of the parent entity
There are no contingent liabilities for the parent entity.

(e) Commitments for the acquisition of property, plant and equipment by the parent entity
There are no commitments for the acquisition of property, plant and equipment by the parent entity.

34. Subsequent events

On 28 June 2018 the Company announced that it had signed an Implementation Deed for the acquisition of Energy Made Clean, a subsidiary business of Carnegie Clean Energy Limited (ASX: CCE) (Carnegie). Under the existing transaction documentation, the purchase price for the Energy Made Clean business is to be satisfied by Tag issuing 58,507,377 new fully paid ordinary shares to Carnegie,which shares are to be distributed by Carnegie to the Carnegie shareholders by way of an in-specie distribution. At completion Carnegie is required to deliver net tangible assets to Tag of $4.2 million. Immediately following completion, it is expected that Carnegie's shareholders will hold approximately 32% of the ordinary shares on issue in the Company. The transaction is conditional on the Company undertaking a capital raising of at least $4.0 million to coincide with completion amongst other conditions. Following completion, the Company will change its name to MPower Group Limited.

The existing transaction documentation was signed on 17 August 2018 and the transaction remains subject to a number of conditions precedent, including the approval of CCE shareholders, a capital raising of at least $4.0 million and third party consents being obtained. Tag shareholders gave their approval at the Extraordinary General Meeting in Sydney on 25 September 2018.

On 28 September 2018 the Company and Carnegie agreed:
(a) to change the end date for the transaction from 31 October 2018 to 30 November 2018;
(b) to remove the cash component of the sale consideration previously payable by Carnegie; and
(c) to renegotiate the consideration payable under the Share Purchase Agreement as a result of the removal of the cash component.

The parties are targeting to finalise the amendments to the Share Purchase Agreement by 16 October 2018 and to complete the transaction as soon as possible. If the parties are unable to reach agreement on the amendments to the Share Purchase Agreement by 16 October 2018, the Share Purchase Agreement will automatically terminate.

Other than as noted above, there are no other matters or circumstances which have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Tag Group, the results of those operations, or the state of affairs of the Tag Group in future financial years.

35. Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets at balance date.

Directors' declaration

The directors of Tag Pacific Limited declare that:

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

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

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

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

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

On behalf of the directors

Peter Wise
Chairman

Sydney, 28 September 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW ,2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Tag Pacific Limited
Level 32, Australian Square
264 George Street
Sydney NSW 2000

28 September 2018

Dear Board Members

Auditor's Independence Declaration to Tag Pacific Limited

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

As lead audit partner for the audit of the financial statements of Tag Pacific Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tag Pacific Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material Uncertainty Related to Going Concern

We draw your attention to Note 2(w) in the financial report, which indicates that the Group incurred a net loss of $2.602 million and had a net cash outflow from operating activities of $1.187 million during the year ended 30 June 2018. These conditions, along with other matters as set forth in Note 2(w), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors in relation to events and conditions that may impact the assessment on the Group's ability as a going concern;
- Challenging the assumptions contained in management's cash flow forecast in relation to the Group's ability to continue as a going concern;
- Assessing the adequacy of the disclosure related to going concern in Note 2(w).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Relating to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Revenue recognition on construction contracts *Refer to Note 2 'Critical accounting judgements and key sources of estimation uncertainty", Note 2 (0) 'Revenue', and Note 2(p) Construction contracts and work in progress.* For the year ended 30 June 2018, the Group recognised $12.3 million revenue from construction contracts. Construction revenue is recognised by management after assessing all factors relevant to each contract. Significant management estimation is required in assessing the following: - Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations; - Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract; - Estimation of project contingencies; and - Estimation of stage of completion including determination of project completion date.	Our procedures included, but were not limited to: - Evaluating management's processes and key controls in respect of the recognition of revenue on construction contracts, - Testing a sample of contracts and: o agreed the contract terms to the initial contract price; o tested a sample of costs incurred to date to supporting documentation; o assessed the forecast costs to complete through discussion and challenge of project managers and finance personnel; o recalculated the percentage of completion based on costs incurred to date relative to total forecast costs; o obtained evidence of approved variations to supporting documentation; and o challenged management's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes. We also assessed the appropriateness of the disclosures in the notes to the financial statements.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Tag Pacific Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 28 September 2018

Securityholder information

The following information is current as at 21 September 2018:

1. Shareholders

Spread of shareholders

Range	Number of shareholders	Percentage
1-1,000	525	0.20
1,001-5,000	527	1.14
5,001-10,000	175	1.07
10,001-100,000	251	6.00
100,001 Over	75	91.59
Total	**1,553**	**100.00**

1,152 shareholders held less than a marketable parcel.

Substantial shareholders

Name	Number of shares	Percentage
ANTHONY AUSTRALIA PTY LTD	66,111,448	53.17
TAG PACIFIC LIMITED	9,208,930	7.41
PAUL SHARP & ASSOCIATES	9,208,930	7.41
KV MANAGEMENT (NOMINEES) PTY LTD	6,630,141	7.08

Twenty largest shareholders

Name	Number of shares	Percentage
ANTHONY AUSTRALIA PTY LTD	56,946,518	45.80
KV MANAGEMENT (NOMINEES) PTY LTD	8,914,152	7.17
PACIFIC SPECTRUM INVESTMENTS PTY LTD	6,214,125	5.00
MR GEORGE CHIEN-HSUN LU	3,350,000	2.69
MRS PENELOPE MARGARET SIEMON	2,275,138	1.83
JBWERE (NZ) NOMINEES LIMITED <32083 A/C>	2,014,807	1.62
PAUL DOUGLAS SHARP + LISA MARIE SHARP <THE PAUL SHARP CHILDRENS TRUST>	1,940,737	1.56
MR GEORGE CHIEN HSUN LU + MRS JENNY CHIN PAO LU	1,642,381	1.32
ASCE ENGINEERING PTY LTD <CSILLAG SUPER FUND A/C>	1,610,184	1.30
MR DWAYNE PAUL LANGE + MRS ANGELA GAYE LANGE <LANGE SUPER FUND A/C>	1,526,275	1.23
CLYME PTY LTD <THE SCUPHAM FAMILY A/C>	1,423,417	1.14
DR JOHN ALOIZOS + MRS MURIEL PATRICIA ALOIZOS <SUPERANNUATION FUND NO 2 A/C>	1,379,904	1.11
MR BRIAN ROBERT O’MALLEY	1,342,344	1.08
ANDREW HAAVISTO	1,337,143	1.08
MR PAUL DOUGLAS SHARP	1,054,068	0.85
MRS JANET EUGENIE SALEK	1,000,000	0.80
MRS NICOLA HELEN MORAN	957,325	0.77
T & T MANAGEMENT PTY LTD <KOOTENAY S/F A/C>	928,298	0.75
CASTLE PARTNERS PTY LTD	889,175	0.72
MICJUD PTY LTD <CHESTER SUPER FUND A/C>	887,885	0.71
Total	**97,633,876**	**78.53**

Voting rights
At meetings of members each member may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands every person present who is a member or a representative of a member has one vote and on a poll every member present in person or by proxy or attorney has one vote for each fully paid ordinary share held.

On-market buy-back
Tag Pacific Limited has an on-market buy-back facility in place for up to 10% of its issued shares and operating with no fixed duration. A total of 1,532,983 shares have been purchased by the company under the on-market buy-back for an amount of $368,541.

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

Corporate directory

Directors
Peter Wise (Chairman)
Nathan Wise (CEO)
Gary Cohen
Robert Constable
Robert Moran

Company secretary
Darrell Godin (CFO)

Registered office
Level 32 Australia Square
264 George Street
Sydney NSW 2000
Australia

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

Websites
tagpac.com
mpower.com.au

Auditors
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Share registry
Computershare Investor
Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Phone 1300 85 05 05