

TAG PACIFIC LIMITED > 2004
annual report





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a
DIVERSIFIED
investment
HOLDING
company
■ ■ ■



chairman's REPORT

Last year's Chairman's Report concluded with the following statement :

"We fully anticipate that by the end of 2004, the Tag Group will have evolved substantially. Our clear objective is to improve investors' perception of the Group; to increase its value; and to return to a dividend policy at the earliest possible time."

It is therefore pleasing to report to you a year later that the Tag Group has made solid progress towards meeting those objectives.

In the period under review, revenue increased by 83% to A\$53.552 million and after tax profit lifted to A\$3.017 million from close to breakeven in the previous year. This equates to earnings of 4.6 cents per share (A\$).

As a result, the Company paid a dividend of A\$327,266 on 17 September 2004, equating to 0.5 cents per share (A\$). The dividend, which was franked to 60%, was the first dividend in recent years.

The 2004 financial year was pleasing for a number of reasons. Firstly, all of our operating subsidiaries ended the year in better shape than when the year started. The inclusion of M+H Power Systems Pty Limited as a 56% owned subsidiary had a significant and positive impact. M+H Power did particularly well and exceeded budget by a comfortable margin, primarily because of

strong gains in some of its core areas of operation. Recent strategic planning has identified a number of areas of growth, including renewable energy; and these are being targeted.

The closer working relationship that has developed between Potter Interior Systems Limited and Comprador Pacific Pty Limited began to show benefits in the last quarter. Potter had a reasonable year with regard to profitability and deserved to do even better after what can only be described as a determined effort to increase the scope and scale of the business. Potter is well on the way to improving its profitability, however Comprador still has a way to go to reach a satisfactory result. The reorganisation of Comprador's management structure has progressed well and this is expected to bear fruit in coming months after a series of delays and frustrations. The introduction of new product lines and the broadening of the scope of the business are components of the plan to reinvigorate our investment in this sector.

The second pleasing aspect to the year's result was the increase in value of Tag's holding in publicly listed IBA Health Limited. Tag holds some 13.3 million shares in IBA which had a carrying value of 15 cents per share at June 2003. At June 2004 the carrying value was 35 cents per share against a market price of 36.5 cents per share at that time. However, since then, the IBA share price has advanced further

OR

A D Y N A M I C

strategic

investor?

following a series of developments, including the announcement of the Eastman Kodak and IBA global alliance in late July 2004; and more recently the alliance with Telstra to boost health IT connectivity.

In mid September 2004, the market value of Tag's shareholding in IBA stood at around A\$9.0m, almost A\$3.0m more than the carrying value at June 2004. This translates into an underlying increase of some 4.5 cents in the NTA of each Tag share.

During the year Tag also increased its investment in technology group Unique World from below 10% to an equity accounted investment of 27%. Whilst it is not free from risk, Tag is enthusiastic about the investment in Unique World and its prospects are seen as exciting. Unique World management is anticipating continued revenue growth and the list of contract service clients continues to impress. In addition, there are expectations for future revenue from Microsoft based packaged solutions that Unique World Software has developed.

When reviewing the health of the Tag Group, it is pleasing to note that cash of A\$1.15m was generated by the operating activities. The Group ended the year with cash of A\$5.4 million and with a well structured balance sheet. Total assets increased from A\$23.04m to A\$31.73m, yet interest bearing liabilities only increased marginally

by A\$0.33m to A\$3.08m. Total equity rose considerably to A\$18.853m, of which only a negligible portion (less than 1%) is represented by intangible assets.

Towards the end of the year the company made a minimum holding share buy-back facility available, which was accepted by 286 shareholders holding 206,825 shares. The majority of eligible shareholders opted to retain their shareholding.

Since balance date, M+H Power Systems Pty Limited has disclosed a 6.16% interest in publicly listed Ice Corporation Limited, a licensor and manufacturer of switch mode rectifier designs and related electronic sub-components.

The Tag Group continues to pursue a number of initiatives across all of its spheres of activity, as well as in new spheres of endeavour. The operating activities are expected to deliver a better result in 2005 and together with equity investments and other initiatives the Board looks forward to 2005 being another solid year.

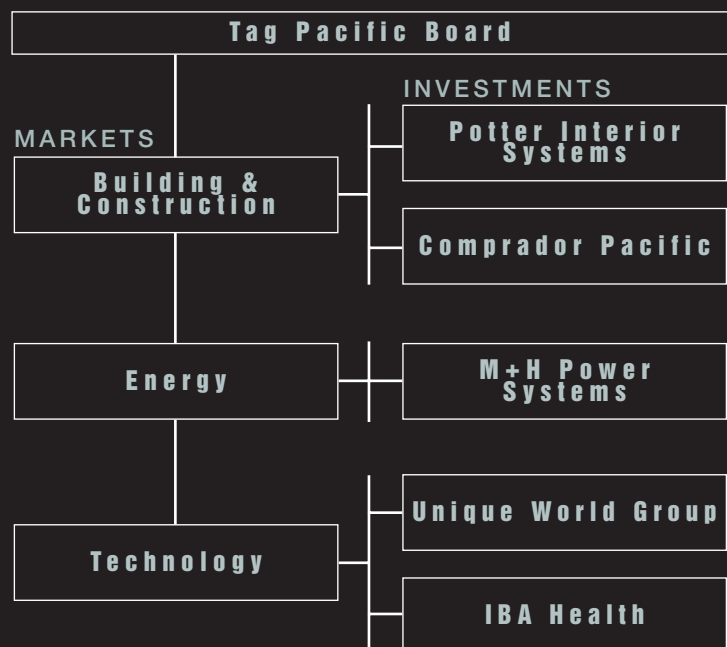
For and on behalf of the Board of
Tag Pacific Limited



Peter Wise
Chairman

group structure

4



56%

INTEREST IN

M+H POWER SYSTEMS

AT A GLANCE

As at 30 June 2004

BOARD OF DIRECTORS

PH Wise (Chairman)

DJ Henderson

RC Hohnke

PD Sharp

Managing Director

PD Sharp

DIVISIONS

Batteries & Merchandising

Power Systems

Uninterruptible Power Supplies

Emergency Lighting

LOCATIONS

Australia

Melbourne (head office)

Sydney

Brisbane

Perth

Adelaide

New Zealand

Auckland

Wellington

Christchurch

EMPLOYEES

57

PERCENTAGE OWNED

56% (undiluted)

PRODUCTS DISTRIBUTED

Batteries

Sonnenschein

Tudor

Haze

Power Systems

Harmer & Simmons

Westpower Rectifiers

Uninterruptible Power Supplies

Nikko

Gutor

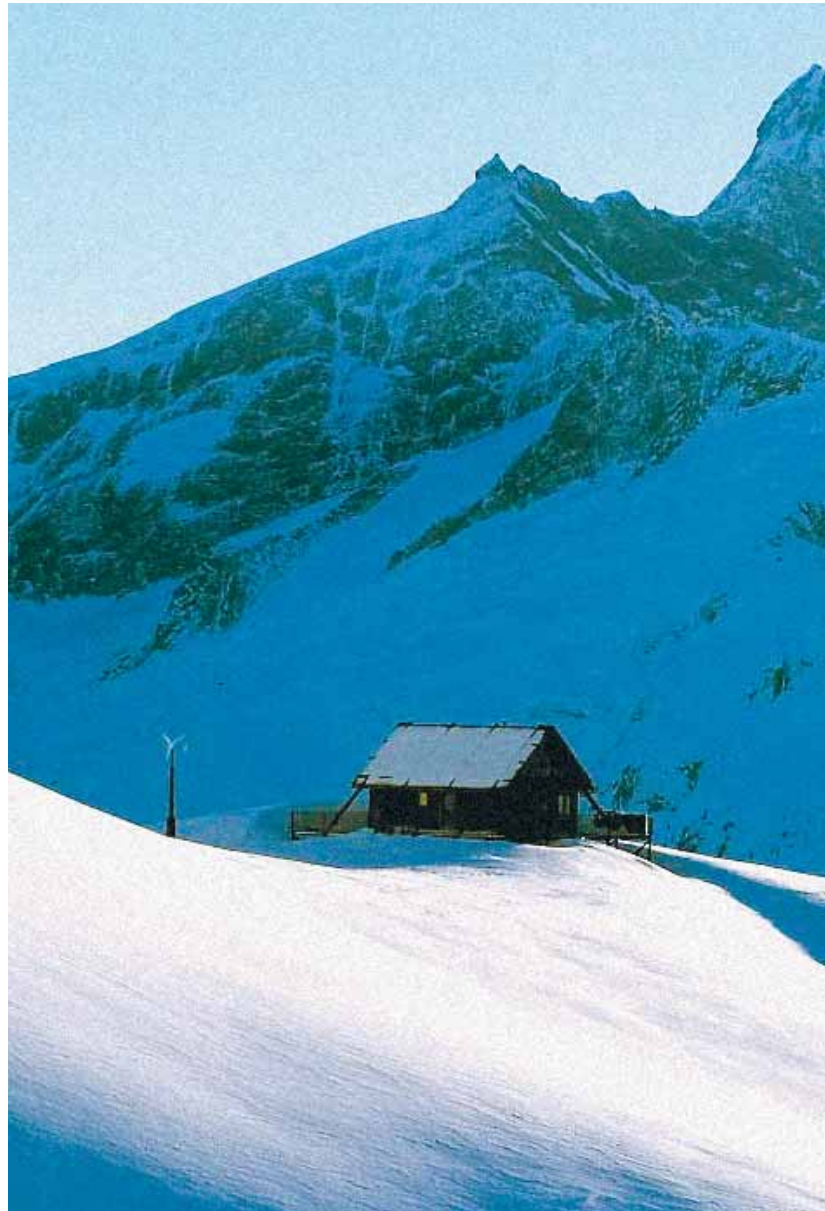
Astrid

Emergency Lighting

Bardic

WEBSITE

www.mhpower.com.au



M+H power systems

5

potter interior systems



100%

INTEREST IN POTTER INTERIOR SYSTEMS

AT A GLANCE

As at 30 June 2004

BOARD OF DIRECTORS

PH Wise (Chairman)

DJ Henderson

RD Peterson

H Wu

General Manager

BT Bamforth

DIVISIONS

Ceiling Products

Wall Products

Whiteboards / Noticeboards

Insulation

LOCATIONS

New Zealand

Auckland (Head Office)

Wellington

Christchurch

EMPLOYEES

39

PERCENTAGE OWNED

100%

PRODUCTS DISTRIBUTED

Ceiling Products

USG ceiling grid and panels

AMF ceiling panels

Wall Products

Softline

Whiteboards / Noticeboards

Vision

Insulation

CSR

WEBSITE

www.potters.co.nz



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51%

INTEREST IN COMPRADOR PACIFIC

AT A GLANCE

As at 30 June 2004

BOARD OF DIRECTORS

PH Wise (Chairman)

DJ Henderson

BT Bamforth

GJ Appleby

WN Adams

Acting General Manager

BT Bamforth

DIVISIONS

Ceiling Products

Floor Products

Plaster Compounds

Whiteboards / Noticeboards

LOCATIONS

Australia

Queensland (Head Office)

New South Wales

Victoria

Western Australia

EMPLOYEES

29

PERCENTAGE OWNED

51%

PRODUCTS DISTRIBUTED

Ceiling Products

USG ceiling grid and panels

Daiken ceiling panels

AMF ceiling panels

Floor Products

DONN Flooring

Whiteboards / Noticeboards

TECOA

WEBSITE

www.comprador.com.au



COMPRADOR
PACIFIC COMMERCIAL INTERIOR SUPPLIERS



comprador
pacific

7

6.75%

INTEREST IN

IBA HEALTH LIMITED

Listed on the ASX

Market cap A\$135m

as at 20 September 2004

IBA'S CORE BUSINESS

eHealth Solutions focus on bringing web based clinical and administrative software to the hospital, clinic, GPs, community and aged care markets.

eHealth Network provides a broad range of point-of-service transactions to hospitals, professional health service providers, health funds and the Australian Government.

LOCATIONS

Australia

Sydney

Melbourne

Brisbane

Overseas

New Zealand

Singapore

EMPLOYEES

180

IBA CLIENTS

Hospitals

Clinics and Pharmacies

GPs and Specialists

Community and Aged Care Providers

Ancillary Care Providers

Ancillary Health Providers

Private Health Funds

Defence Forces

ALLIANCE PARTNERS

Eastman Kodak

Telstra

WEBSITE

www.imatech.com

IBA health





unique
world

27%

INTEREST IN

UNIQUE WORLD GROUP

AT A GLANCE
As at 30 June 2004

BOARD OF DIRECTORS

DL Veal (Chairman)
PH Wise
E Geller
E Aizenstros
GK Jones

Chief Executive Officer

E Geller

DIVISIONS

Consulting Services
Unique World Interactive
Payment Gateway
Unique World Software

LOCATIONS

Australia

Sydney (Head Office)
Canberra

EMPLOYEES

50

PERCENTAGE OWNED

27%

PARTNERS

Microsoft
Mondosoft
Imanami
Starcom
NTT Communications

PROPRIETARY SOFTWARE

TIPS SharePoint
InfoView

WEBSITES

www.uniqueworld.net
www.uniqueworldsoftware.com

group

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corporate governance statement

Tag Pacific Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance, consistent with the size and nature of the company.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have below applied for the entire financial year ended 30 June 2004.

A description of the company's main corporate governance practices is set out below.

BOARD RESPONSIBILITIES AND OBJECTIVES

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

The powers reserved to the board include the following:

- Establishment & maintenance of appropriate governance structures;
- The review and oversight of the company's strategic plan, setting goals and long term objectives with a view to maximising shareholder value;

- Adopting an annual budget and reviewing financial performance;
- Establishment of the control environment to provide for meaningful and timely information;
- Providing the basis for the review of the performance of the board and its members and the senior management and their remuneration;
- The provision of a communication capability and the relevant procedures with all stakeholders in accordance with the continuous disclosure provisions and to comply with the relevant legal requirements;
- Reviewing and ratifying systems of risk management;
- Establishing a basis for approvals of capital expenditure, acquisitions and divestment; and
- Setting the highest standard for ethical and corporate behaviour.

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

BOARD COMPOSITION

The board of directors of Tag Pacific Limited comprises the Chairman (executive) Mr PH Wise, and five non-executive directors being Messrs GM Cohen, RT Constable, RB Moran, RD Peterson and Dr GH Weiss.

Experience relevant to the position of director of each director in office at the date of this report is set out on pages 14-15.

Messrs Cohen, Moran and Wise are not considered “independent” directors in terms of the ASX Recommendations because interests associated with them are “substantial shareholders” of the company and their appointment as directors of the company is reflective of the underlying capital structure of the company.

In addition, Mr Wise is remunerated in an executive capacity by the company.

Messrs Constable, Peterson and Weiss are considered “independent” in terms of the ASX Recommendations, holding nominal amounts of shares as set out on pages 14-15.

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

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

Directors have the right to seek independent professional advice if required in the furtherance of their duties. Any such advice may be at the company’s expense, subject to prior approval of the board.

REMUNERATION COMMITTEE

The remuneration and terms and conditions of employment for the Chairman (executive) and senior executives is reviewed and approved by the remuneration committee which seeks independent professional advice where appropriate. The remuneration committee sets and monitors employment terms and conditions. The remuneration committee comprises Messrs RT Constable and GM Cohen. Remuneration for non-executive directors is determined by the full board and is subject to shareholder approval.

The company’s constitution specifies that:

- One third of the directors (with the exception of new appointees who must retire under a different rule); and
- Any director, who would have held office for more than 3 years at a time of the annual general meeting, must retire from office at that general meeting but may stand for re-election.

AUDIT COMMITTEE

The audit committee comprises Mr RT Constable & Dr GH Weiss. Messrs PH Wise, DJ Henderson and the external auditors attend by invitation.

The audit committee operates under a Charter which is reviewed annually by the Board.

The role of this committee is to:

- review policies and procedures to ensure areas of risk have been identified and that appropriate processes are in place for their management
- oversee the existence and maintenance of internal controls and accounting systems
- oversee the financial reporting process
- nominate external auditors
- review the existing external audit arrangements



corporate governance statement

continued

RISK ASSESSMENT AND MANAGEMENT

Management of risk is an essential element of the company's strategy. The audit committee has the responsibility of ensuring that the policy framework and control mechanisms are in place to identify, assess and control material risks across the Tag Group, including reporting to the board on the risk management issues.

CODE OF CONDUCT

As part of the Board's commitment to the highest standard of conduct, the company has established protocols to deal with various issues including:

- conflicts of interest
- employment practices
- fair trading
- health & safety
- relations with customers & suppliers

The company's policy regarding directors and employees trading in its securities is set by the board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

CONTINUOUS DISCLOSURE

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

All information disclosed to the ASX is available by a link on the company's website.

The company aims to keep shareholders informed of its performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- the annual report which is distributed to all shareholders;
- the half annual report which is distributed to all shareholders in an abbreviated form; and
- other correspondence regarding matters impacting on shareholders as required.

The engagement partner of the company's external auditor (PKF) attends the company's annual general meeting and is available to answer questions from shareholders about the external audit.

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, 2004. The Chairman's Report (pages 2 and 4) 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.

DIRECTORS

The names of directors in office at any time during or since the end of the year are Messrs PH Wise, GM Cohen, RT Constable, RB Moran, RD Peterson and GH Weiss.

PRINCIPAL ACTIVITIES

The principal activities of the Tag Group in the course of the financial year were investing in:

- marketing and distributing componentry for commercial interiors;
- manufacturing, marketing and distributing power electronics and battery products;
- healthcare information systems;
- provision of e-commerce solutions.

OPERATING RESULTS

The consolidated profit after providing for income tax and eliminating outside equity interests amounted to A\$3,017,052.

DIVIDENDS PAID OR RECOMMENDED

A final ordinary dividend of 0.5 cents per share was paid on 17th September 2004 in respect of the year ended 30 June 2004, totalling A\$327,266

SIGNIFICANT CHANGES

IN STATE OF AFFAIRS

The following significant change in the state of affairs of the Tag Group occurred during the financial year:

On 14 July 2003 M+H Power Systems Pty Ltd effected a selective reduction of capital which resulted in Tag Group's previous (49%) equity accounted investment now representing 55.7% ownership (on an undiluted basis) of M+H Power Systems Pty Ltd and its wholly owned subsidiaries. This investment is consolidated with effect from 14 July 2003.

AFTER BALANCE DATE EVENTS

Other than matters referred to in the Chairman's Report, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

directors' report continued

FUTURE DEVELOPMENTS

Future developments in the operations of the Tag Group and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Tag Group.

ENVIRONMENTAL ISSUES

The economic entity's operations are subject to environmental regulations under the laws of the Australian Commonwealth and States as well as New Zealand law.

The economic entity has operated within these laws and there are no issues to be reported on.

INFORMATION ON DIRECTORS

Directors in office at the date of this report are:

Peter H Wise - Chairman (executive)
Qualifications - Dip ID
Experience - Appointed Chairman and board member in 1986. Chairman of subsidiaries within the Tag Group and non-executive director of IBA Health Limited and Unique World Group Pty Limited.
Interest in shares - Through family interests has a controlling interest in Anthony Australia Pty Limited which controls 30,041,314 ordinary shares in Tag Pacific Limited.

Gary M Cohen - Director (non-executive)
Qualifications - B Comm, LLB, LLM (Hons)
Experience - Appointed board member 1999. Chairman of IBA Health Limited. Formerly a principal of Allco Finance Group and was a senior legal practitioner.
Interest in shares - Holds a relevant interest in 5,238,436 ordinary shares in Tag Pacific Limited.
Special responsibilities - Mr Cohen is a member of the Remuneration Committee

Robert T Constable - Director (non-executive)
Qualifications - MA (Cantab.)
Experience - Appointed board member 1986. Former positions include secretary of the Beecham Group, director of Sime Darby Holdings Limited, and deputy chief executive of Bousteadco Singapore Limited.
Interest in shares - 200,000 ordinary shares of Tag Pacific Limited held beneficially.
Special responsibilities - Mr Constable is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Robert B Moran - Director (non-executive)
 Qualifications - BEc LLB (Hons)
 Experience - Appointed board member 2002. Director of Allco Equity Partners, the principal investing arm of Allco Finance Group. Prior to joining Allco practised as a corporate and commercial lawyer for 12 years.
 Interest in shares - 512,195 ordinary shares of Tag Pacific Limited held non-beneficially.

Richard D Peterson - Director (non-executive)
 Qualifications - LLM, FAMINZ
 Experience - Appointed board member 1986. Barrister and Solicitor of The High Court of New Zealand and a partner in Harkness & Peterson.
 Interest in shares - 1,136,750 ordinary shares of Tag Pacific Limited held non-beneficially.

Gary H Weiss - Director (non-executive)
 Qualifications - LLM (NZ), JSD (Cornell)
 Experience - Appointed board member 1988. Chairman of Coats plc, Ariadne Australia Ltd and MEM Group Limited, executive director of Guinness Peat Group plc and is a director of several other public companies.
 Interest in shares - 250,000 ordinary shares of Tag Pacific Limited held non-beneficially.
 Special responsibilities - Dr Weiss is a member of the Audit Committee.

MEETINGS OF DIRECTORS

During the financial year, 15 meetings of directors (including committees) were held. Attendance was:

	BOARD		AUDIT		REMUNERATION	
	A	B	A	B	A	B
PH Wise	12	12				
GM Cohen	12	11			1	1
RT Constable	12	10	2	2	1	1
RB Moran	12	10				
RD Peterson	12	10				
GH Weiss	12	6	2	2		

A = Eligible Meetings Held B = Meetings Attended

DIRECTORS' EMOLUMENTS

Disclosure relating to directors' and specified executive officers' emoluments has been included in note 26 of the financial report.

directors' report continued

INDEMNIFYING OFFICERS OR AUDITOR

The company has paid premiums to insure each of the directors against liabilities, costs and expenses incurred by them while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was A\$5,389 for each director.

PROCEEDINGS ON BEHALF OF 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.

ROUNDING OF AMOUNTS

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors:



PH WISE

Chairman

Dated this 30th day of September, 2004

s t a t e m e n t o f f i n a n c i a l p e r f o r m a n c e

for the year ended 30 June 2004

	Notes	Tag Group		Tag Parent	
		2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
Revenues from ordinary activities	2	53,552	29,210	1,882	386
Cost of sales		(34,549)	(20,905)	-	-
Employee benefits expense		(8,275)	(3,872)	(512)	(500)
Depreciation and amortisation	3	(352)	(269)	(10)	(5)
Borrowing cost expense	3	(282)	(243)	(2)	-
Occupancy expense		(1,272)	(715)	(64)	-
Other expenses from ordinary activities		(4,761)	(2,908)	(448)	(456)
Written down value of property, plant and equipment sold		-	(878)	-	-
Share of net profits of associates accounted for using the equity method	11	-	425	-	-
Profit/(loss) from ordinary activities before income tax	3	4,061	(155)	846	(575)
Income tax (expense)/revenue	4	(493)	185	105	266
Profit/(loss) from ordinary activities after income tax (expense)/revenue		3,568	30	951	(309)
Net profit attributable to outside equity interest		(551)	(14)	-	-
Net profit/(loss) attributable to members of the parent entity		3,017	16	951	(309)
Net exchange difference on translation of financial reports of self-sustaining foreign operations	19	72	9	-	-
Total revenues, expenses and valuation adjustments attributed to members of the parent entity and recognised directly in equity		72	9	-	-
Total changes in equity other than those resulting from transactions with owners as owners		3,089	25	951	(309)
Basic earnings per share	28	4.6 cents	0.1 cents		
Diluted earnings per share	28	4.6 cents	0.1 cents		

The accompanying notes form part of these financial statements.

statement of financial position

for the year ended 30 June 2004

	Notes	Tag Group		Tag Parent	
		2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
Current Assets					
Cash assets	6	5,419	5,112	2,712	4,082
Receivables	7	8,726	5,041	6,536	4,293
Inventories	8	8,981	6,287	-	-
Tax assets	9	741	588	624	519
Total Current Assets		23,867	17,028	9,872	8,894
Non-Current Assets					
Other financial assets	10	5,324	2,724	3,276	3,276
Equity accounted investments	11	1,118	2,367	-	-
Property, plant & equipment	12	1,287	899	62	12
Intangible assets	13	136	25	-	-
Total Non-Current Assets		7,865	6,015	3,338	3,288
Total Assets		31,732	23,043	13,210	12,182
Current Liabilities					
Payables	14	8,654	6,598	255	156
Interest-bearing liabilities	15	2,158	1,828	15	-
Tax liabilities	16	388	-	-	-
Provisions	17	745	249	3	1
Total Current Liabilities		11,945	8,675	273	157
Non-Current Liabilities					
Interest-bearing liabilities	15	922	919	-	-
Provisions	17	12	19	-	-
Total Non-Current Liabilities		934	938	-	-
Total Liabilities		12,879	9,613	273	157
Net Assets		18,853	13,430	12,937	12,025
Equity					
Contributed equity	18	15,404	15,443	15,404	15,443
Reserves	19	790	718	-	-
Accumulated losses	20	(789)	(3,806)	(2,467)	(3,418)
Tag Parent Interest		15,405	12,355	12,937	12,025
Outside Equity Interest	21	3,448	1,075	-	-
Total Equity		18,853	13,430	12,937	12,025

The accompanying notes form part of these financial statements

s t a t e m e n t o f c a s h f l o w s

for the year ended 30 June 2004

	Notes	Tag Group		Tag Parent	
		2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
Cash flows from operating activities					
Receipts from customers		59,133	31,141	78	437
Payments to suppliers & employees		(57,652)	(30,976)	(1,534)	(1,152)
Dividends received – associates		-	28	-	-
Interest received		272	236	172	206
Income tax paid		(318)	-	-	-
Borrowing costs		(282)	(243)	(2)	-
Net cash provided by/(used in) operating activities	29	1,153	186	(1,286)	(509)
Cash flows from investing activities					
Proceeds from sale of plant & equipment		19	1,203	-	-
Payment for investments		(960)	(63)	-	-
Payment for property, plant & equipment		(421)	(228)	(60)	-
Cash acquired from consolidating subsidiary	29	1,013	-	-	-
Net cash (used in) / provided by investing activities		(349)	912	(60)	-
Cash flows from financing activities					
Proceeds from borrowings		-	-	15	-
Repayment of borrowings		(86)	(921)	-	-
Distributions to outside equity interests		(21)	(40)	-	-
Payments for selective capital reduction		(366)	-	-	-
Proceeds from loan repayment		-	47	-	-
Share buy-back payment		(39)	-	(39)	-
Net cash (used in)/provided by financing activities		(512)	(914)	(24)	-
Net increase in cash held		292	184	(1,370)	(509)
Cash at beginning of year		5,112	4,926	4,082	4,591
Effects of exchange rate on cash holdings in foreign currencies		15	2	-	-
Cash at end of year	6	5,419	5,112	2,712	4,082

The accompanying notes form part of these financial statements

notes to the financial statements

for the year ended 30 June 2004

1. statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act, 2001.

The financial report covers the economic entity of Tag Pacific Limited and controlled entities (Tag Group), and Tag Pacific Limited as an individual parent entity (Tag Parent). Tag Pacific Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis, is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

Principles of Consolidation

A controlled entity is any entity controlled by Tag Pacific Limited. Control exists where Tag Pacific Limited has the capacity to dominate decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Tag Pacific Limited to achieve the objectives of Tag Pacific Limited. A list of controlled entities is contained in Note 10 to the financial statements.

All inter-company balances and transactions between entities in the Tag Group, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have left the Tag Group during the year, their operating results have been included until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Income Tax

The Tag Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Tag Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tag Pacific Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime from 1 July 2002. Tag Pacific Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Receivables

Trade debtors, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on an average cost basis. 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.

Property, Plant and Equipment

Property, plant and equipment are carried at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, 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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight line basis over their useful lives to the Tag Group commencing from the time the asset is held ready for use. Leasehold

notes to the financial statements

for the year ended 30 June 2004

1. statement of significant accounting policies (continued)

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:

Leasehold Improvements	10 - 20%
Plant & Equipment	9 - 40%
Leased Plant & Equipment	9 - 40%

Leases

Leases of fixed assets, other than operating leases, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities within the Tag Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by Directors to ensure that they are fairly stated by reference to the quoted market value for listed investments or the underlying assets of other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over periods of 5-10 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Trademarks

Trademarks are amortised on a straight line basis over 20 years estimated period of time during which benefits will be derived from their use in operations.

Foreign Currencies

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The assets and liabilities of overseas controlled entities, which are self-sustaining, are translated at year-end rates of exchange and any gains or losses arising on translation are taken directly to the foreign currency translation reserve.

Payables

Payables represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

Borrowings

Bank loans are recognised in the financial statements on the basis of the nominal amounts outstanding at balance date plus accrued interest.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Employee Entitlements

Provision is made for the Tag Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Tag Group to employee superannuation funds and are charged as expenses when incurred.

Cash

For the purpose of the statement of cash flows, cash includes:

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- (ii) investments in money market instruments with less than 14 days to maturity.

Provision for Warranties

Provision is made in respect of the Tag Group's estimated liability on all products and services under warranty at

notes to the financial statements

for the year ended 30 June 2004

1. statement of significant accounting policies (continued)

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 Tag Group's history of warranty claims.

Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Revenue

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

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from either the Australian Tax Office or New Zealand Inland Revenue Department, whichever is applicable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Rounding of Amounts

Tag Pacific Limited has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest A\$1,000.

Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. The economic entity's management is assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

- **internally generated brands**

Under the pending AASB 138: Intangible Assets, internally generated brands may not be capitalised

to the statement of financial position, but should be expensed in the period in which they are incurred. Current accounting policy is to capitalise these costs and amortise them over the period in which their benefit is expected to be realised. The result of this change will be to derecognise the trademarks that currently are recorded as intangible assets, with an adjustment being made to opening retained earnings.

- **impairment of assets**

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

- **goodwill on consolidation**

Under the pending AASB 3: Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 5-10 years.

- **non-current investments**

Under the pending AASB 139: Financial Instruments: Recognition and Measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.

- **income tax**

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

- **derivative financial instruments**

The economic entity does not currently recognise derivative financial instruments in the financial statements. Pending AASB 139: Financial Instruments: Recognition and Measurement will require a change to the method of accounting for hedging activities so that they are recorded in the financial statements.

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
2. revenue				
Operating activities				
- sale of goods	50,601	27,729	507	176
- interest from other corporations	259	220	171	206
- interest from associated entities	13	16	-	-
- other revenue	114	42	-	4
	50,987	28,007	678	386
Non-operating activities				
- movement in provision for diminution in carrying value of investments in:				
- IBA Health Limited	2,677	-	-	-
- Microview Limited	(131)	-	-	-
- wholly owned subsidiaries	-	-	1,204	-
- proceeds on disposal of property, plant & equipment	-	1,203	-	-
- proceeds on disposal of other financial assets	19	-	-	-
	2,565	1,203	1,204	-
	53,552	29,210	1,882	386

3. profit / (loss) from ordinary activities

The profit/(loss) from ordinary activities before income tax has been determined after:

Expenses

Borrowing costs

- other persons	256	219	2	-
- finance lease charges	26	24	-	-
	282	243	2	-

Depreciation of non-current assets

- buildings	-	10	-	-
- plant & equipment	176	151	10	5
- capitalised leased assets	97	61	-	-
	273	222	10	5

Amortisation of non-current assets

- goodwill	38	36	-	-
- leasehold improvements	34	11	-	-
- trademarks	7	-	-	-
	79	47	-	-

Bad and doubtful debts

- movement in provision	19	25	-	-
- bad debts written off	52	155	-	-

Net bad and doubtful debt expense

	71	180	-	-
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notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
3. profit / (loss) from ordinary activities (continued)				
Operating lease rentals	1,272	715	64	-
Significant Items				
The following significant items are relevant in explaining the financial performance.				
Gain on sale of other financial assets	19	-	-	-
Gain on sale of property, plant and equipment	-	325	-	-

4. income tax

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax expense/(revenue) on profit/(loss) from ordinary activities before income tax at 30% (2003: 30%)

- Tag Group	1,218	(46)	-	-
- Tag Parent	-	-	254	(173)
- other members of the income tax consolidated group net of intercompany transactions	-	-	778	23
	1,218	(46)	1,032	(150)
Add tax effect of:				
- non-allowable items	100	59	41	-
- non-deductible diminution & amortisation	13	32	-	2
- under provision in prior year	1	19	-	19
- difference in overseas tax rates	3	-	-	-
Less tax effect of:				
- non-assessable items	(809)	(90)	(1,170)	-
- deductible items not claimed	(33)	(31)	-	(9)
- share of net profits of associates	-	(128)	-	-
- income tax expense to wholly-owned subsidiaries under the tax sharing agreement	-	-	(8)	(128)
Income tax expense/(revenue) attributable to profit/(loss) from ordinary activities before income tax	493	(185)	(105)	(266)

5. dividends paid or proposed

Dividends paid or proposed	-	-	-	-
Balance of franking account at year end	63	-	63	-

A dividend of 0.5 cents per share was proposed and paid subsequent to 30 June 2004

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
6. cash				
Cash at bank and on hand	2,373	697	80	14
Short-term deposits	3,046	4,415	2,632	4,068
	5,419	5,112	2,712	4,082

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash	5,419	5,112	2,712	4,082
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7. receivables

Trade debtors	8,626	4,863	-	-
Provision for doubtful debts	(118)	(76)	-	-
	8,508	4,787	-	-
Other debtors and prepayments	218	254	41	57
Amounts receivable from:				
- partly owned subsidiaries	-	-	177	280
- wholly owned subsidiaries	-	-	7,825	6,667
- provision for non-recoverability	-	-	(1,507)	(2,711)
	-	-	6,495	4,236
	8,726	5,041	6,536	4,293

8. inventories

Raw materials	416	359	-	-
Work in progress	601	45	-	-
Finished stock	7,964	5,883	-	-
	8,981	6,287	-	-

9. tax assets

Future income tax benefit	741	588	624	519
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The future income tax benefit is made up of the following estimated tax benefits:

- tax losses	677	537	623	518
- timing difference	64	51	1	1
	741	588	624	519

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
9. tax assets (continued)				
Future income tax benefits not brought to account which will only be realised if the conditions for deductibility set out in note 1 occur:				
- revenue losses	839	802	-	-
- capital losses	4,275	4,281	4,275	4,281

10. other financial assets

Shares in unlisted subsidiaries at cost	-	-	3,276	3,276
Shares in listed corporations				
- cost	8,331	8,040	-	-
- provisions for diminution	(3,305)	(5,851)	-	-
	5,026	2,189	-	-
Market value of shares in listed corporations at 30 June 2004: A\$5,215,000 (2003: A\$2,247,000)				
Other unlisted investments at cost	298	535	-	-
	5,324	2,724	3,276	3,276

Other unlisted investments at cost are represented by an investment in the Power Property Unit Trust – refer Note 11.

Shares and units in controlled entities comprise: Entity	Place of Incorporation	Class of Share	% Owned 2004	% Owned 2003
Tagpac Securities Ltd	AUS	Ord	100	100
Techno Holdings Pty Ltd	AUS	Ord/Pref	100/100	100/100
Electro Securities Pty Ltd	AUS	Ord	100	100
Fibumi Pty Ltd	AUS	Ord	100	100
Comprador Pacific Pty Ltd	AUS	Ord	51	51
Comprador Pacific Unit Trust	AUS	Units	51	51
M+H Power Systems Pty Ltd	AUS	Ord	56	49
M+H Power Systems Ltd	NZ	Ord	56	49
Nikko Business Equipment Pty Ltd	AUS	Ord	56	49
Potter Interior Systems Ltd	NZ	Ord	100	100
Spedding Ltd	NZ	Ord	100	100
Flatbat Ltd	NZ	Ord	100	100

Companies incorporated in New Zealand carry on business primarily in that country. Percentages have been rounded.

11. equity accounted investments

In the previous corresponding period Electro Securities Pty Ltd held a 49% equity accounted interest in M+H Power Systems Pty Ltd. On 14 July 2003 M+H Power Systems Pty Ltd effected a selective capital reduction which resulted in that company becoming a 55.7% owned subsidiary of Electro Securities Pty Ltd.

Electro Securities Pty Ltd holds a 50% (2003: 25%) interest in Power Property Nominees Pty Ltd and a 46% (2003: 38%) interest in the units of the Power Property Unit Trust, which are property owning entities associated with M+H Power Systems Pty Ltd. All profits of the Power Property Unit Trust are distributed to unit holders and accordingly Electro Securities Pty Ltd does not equity account these interests and only accounts for its distributed share of profits.

Tagpac Securities Ltd increased its investment in Unique World Group Pty Ltd, a provider of e-commerce solutions, to 27% (2003:10%) during the year and will equity account its investment with effect from 1 July 2004.

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
11. equity accounted investments (continued)				
Movements during the year in equity accounted investment in associated company:				
Balance at beginning of financial year	2,367	1,969		
Add:				
- reclassification from other investments	518	-		
- new investment during the year	600	-		
- share of associated company's profit from ordinary activities after income tax	-	425		
Less:				
- associate acquired as controlled entity	(2,367)	-		
- dividend revenue from associated company	-	(27)		
	1,118	2,367		
Share of associates' profit from ordinary activities before income tax	-	562		
Share of associates' income tax	-	(137)		
Share of associates' profit from ordinary activities after income tax	-	425		
Share of retained profits at beginning of the financial year	-	1,071		
Dividends received	-	(27)		
Share of retained profits at end of the financial year	-	1,469		
Summarised presentation of aggregate assets & liabilities				
Assets	1,976	7,041		
Liabilities	1,102	2,847		
Net assets	874	4,194		

12. property, plant & equipment

Plant & equipment				
- at cost	2,297	1,528	169	109
- accumulated depreciation	(1,626)	(1,127)	(107)	(97)
	671	401	62	12
Leasehold improvements				
- at cost	394	248	-	-
- accumulated amortisation	(125)	(88)	-	-
	269	160	-	-
Capitalised leased assets				
- at cost	543	494	-	-
- accumulated amortisation	(196)	(156)	-	-
	347	338	-	-
	1,287	899	62	12

notes to the financial statements

for the year ended 30 June 2004

12. property, plant & equipment (continued)

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and equipment A\$'000	Leasehold improvements A\$'000	Leased plant and equipment A\$'000	Total A\$'000
Tag Group:				
Balance at beginning of year	401	160	338	899
Additions	257	137	104	498
Additions through gaining control of subsidiary	181	-	-	181
Disposals	(3)	-	-	(3)
Depreciation expense	(176)	(34)	(97)	(307)
Effect of exchange rate differences between the beginning and end of year	11	6	2	19
Carrying amount at end of year	671	269	347	1,287
Tag Parent:				
Balance at beginning of year	12	-	-	12
Additions	60	-	-	60
Depreciation expense	(10)	-	-	(10)
Carrying amount at end of year	62	-	-	62
	Tag Group		Tag Parent	
	2004	2003	2004	2003
	A\$'000	A\$'000	A\$'000	A\$'000

13. intangible assets

Goodwill				
- cost	668	621	-	-
- amortisation	(634)	(596)	-	-
	34	25	-	-
Trademarks				
- cost	109	-	-	-
- amortisation	(7)	-	-	-
	102	-	-	-
	136	25	-	-

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
14. payables				
Unsecured liabilities				
- trade creditors	7,385	6,269	-	-
- sundry creditors and accrued expenses	1,269	329	255	156
	8,654	6,598	255	156
Foreign currency liabilities				
Current liabilities not effectively hedged				
- AUD	10	-	-	-
- Euros	269	-	-	-
- GBP	13	-	-	-
- NZD	8	5	-	-
- USD	15	-	-	-
	315	5	-	-

15. interest bearing liabilities

Current				
- bank loans (secured)	2,059	1,755	-	-
- lease liabilities (secured)	99	73	-	-
- other	-	-	15	-
	2,158	1,828	15	-
Non-current				
- bank loans (secured)	657	663	-	-
- lease liabilities (secured)	265	256	-	-
	922	919	-	-

Bank overdraft and loans are fully secured by registered mortgage debentures given by controlled entities.

The mortgage loan was secured by registered first mortgage over freehold property of a controlled entity.

16. tax liabilities

Income tax	388	-	-	-
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17. provisions

Current				
- employee entitlements	696	249	3	1
- warranties	49	-	-	-
	745	249	3	1

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
17. provisions (continued)				
Non-current				
- employee entitlements	12	19	-	-
	12	19	-	-
Aggregate employee entitlements	708	269	3	3
Number of employees at year end	128	69	3	3

18. contributed equity

65,452,969 (2003: 65,659,794) fully paid ordinary shares			15,404	15,443
Ordinary shares				
At the beginning of the reporting period	15,443	15,443	15,443	15,443
Shares bought back during the year				
- 206,825 on 30 June 2004 at 19 cents each	(39)	-	(39)	-
At reporting date	15,404	15,443	15,404	15,443

19. reserves

Capital reserve	659	659	-	-
Foreign currency translation reserve	131	59	-	-
	790	718	-	-
Movements during year:				
Capital reserve				
Opening balance	659	659	-	-
Closing balance	659	659	-	-
The capital reserve records a capital profit from the realisation of a non-current asset				
Foreign currency translation reserve				
Opening balance	59	50	-	-
Adjustment arising from the translation of self-sustaining foreign controlled entities' financial statements	72	9	-	-
Closing balance	131	59	-	-

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

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
20. accumulated losses				
Accumulated losses at beginning of year	(3,806)	(3,822)	(3,418)	(3,109)
Net profit/(loss) attributable to the members of the parent entity	3,017	16	951	(309)
Accumulated losses at end of year	(789)	(3,806)	(2,467)	(3,418)

21. outside equity interests in controlled entities

Outside equity interests comprise:

- capital	1,480	980	-	-
- profits	1,968	95	-	-
	3,448	1,075	-	-

22. capital and leasing commitments

Capital expenditure commitments

Capital expenditure commitments contracted for:	-	-	-	-
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Operating lease commitments

Operating leases are non-cancellable property leases with varying terms up to 6 years, with variable renewable options and contingent rental provisions. Contingent rental provisions within lease agreements provide for rent increases by 3% or CPI per annum. Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable

- not later than one year	1,346	535	88	-
- later than one year but not later than five years	2,157	1,516	95	-
- later than five years	496	259	-	-
	3,999	2,310	183	-

Finance lease commitments

Finance leases relate principally to motor vehicles up to 3 year terms typically with a 25% residual value.

Payable:

- not later than one year	121	94	-	-
- later than one year but not later than five years	293	286	-	-

Minimum lease payments

Less:- future finance charges	(50)	(51)	-	-
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Provided for in accounts

	364	329	-	-
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notes to the financial statements

for the year ended 30 June 2004

	Investment		Merchandising		Tag Group	
	2004	2003	2004*	2003	2004	2003
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000

23. segmental information

Primary reporting - Business segments

Revenue

External revenue	2,837	279	50,715	28,931	53,552	29,210
Share of net profits of equity accounted associates	-	-	-	425	-	425

Total revenue from ordinary activities	2,837	279	50,715	29,356	53,552	29,635
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Result

Segment result	2,836	207	2,261	599	5,097	806
Unallocated expenses	-	-	-	-	(1,036)	(961)
Profit/(loss) from ordinary activities before income tax	-	-	-	-	4,061	(155)
Income tax (expense)/benefit	-	-	-	-	(493)	185
Profit from ordinary activities after income tax (expense)/benefit	-	-	-	-	3,568	30

Assets

Segment assets	10,357	9,739	21,375	13,304	31,732	23,043
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Liabilities

Segment liabilities	273	157	12,606	9,456	12,879	9,613
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Other

Investments accounted for using the equity method	-	-	1,118	2,367	1,118	2,367
Acquisitions of non-current segment assets	960	63	497	452	1,457	515
Depreciation and amortisation of segment assets	-	5	352	264	352	269

* Marketing and distribution of componentry for commercial interiors and manufacture, marketing and distribution of power electronics and battery products.

	Australia		New Zealand		Tag Group	
	2004	2003	2004	2003	2004	2003
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000

Secondary reporting - Geographical segments

Segment revenues	32,950	15,858	20,602	13,777	53,552	29,635
Segment assets	24,511	17,237	7,221	5,806	31,732	23,043
Acquisition of non-current segment assets	1,198	404	259	111	1,457	515

notes to the financial statements

for the year ended 30 June 2004

24. financial instruments

Interest rate risk

The Tag Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate A\$'000		Fixed Interest Rate Maturing 1-5 Years A\$'000		Non-Interest Bearing A\$'000		Total A\$'000	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Financial assets										
Cash & deposits	5.34%	4.58%	4,807	4,415	-	-	612	697	5,419	5,112
Receivables	-	-	-	-	-	-	8,726	5,041	8,726	5,041
Investments	-	-	-	-	-	-	6,442	5,091	6,442	5,091
			4,807	4,415	-	-	15,780	10,829	20,587	15,244
Financial liabilities										
Bank loans	7.27%	6.89%	2,716	2,418	-	-	-	-	2,716	2,418
Accounts payable	-	-	-	-	-	-	8,654	6,598	8,654	6,598
Lease liabilities	8.28%	7.85%	-	-	364	329	-	-	364	329
			2,716	2,418	364	329	8,654	6,598	11,734	9,345

Credit risk

The maximum exposure to credit risk (excluding the value of any collateral or other security) at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Tag Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Tag Group. The Tag Group receivables and accounts payable are not subject to any unusual terms and conditions.

Net fair values

The net fair values of listed investments have been assessed from the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying assets of the investment.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Aggregate net fair values and carrying amounts of investments (excluding those equity accounted) at balance date:

	2004		2003	
	Carrying Amount A\$'000	Net Fair Value A\$'000	Carrying Amount A\$'000	Net Fair Value A\$'000
Listed investments	5,026	5,215	2,189	2,247
Unlisted investments	298	298	535	535
	5,324	5,513	2,724	2,782

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000

25. auditors' remuneration

Remuneration of the auditor of Tag Parent for:

Auditing or reviewing the accounts	88	70	30	38
Other services	34	31	29	31
	122	101	59	69

26. directors' and executives' remuneration

Names, positions held and remuneration of parent entity directors in office at any time during the financial year are:

		Fees	
		2004 A\$'000	2003 A\$'000
PH Wise	Chairman – executive	270	270
GM Cohen	Director – non-executive	12	12
RT Constable	Director – non-executive	12	12
RB Moran	Director – non-executive	12	12
RD Peterson	Director – non-executive	12	12
GH Weiss	Director – non-executive	12	12
		330	330

With the exception of PH Wise, whose remuneration includes superannuation of A\$27,500, all other specified directors' remuneration related solely to directors' fees.

Names and positions held of specified executives in office at any time during the financial year are:

GJ Appleby	Managing director – subsidiary
BT Bamforth	General manager – subsidiary
DJ Henderson	Group secretary
PD Sharp	Managing director - subsidiary

Specified executives' remuneration

2004	Primary			Post Employment			Total A\$'000
	Salary & fees A\$'000	Superannuation contribution A\$'000	Non-cash benefits A\$'000	Super- annuation A\$'000	Equity A\$'000	Other A\$'000	
GJ Appleby	154	14	-	-	-	-	168
BT Bamforth	130	-	20	-	-	-	150
DJ Henderson	170	15	-	-	-	-	185
PD Sharp	207	25	6	-	-	-	238
	661	54	26	-	-	-	741

Non-cash benefits relate to motor vehicle and travel allowances.

notes to the financial statements

for the year ended 30 June 2004

26. directors' and executives' remuneration (continued)

Specified executives' remuneration

	Primary			Post Employment			Total A\$'000
	Salary & fees A\$'000	Superannuation contribution A\$'000	Non-cash benefits A\$'000	Super- annuation A\$'000	Equity A\$'000	Other A\$'000	
2003							
GJ Appleby	154	14	-	-	-	-	168
BT Bamforth	120	-	19	-	-	-	139
DJ Henderson	165	15	-	-	-	-	180
PD Sharp	207	14	-	-	-	-	221
	646	43	19	-	-	-	708

Shareholdings

Number of shares held by parent entity directors and specified executives inclusive of relevant interests

	Balance 1.7.03	Received as remuneration	Net change other*	Balance 30.6.04
Parent entity directors				
PH Wise	28,040,585	-	2,000,729	30,041,314
GM Cohen	14,572,606	-	(9,334,170)	5,238,436
RT Constable	200,000	-	-	200,000
RB Moran	512,195	-	-	512,195
RD Peterson	1,136,750	-	-	1,136,750
GH Weiss	250,000	-	-	250,000
Specified executives				
GJ Appleby	25,000	-	-	25,000
BT Bamforth	42,000	-	-	42,000
DJ Henderson	312,501	-	-	312,501
PD Sharp	21,250	-	-	21,250
	45,112,887	-	(7,333,441)	37,779,446

* Net change other refers to shares purchased or sold during the financial year.

Remuneration practices

The group's policy for determining the nature and amount of emoluments of board members and specified executives of the group is as follows:

The remuneration structure for specified executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and the overall performance of the group. The contracts for service between the group and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

27. related parties

Related parties fall into the following categories:

Controlled Entities

Information relating to controlled entities is set out in Note 10.

Transactions occur between certain of these entities during the year, all of which are conducted at commercial rates.

Tag Pacific Limited charged subsidiaries management fees of A\$506,800 (2003: A\$176,022).

notes to the financial statements

for the year ended 30 June 2004

27. related parties (continued)

Director related entities

Mr PH Wise has a controlling interest in Anthony Australia Pty Limited through family interests. Anthony Australia Pty Limited effected a net increase of 2,000,729 (2003:1,908,879) ordinary shares in Tag Pacific Limited during the year under review. Anthony Australia Pty Limited has received management fees for services rendered during the year. These fees are included in the remuneration of directors disclosures in Note 26.

Directors

The names of the directors of the chief entity during the year under review are Messrs PH Wise, GM Cohen, RT Constable, RB Moran, RD Peterson, and Dr GH Weiss. Information on the remuneration of directors and their respective periods of service is set out in Note 26. Information on directors' interests in shares is detailed in the Directors' Report.

Mr RD Peterson is a partner of Harkness & Peterson. Harkness & Peterson has received fees of A\$5,282 (2003: A\$2,967) as the Tag Group's solicitor in New Zealand.

Share transactions of directors

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in Tag Pacific Limited

2004	2003
37,378,695	44,712,136

	Tag Group		Tag Parent	
	2004	2003	2004	2003
	A\$'000	A\$'000	A\$'000	A\$'000

28. earnings per share

Reconciliation of earnings to net profit

Net profit	3,568	30
Net profit attributable to outside equity interest	(551)	(14)

Earnings used in the calculation of basic and diluted earnings per share

3,017	16
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Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share

65,659,794	65,659,794
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29. cash flow information

Reconciliation of cash flow from operating activities with profit/(loss) after income tax

Profit/(loss) from operating activities after income tax	3,568	16	951	(309)
Non-cash flows:				
- amortisation	79	47	-	-
- depreciation	273	222	10	5
- charges to provisions	(1,882)	(226)	(1,814)	(265)
- share of associated companies operating profit after income tax	-	(425)	-	-
Gain on sale of property, plant and equipment	(19)	(325)	-	-
Changes in assets and liabilities				
- (increase)/decrease in receivables	(626)	(108)	(600)	51
- (increase) in inventories	(155)	(912)	-	-
- increase in trade creditors & accruals	232	1,897	167	9
- (decrease) in income tax payable	(317)	-	-	-
Cash flow provided by/(used in) operating activities	1,153	186	(1,286)	(509)

notes to the financial statements

for the year ended 30 June 2004

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
29. cash flow information (continued)				
Credit facilities				
Credit facilities	3,581	3,394	-	-
Amounts utilised	2,716	2,418	-	-
Unused credit facilities	865	976	-	-

Bank overdrafts and loans

Bank overdraft and loan facilities are arranged with a number of Australian and New Zealand banks with the general terms and conditions being set and agreed to annually.

Interest rates are variable and subject to adjustment.

Non-cash financing and investment activities

During the year the economic entity acquired plant and equipment with an aggregate value of A\$75,836 (2003: A\$222,688) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

On 14 July 2003 M+H Power Systems Pty Ltd effected a selective reduction of capital which has resulted in Tag Group's previous (49%) equity accounted investment now representing 55.7% ownership (on an undiluted basis) of M+H Power Systems Pty Ltd and its wholly owned subsidiaries. Details of the consolidation on 14 July 2003 are:

	Tag Group		Tag Parent	
	2004 A\$'000	2003 A\$'000	2004 A\$'000	2003 A\$'000
Assets & liabilities held at date consolidation commenced:				
Cash	1,013	-	-	-
Receivables	3,111	-	-	-
Inventories	2,419	-	-	-
Other	317	-	-	-
Property, plant and equipment	181	-	-	-
Creditors	(2,582)	-	-	-
Interest bearing liabilities	(265)	-	-	-
	4,194	-	-	-
Carrying value of previously equity accounted investment	(2,367)	-	-	-
Outside equity interests	(1,858)	-	-	-
Goodwill on consolidation	31	-	-	-
Cash outflow	-	-	-	-

30. contingent liability

No contingent liabilities existed at 30 June 2004 (2003: nil)

31. company details

The registered office of the company is:

Tag Pacific Limited
Level 26, Piccadilly Tower
133 Castlereagh Street
SYDNEY, NSW 2000
AUSTRALIA

directors' declaration

for the year ended 30 June 2004

The Directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 17 to 37:
 - (i) comply with Accounting Standards; and
 - (ii) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the company and the group;

- (b) 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;

- (c) in the directors' opinion the financial statements and notes thereto are in accordance with the Corporations Act 2001.

This declaration is made in accordance with a resolution of the board of directors.



PH Wise
Chairman

Dated this 30th day of September, 2004

Independent Audit Report

To The Members of Tag Pacific Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Tag Pacific Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Tag Pacific Limited and controlled entities is in accordance with:

- (a) The Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia and the Corporation Regulations 2001; and
- (b) Other mandatory professional reporting requirements in Australia.

PKF Chartered Accountants
A New South Wales Partnership

J Bresolin
Partner

Dated: 30 September 2004

Chartered Accountants
& Business Advisers

NSW Partnership
ABN 83 236 985 726

Level 10, 1 Margaret Street
Sydney NSW 2000

DX 10173 Sydney Stock
Exchange

Tel: 61 2 9251 4100
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Liability is limited by the
Accountants Scheme, approved
under the Professional Standards
Act 1994 (NSW)

shareholder information

Shareholding

Distribution of shareholders

Range	Holders	Shares
1 - 1,000	591	292,563
1,001 - 5,000	739	2,067,092
5,001 - 10,000	262	2,052,962
10,001 - 100,000	271	7,270,046
100,001 - and over	48	53,770,306
	1,911	65,452,969

The number of shareholdings held in less than marketable parcels is 726.

The names of the substantial shareholders listed in Tag Pacific Limited's register as at 20 September, 2004 are:

Anthony Australia Pty Limited	30,041,314
Allco Finance Group Limited & associates	7,538,035
RJL Investments Pty Limited	5,238,436

Twenty largest shareholders

	No. of Shares	% of Shares
Anthony Australia Pty Limited	30,041,314	45.9
AIB Investments Pty Limited	5,741,902	8.8
RJL Investments Pty Limited	5,160,936	7.9
Weldon Enterprises No. 2 Pty Limited	1,583,130	2.4
Loftus Lane Investments Pty Limited	1,517,319	2.3
George Chien Hsun Lu & Jenny Chin Pao Lu	923,390	1.4
Brides Pty Limited	900,000	1.4
Lu's International Limited	767,718	1.2
ANZ Nominees Limited	623,608	1.0
RHC Management Pty Limited	492,195	0.8
Excalibur Nominees Limited	474,995	0.7
Sophie Gelski	400,000	0.6
Alistair Woodside Cunningham	340,000	0.5
Richard Dale Peterson	337,732	0.5
Keith Richard Frankum	300,000	0.5
Harvey Wu	223,510	0.3
Ngair Jean Pincott	208,056	0.3
Leveraged Equities Custodians Limited	207,074	0.3
Alan Christopher Galbreath	200,000	0.3
Lockley Management Services Pty Limited	200,000	0.3
	50,642,879	77.4

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

TAG PACIFIC LIMITED
ACN 009 485 625

directory information

DIRECTORS

PH Wise (Chairman)
GM Cohen
RT Constable
RB Moran
RD Peterson
GH Weiss

SECRETARY

DJ Henderson

REGISTERED OFFICE

Level 26
Piccadilly Tower
133 Castlereagh Street
SYDNEY NSW 2000
Telephone (02) 9283 9377
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www.tagpac.com

AUDITORS

PKF
Level 10
1 Margaret Street
SYDNEY NSW 2000

SHARE REGISTRARS

Australia

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
SYDNEY NSW 2000

New Zealand

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
AUCKLAND

STOCK EXCHANGE LISTINGS

Quotation has been granted for all the ordinary shares of the company on the Australian Stock Exchange Limited (code: TAG) and the New Zealand Stock Exchange (code: TPC)

TAG

