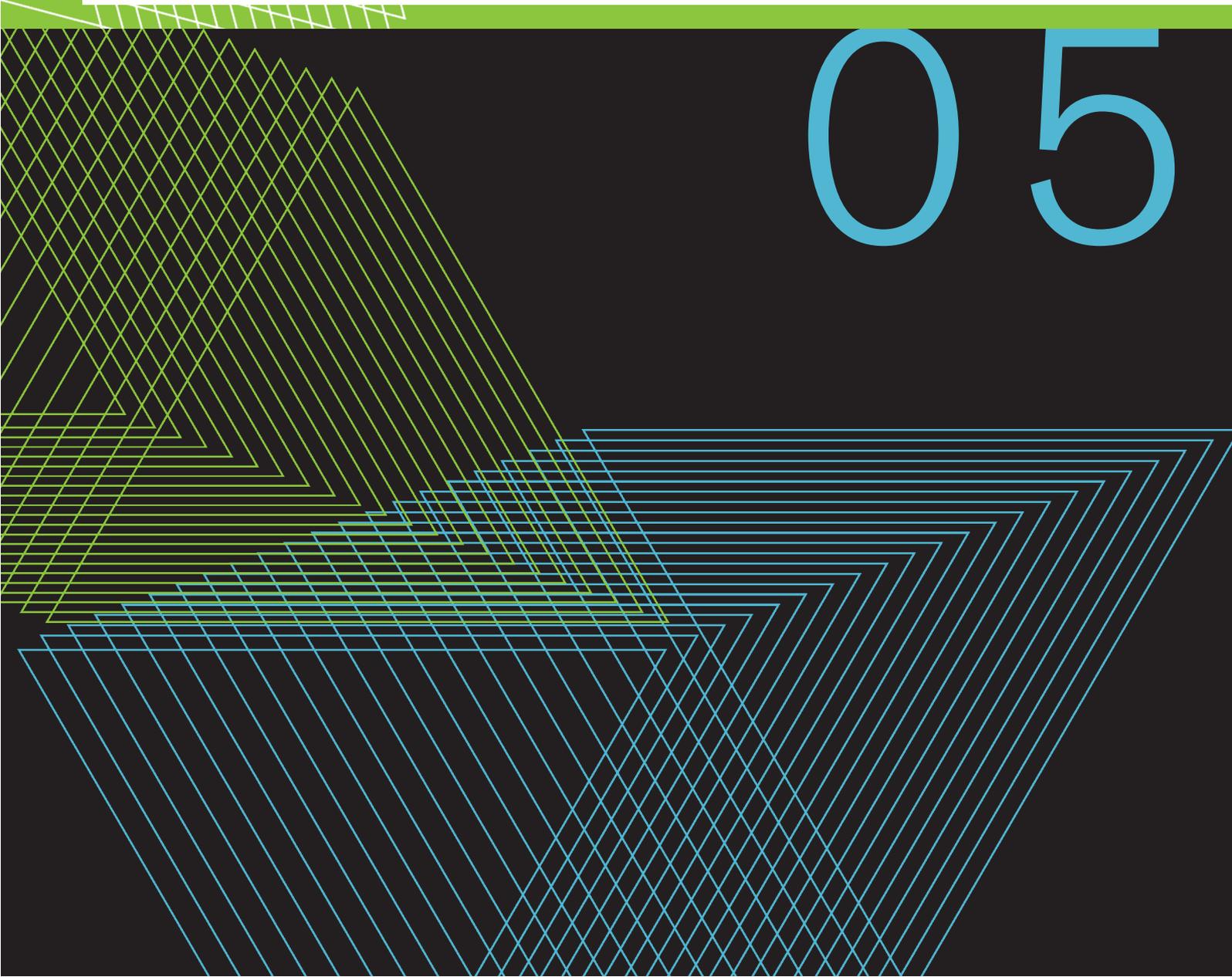




Tag Pacific Limited
ANNUAL REPORT



05



notice of annual general meeting

Tag Pacific Limited

ACN 009 485 625

The Annual General Meeting of Tag Pacific Limited will be held at Sheraton On The Park,
161 Elizabeth Street, Sydney, Australia, on Thursday 10 November 2005 at 10.00am.

ordinary business

1. Financial reports

To discuss the company's financial statements and reports for the year ended 30 June 2005.

2. Adoption of remuneration report

To adopt the remuneration report for the financial year ended 30 June 2005.

3. Re-election of directors

Gary Cohen and Gary Weiss retire by rotation in accordance with the provisions
of the constitution and, being eligible, offer themselves for re-election.

By order of the Board

A handwritten signature in black ink, appearing to read 'John Henderson', with a stylized flourish at the end.

John Henderson

Secretary

30 September 2005

*A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead.
That person need not be a member of the Company, but should be a natural person over the age of 18
years. Proxy forms must be lodged at the registered office of the Company not less than 48 hours before
the timing of the meeting.*

*Corporate shareholders will be required to complete a "Certificate of Appointment of Representative"
to enable a person to attend on their behalf. A form of this certificate may be obtained from the
Company's share registry.*



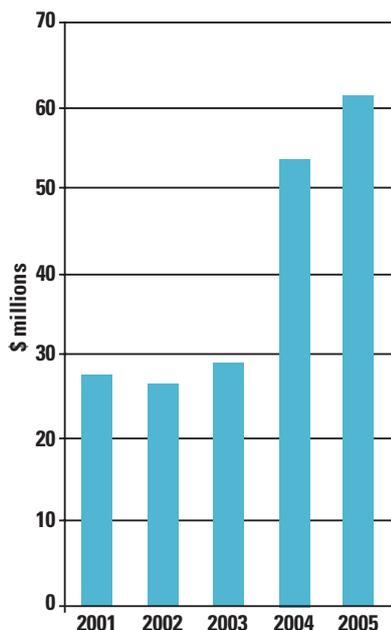
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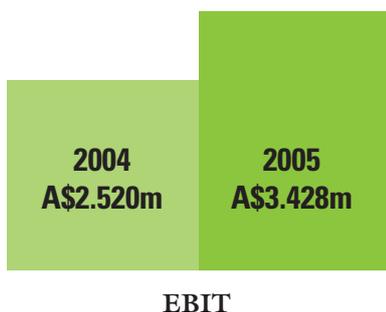
chairman's report

It gives me pleasure to report that Tag Pacific Limited has reported another year of solid gains in which underlying profitability has increased substantially.

Group Revenue



Earnings from Operating Activities before Outside Equity Interests



Group revenue from operating activities increased by 19% to A\$60.420 million and earnings from operating activities before outside equity interests increased substantially from an EBIT of A\$2.520 million in 2004 to A\$3.428 million during the 2005 financial year.

The Tag Group's strategy focuses on investment in four key market sectors:

- Building products with an emphasis on componentry for commercial interiors
- Stored electrical energy and power products and systems
- Health information systems and internet based technologies
- Niche financial and investment services

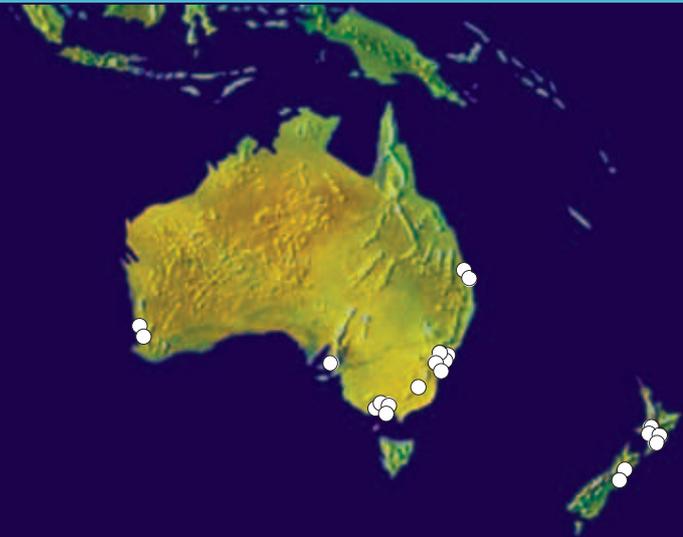
These investments traverse a mix of companies in which Tag has a controlling interest, but there are also situations where only a minority stake is held.

All investments recorded improved results, but particularly wholly owned **Potter Interior Systems Limited** which lifted sales and profitability to an all time high. Potters lifted its sales by a gratifying 18% through significant advances in its interior componentry, insulation and fabrication divisions, which resulted in a strongly improved contribution to the Group. The result vindicates the strategic decisions taken earlier to diversify product and upgrade the company's main facilities and is a credit to management and staff.

Whilst **Comprador Pacific Pty Limited** also made much better progress than in the past, it still has some way to go before attaining the desired level of performance. Sales did increase to a more comfortable level, but the main obstacle to achieving profit targets centred on the supply arrangements for some of the company's core ceiling products sourced largely from the United States.

i n v e s t m e n t p h i l o s o p h y

- Take existing businesses or processes
- Identify elements of value or potential
- Meld them to maximise inherent value



chairman's report

Sales in the building products sector totalled A\$38.491 million, a quantum leap of almost 25% on the previous year. The EBIT contribution to the Group from this sector was A\$1.260 million before outside equity interests, which represented a gain of about 250%.

In January 2005 Tag facilitated the acquisition by Comprador Pacific Pty Limited of the business of **Charles Tims**, a well-respected manufacturer of whiteboards, notice boards and other allied board products and then absorbed into it the complementary activities of Comprador's existing manufacturing activities. Together with the products manufactured separately by Potters, this move has cemented the Tag Group's control over this niche trans Tasman market.

The building products group employs close to 100 staff.

CHARLES TIMS

Tims commenced business in 1910 as a supplier of chalkboards. Since that time the range of products has increased to include whiteboards, pinboards, chalkboards, directory boards and audiovisual equipment.

For almost a century Tims has established an excellent reputation for providing high quality visual communication products to a wide range of customers throughout Australia.

Tims is committed to maintaining its reputation for providing products of the highest quality and striving for world's best practice in all areas of its operations.

Since its acquisition it has become a division of Comprador Pacific, manufacturing at separate premises in Melbourne. Tims regional sales have been integrated with the branch operations of Comprador Pacific in Sydney, Brisbane and Perth. The Tag Group holds a 51% interest in Comprador Pacific.

The Tag Group's investment in **M+H Power Systems Pty Limited** has enjoyed increasing success over recent years. M+H Power, a well focused and managed business, increased sales by 12% in 2005, resulting in an EBIT contribution before outside equity interests of A\$2.169 million. This figure was only slightly ahead of the previous year, mainly because of currency movements, but the result was nevertheless a very strong one. All facets of M+H Power's activities fared well, but of particular note was the growing acceptance of the company's renewable energy products and solutions. Solar power and other forms of renewable energy are being targeted aggressively as an area of potential growth.

Closely associated with this advance into the renewable energy sector is the company's desire to become a fully integrated supplier of backup power products. For this reason M+H Power took its first small step into the field of electrical power generators in early 2005 by acquiring the Perth based business of GenPower Group. This was followed after balance date by Tag facilitating M+H Power's acquisition of the much larger Sydney based generator specialist, **Advanced Power Pty Limited**.

The acquisition of Advanced Power has brought the number of employees in this sector to around 100.

chairman's report

ADVANCED POWER

Advanced Power Pty Limited was acquired by M+H Power Systems Limited with effect from 1 July 2005. The Tag Group holds a 55% interest in M+H Power.

Advanced Power is recognised in Australia and internationally as a reputable supplier of electrical power generation products, with four niche areas of operation:

- Portable generators distributed through an extensive distributor network
- Defence products, including accredited supplies to the Australian Army and elsewhere
- Project based electrical power systems for major installations
- Maintenance and asset management for related products

Advanced Power employs its own design specialists and manufacturing staff, enabling it to develop new and specific customised products. The company's attributes include:

- Leading industry brands
- Strong prospects for increased profitability
- Synergy with M+H Power's systems & services
- Long standing reputation for quality & support
- Experienced management team & employees
- Enduring customer relationships
- Global sourcing capability

With the combined expertise of M+H and Advanced Power there is potential to supply complete and integrated power solutions for remote locations and critical essential services.

In the year ended 30 June 2005, Advanced Power recorded sales of A\$12.6 million and forecasts for the combined companies will propel M+H Power to new levels of sales and profitability. This will in turn grow Tag Group revenue by more than 20% and impact favourably on earnings per share.

M+H Power funded the initial A\$1.1 million payment of the A\$3.5 million acquisition from its own cash reserves. Deferred consideration of A\$2.4 million will be funded by way of cash and external borrowings over a period of up to 18 months.

The Tag Group holds 13.338 million shares in ASX listed **IBA Health Limited**. At 40 cents per share this holding has a carrying value of A\$5.359 million, which equates to approximately 31% of the Tag Pacific shareholders' net equity. Expressed differently, this accounts for approximately 8 cents of the Tag Pacific net tangible assets of 25 cents per share. IBA is clearly the Tag Group's largest single investment and as such is the subject of constant review.

Tag was a foundation investor in IBA before it listed some five years ago and during the intervening period, the group has ridden a sometimes erratic IBA share price as IBA has navigated its way through uncharted waters. The pioneering of new eHealth concepts carries with it inherent risks, mixed fortunes and a degree of investor scepticism. Yet IBA has emerged as a global player in its field, with a robust suite of products; relationships with Eastman Kodak and others; and a footprint and facilities that span the oceans.

The Tag Group's profit from non-operating activities was aided by a A\$0.690 million increase in the carrying value of its IBA shares, compared to an increase of A\$2.677 million in the previous year.

In accounting terms this makes the Tag bottom line result look weaker in 2005 than in 2004, however this is most definitely not the case when the share price revaluations are excluded.

chairman's report

We are also invested in **Unique World Group Pty Limited** and were pleased to see that company gain momentum in the second half of the financial year, with Tag recording an equity accounted profit contribution for the first time. The 2006 financial year has already seen a major increase in activity for the company and future prospects look very attractive for this young company and its enthusiastic and talented management team.

UNIQUE WORLD

Unique World (27% owned) is a customer focused organisation that delivers both technical and interactive solutions to Australia's top corporations and Government departments.

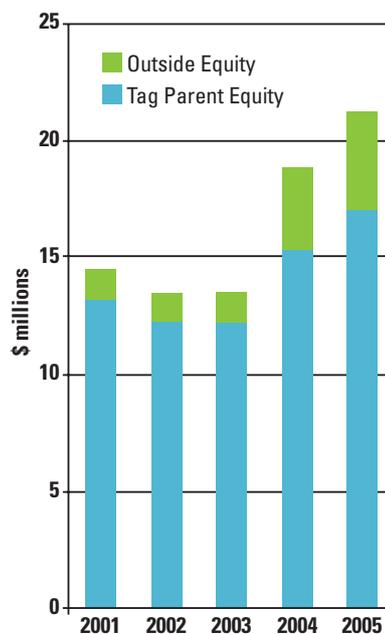
Established in 1999 with offices in Sydney and Canberra and onsite activities in Melbourne, Unique World's industry experience has grown extensively. The company blends creative and technological skills with traditional business principles to deliver unique customer services.

These range from consulting services through to web based interactive services and the creation of innovative software solutions based on Microsoft's emerging server products.

The Unique World Group employs 45 people.

Total Group equity has increased by virtue of improved performance, yet this does not appear to have been recognised by investors.

Total Equity



Along with the growth in equity has come a substantial growth in assets. With the post balance date acquisition of Advanced Power, total assets have now grown to around A\$43 million, a growth of 54% in 5 years.

At the same time debt within some of the investee companies has increased, although at a group level ratios remain low and Tag Pacific Limited itself remains free of any external borrowing.

The strong position has again allowed the payment of a dividend of 0.5 cents per share (A\$334,024). The dividend, which is franked to 40%, was declared on 31 August 2005 and paid on 30 September 2005.

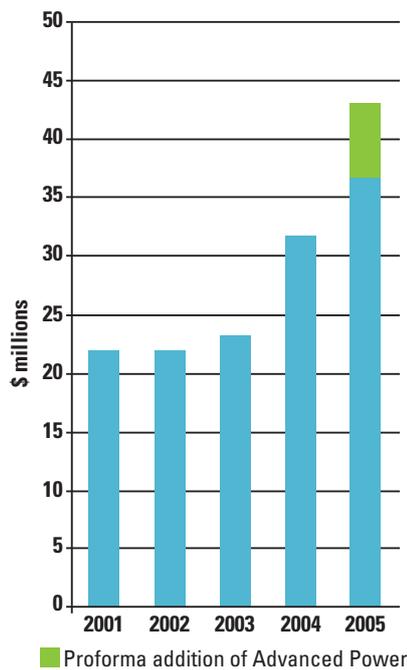
chairman's report

outlook

The Tag Group expects the 2006 financial year to deliver a strong increase in sales and a growth in profit. At the same time we are well advanced in our plans to establish new streams of business, both within existing areas of activity and beyond into new fields.

Tag is a serious investment group with a history of innovation. It has experienced and capable personnel whose core competency is taking existing businesses or processes; identifying elements of value or potential; and then melding them to maximise inherent value.

Gross Assets



Amongst our long held aspirations is a carefully conceived plan to invest in a niche area of financial services. As this Annual Report goes to press, we have just announced details of an innovative new financial product to be offered to the public through a recently established and appropriately licensed company that we wholly own.

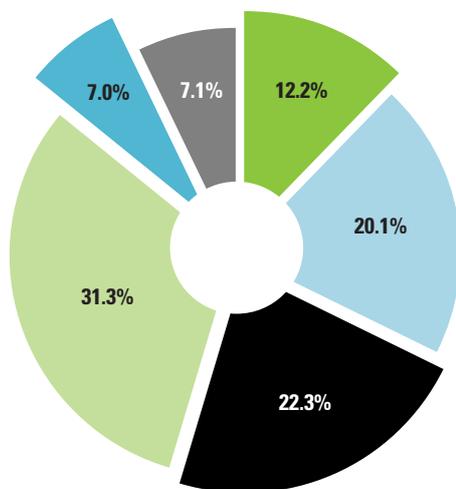
Known as **ShareCover®**, this novel and refreshingly simple internet based product, which has been entirely conceived and developed in-house by the Tag Group, should be met with widespread acceptance by those who benefit from its use - and with acclamation by those who are shareholders in Tag Pacific Limited.

For and on behalf of the Board

Peter Wise

Chairman

30 September 2005



Informal analysis of the proforma net asset position to demonstrate Tag Pacific's investment spread net of outside equity interests and liabilities.

- Cash - A\$2,088k
- Comprador & Potter Group - A\$3,448k
- M&H Power Group - A\$3,827k
- IBA Health - A\$5,359k
- Unique World - A\$1,190k
- Other - A\$1,217k



chairman's report

Web addresses for entities mentioned
in this report:

www.tagpac.com

www.comprador.com.au

www.potters.co.nz

www.ctims.com.au

www.mhpower.com.au

www.genpowergroup.com.au

www.apower.com.au

www.imatech.com

www.uniqueworld.net

www.uniqueworldsoftware.com

www.sharecover.com.au



The directors present their report on the company (Tag Parent) and its controlled entities (Tag Group) for the financial year ended 30 June 2005. The Chairman's Report (pages 2-8) 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 to 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 Peter Wise, Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary Weiss.

All directors have been in office since the start of the financial year to the date of this report.

COMPANY SECRETARY

John Henderson ACA, ACIS was appointed Company Secretary on 5 October 1989 and continues in that position.

PRINCIPAL ACTIVITIES

The Tag Group is a strategic investor.

OPERATING RESULTS

The operating result of the Tag Group attributable to shareholders for the financial year ended 30 June 2005 was a profit of A\$1,701,554 after tax.

DIVIDENDS

A dividend of 0.5 cents per share (totalling A\$327,266) franked to 60% was paid on 17 September 2004. A dividend of 0.5 cents per share (totalling A\$334,024) franked to 40% was declared on 31 August 2005 and paid on 30 September 2005.

FINANCIAL POSITION

The net assets of the Tag Group increased by A\$2.289 million from A\$18.853 million at 30 June 2004 to A\$21.142 million at 30 June 2005. This increase has largely been a result of

- the Tag Group's operating performance during the year
- contributed equity increasing by A\$337,000 as a result of the Share Top Up Plan
- the increase in market value of the Tag Group's investment in IBA Health Limited.

The Tag Group has maintained a strong financial position with working capital (being current assets less current liabilities) improving from A\$11.922 million in 2004 to A\$12.950 million in 2005.

The Directors believe the group is in a strong and stable financial position to expand and grow its current operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in the state of affairs of the Tag Group occurred during the financial year. The Tag Group continued to expand both by way of organic growth and by way of acquisition.

AFTER BALANCE DATE EVENTS

On 14 September 2005 Tag Pacific Limited's subsidiary, M+H Power Systems Pty Limited, acquired all the issued shares in Advanced Power Pty Limited, a Sydney based supplier of electrical power generation products, for A\$3.5million. The initial payment of A\$1.1million was met from M+H Power Systems Pty Limited's own cash reserves. Deferred consideration of A\$2.4million will be funded by way of cash and external borrowings and paid over a period of up to eighteen months. Other than the above matter and those matters referred to in the Chairman's Report, no other matters or circumstances 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, PROSPECTS AND BUSINESS STRATEGIES

Likely developments, future prospects and business strategies 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 Tag Group's operations are subject to environmental regulations under the laws of the Commonwealth of Australia, States and Territories of Australia as well as New Zealand law. The Tag Group has operated within these laws and there are no issues to be reported on.

directors'

report (continued)

INFORMATION ON DIRECTORS

The directors in office at the date of this report are

Peter Wise	-	Chairman (executive)
Qualifications	-	Dip ID
Experience	-	Chairman and board member since 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.
Directorships held in other listed entities	-	Current director of IBA Health Limited (since 30 September 1999).
Gary Cohen	-	Director (non-executive)
Qualifications	-	B Comm, LLB, LLM (Hons)
Experience	-	Director since 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	-	Member of the Remuneration Committee.
Directorships held in other listed entities	-	Current director of IBA Health Limited (since 30 September 1999).
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	-	200,000 ordinary shares in Tag Pacific Limited held beneficially.
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. 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 in Tag Pacific Limited held non-beneficially.
Richard Peterson	-	Director (non-executive)
Qualifications	-	LLM, FAMINZ
Experience	-	Director since 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 in Tag Pacific Limited held non-beneficially.
Gary Weiss	-	Director (non-executive)
Qualifications	-	LLM (NZ), JSD (Cornell)
Experience	-	Director since 1988. Chairman of Coats plc, Ariadne Australia Limited and MEM Group Limited, executive director of Guinness Peat Group plc and a director of several other public companies.
Interest in shares	-	250,000 ordinary shares in Tag Pacific Limited held non-beneficially.
Special responsibilities	-	Member of the Audit Committee.
Directorships held in other listed entities	-	Current Director of Ariadne Australia Limited (since 28 November 1989), Australian Wealth Management Limited (since 15 February 2005), Canberra Investment Corporation Limited (since 27 September 1995), Capral Aluminium Limited (since 25 November 2003), Coats plc (since 4 February 2003), Guinness Peat Group plc (UK) (since 30 November 1990), Premier Investments Limited (since 11 March 1994), Tower Limited (NZ) (since 27 March 2003), Westfield Holdings Limited (since 25 July 2004) Westfield Management Limited (since 29 May 2002), and Westfield America Management Limited (since 29 May 2002).

REMUNERATION REPORT

This report details the emoluments paid or payable to each director of the Tag Parent and for the specified executives receiving the highest remuneration.

Remuneration policy

The Tag Group's remuneration policy is to ensure remuneration for performance is competitive and appropriate by providing a fixed remuneration component and by way of options issued pursuant to the executive share option plan. There are currently no incentive based bonuses that form part of directors and executives remuneration.

The board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The full board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting. Fees for non-executive directors are not linked to the Tag Group's performance.

The remuneration policy, setting the terms and conditions for the executive director and other senior executives, was developed by the remuneration committee and approved by the board. All executives receive a base salary which is based on factors such as length of service and experience but not necessarily related to the Tag Group's performance. The remuneration committee reviews executive packages annually by reference to the executive's performance and comparable information from industry sectors and other listed companies in similar industries. Executives are also entitled to participate in the executive share option plan.

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

Employment arrangements

Employment arrangements exist with executive directors and specified executives. The employment arrangements stipulate a range of one to three months resignation periods. The company may terminate an employment arrangement without cause by providing three months written notice or making payment in lieu of notice. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

Options issued as part of remuneration

Options may be issued to directors and executives as part of their remuneration having regard to

- their length of service with the group
- their contribution to the group
- their potential contribution to the group
- any other matters which the board considers relevant.

Directors and executives remuneration

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

		2005	2004
		A\$	A\$
Peter Wise	Chairman – executive	328,000	270,000
Gary Cohen	Director – non-executive	12,000	12,000
Robert Constable	Director – non-executive	12,000	12,000
Robert Moran	Director – non-executive	12,000	12,000
Richard Peterson	Director – non-executive	12,000	12,000
Gary Weiss	Director – non-executive	12,000	12,000
		388,000	330,000

With the exception of Peter Wise, whose remuneration includes superannuation of A\$25,000 (2004:A\$27,500) and options valued at A\$28,000 (2004:A\$nil), all other specified directors' remuneration related solely to director's fees.

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

Brian Bamforth	General Manager (building products)
John Henderson	Group Secretary
Paul Sharp	Managing Director (power products)
Nathan Wise	Corporate Development Manager

directors' report (continued)

Specified executives' remuneration

	Primary			Post Employment	Equity	Other	Total
	Salary & fees	Superannuation contribution	Non-cash benefits	Superannuation	Options		
	A\$	A\$	A\$	A\$	A\$	\$	A\$
2005							
Brian Bamforth	167,025	-	20,190	-	12,250	-	199,465
John Henderson	176,606	15,894	-	-	-	-	192,500
Paul Sharp	227,868	22,114	3,618	-	8,750	-	262,350
Nathan Wise	119,266	10,734	-	-	17,500	-	147,500
	690,765	48,742	23,808	-	38,500	-	801,815
2004							
Brian Bamforth	130,001	-	20,141	-	-	-	150,142
John Henderson	169,725	15,275	-	-	-	-	185,000
Paul Sharp	206,971	25,146	5,787	-	-	-	237,904
Nathan Wise	105,505	9,495	-	-	-	-	115,000
	612,202	49,916	25,928	-	-	-	688,046

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

The 2004 total disclosed in last year's annual report included Gary Appleby who is no longer a specified executive.

Remuneration Options

	Vested No.	Granted No.	Grant Date	Value per option at grant date A\$	Exercise price A\$	First exercise date	Last exercise date
Parent entity directors							
Peter Wise	-	400,000	14.4.05	28,000	0.33	14.4.05	14.4.10
Gary Cohen	-	-	-	-	-	-	-
Robert Constable	-	-	-	-	-	-	-
Robert Moran	-	-	-	-	-	-	-
Richard Peterson	-	-	-	-	-	-	-
Gary Weiss	-	-	-	-	-	-	-
Specified executives							
Brian Bamforth	-	175,000	14.4.05	12,250	0.33	14.4.05	14.4.10
John Henderson	-	-	-	-	-	-	-
Paul Sharp	-	125,000	14.4.05	8,750	0.33	14.4.05	14.4.10
Nathan Wise	-	250,000	14.4.05	17,500	0.33	14.4.05	14.4.10
	-	950,000		66,500			

Shareholdings

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

	Balance 1.7.04	Received as remuneration	Net change other	Balance 30.6.05
Parent entity directors				
Peter Wise	30,041,314	-	-	30,041,314
Gary Cohen	5,238,436	-	-	5,238,436
Robert Constable	200,000	-	-	200,000
Robert Moran	512,195	-	-	512,195
Richard Peterson	1,136,750	-	-	1,136,750
Gary Weiss	250,000	-	-	250,000
Specified executives				
Brian Bamforth	42,000	-	-	42,000
John Henderson	312,501	-	-	312,501
Paul Sharp	21,250	-	50,000	71,250
Nathan Wise	-	-	-	-
	37,779,446	-	50,000	37,829,446

directors' report (continued)

Options Holdings	Balance 1.7.04	Granted as remuneration	Options exercised	Balance 30.6.05	Total Vested 30.6.05	Total exercisable 30.6.05	Total unexercisable 30.6.05
Parent entity directors							
Peter Wise	-	400,000	-	400,000	400,000	400,000	-
Gary Cohen	-	-	-	-	-	-	-
Robert Constable	-	-	-	-	-	-	-
Robert Moran	-	-	-	-	-	-	-
Richard Peterson	-	-	-	-	-	-	-
Gary Weiss	-	-	-	-	-	-	-
Specified executives							
Brian Bamforth	-	175,000	-	175,000	175,000	175,000	-
John Henderson	-	-	-	-	-	-	-
Paul Sharp	-	125,000	-	125,000	125,000	125,000	-
Nathan Wise	-	250,000	-	250,000	250,000	250,000	-
	-	950,000	-	950,000	950,000	950,000	-

DIRECTORS MEETINGS

During the financial year 14 meetings of directors (including committees) were held.

	Board Meetings	
	Held	Attended
Peter Wise	10	10
Gary Cohen	10	10
Robert Constable	10	9
Robert Moran	10	9
Richard Peterson	10	9
Gary Weiss	10	6

Two audit committee meetings were held during the year. Robert Constable and Gary Weiss attended both meetings. Two remuneration committee meetings were held during the year. Gary Cohen and Robert Constable attended both meetings.

INDEMNIFYING OFFICERS OR AUDITOR

The company has paid premiums to insure each of the directors 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 of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was A\$5,400 for each director.

OPTIONS

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

Grant date – 14 April 2005
Date of expiry – 14 April 2010
Exercise price – A\$0.33
Number of options – 1,025,000

During the year ended 30 June 2005 no ordinary shares in Tag Pacific Limited were issued on the exercise of options granted under the Tag Pacific Limited Executive Share Option Plan. No shares have been issued under the Executive Share Option Plan to the date of this report. 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.

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.

directors' report (continued)

NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement FI: Professional Independence.

Fees totalling A\$35,000 for non-audit services were paid to the external auditors during the year ended 30 June 2005 for taxation compliance services.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2005 has been received and forms part of the Directors' Report.

To: The Directors

Tag Pacific Limited

As lead engagement partner for the audit of Tag Pacific Limited for year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



John Bresolin

Partner

PKF Chartered Accountants
A New South Wales Partnership
Sydney, 30 September 2005

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



Peter Wise

Chairman

30 September 2005

statement of financial performance

for the year ended 30 June 2005

	Note	Tag Group		Tag Parent	
		2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
Revenues from ordinary activities	2	61,127	53,552	1,542	1,882
Cost of sales		(41,322)	(34,549)	-	-
Employee benefits expense		(9,437)	(8,275)	(668)	(512)
Depreciation and amortisation	3	(368)	(352)	(14)	(10)
Borrowing cost expense	3	(313)	(282)	(1)	(2)
Occupancy expense		(1,381)	(1,272)	(95)	(64)
Other expenses from ordinary activities		(5,390)	(4,761)	(433)	(448)
Share of net profits of associates accounted for using the equity method	11	72	-	-	-
Profit from ordinary activities before income tax	3	2,988	4,061	331	846
Income tax relating to ordinary activities	4	(621)	(493)	151	105
Profit from ordinary activities after related income tax		2,367	3,568	482	951
Net profit attributable to outside equity interest		(665)	(551)	-	-
Net profit attributable to members of the parent entity		1,702	3,017	482	951
Net exchange difference on translation of financial reports of self-sustaining foreign operations	19	12	72	-	-
Total revenues, expenses and valuation adjustments attributed to members of the parent entity and recognised directly in equity		12	72	-	-
Total changes in equity other than those resulting from transactions with owners as owners		1,714	3,089	482	951
Basic earnings per share	28	2.6 cents	4.6 cents		
Diluted earnings per share	28	2.6 cents	4.6 cents		

The accompanying notes form part of these financial statements.

statement of financial position

as at 30 June 2005

	Note	Tag Group		Tag Parent	
		2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
Current Assets					
Cash assets	6	4,757	5,419	1,988	2,712
Receivables	7	11,372	8,726	7,619	6,536
Inventories	8	10,542	8,981	-	-
Tax assets	9	1,087	741	768	624
Total Current Assets		27,758	23,867	10,375	9,872
Non-current Assets					
Other financial assets	10	5,839	5,324	3,276	3,276
Equity accounted investments	11	1,190	1,118	-	-
Property, plant & equipment	12	1,689	1,287	53	62
Intangible assets	13	415	136	-	-
Total Non-current Assets		9,133	7,865	3,329	3,338
Total Assets		36,891	31,732	13,704	13,210
Current Liabilities					
Payables	14	9,453	8,654	275	255
Interest-bearing liabilities	15	4,056	2,158	-	15
Tax liabilities	16	364	388	-	-
Provisions	17	935	745	-	3
Total Current Liabilities		14,808	11,945	275	273
Non-current Liabilities					
Interest-bearing liabilities	15	770	922	-	-
Provisions	17	171	12	-	-
Total Non-current Liabilities		941	934	-	-
Total Liabilities		15,749	12,879	275	273
Net Assets		21,142	18,853	13,429	12,937
Equity					
Contributed equity	18	15,741	15,404	15,741	15,404
Reserves	19	802	790	-	-
Retained profits/(accumulated losses)	20	586	(789)	(2,312)	(2,467)
Tag Parent Interest		17,129	15,405	13,429	12,937
Outside Equity Interest	21	4,013	3,448	-	-
Total Equity		21,142	18,853	13,429	12,937

The accompanying notes form part of these financial statements.

statement of cash flows

for the year ended 30 June 2005

	Note	Tag Group		Tag Parent	
		2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
Cash flows from operating activities					
Receipts from customers		66,408	59,133	526	78
Payments to suppliers & employees		(65,612)	(57,652)	(1,351)	(1,534)
Dividends received		66	-	-	-
Interest received		213	272	112	172
Income tax paid		(972)	(318)	-	-
Borrowing costs		(313)	(282)	(1)	(2)
Net cash (used in) / provided by operating activities	30	(210)	1,153	(714)	(1,286)
Cash flows from investing activities					
Proceeds from sale of plant & equipment		17	19	-	-
Payment for investments		(88)	(960)	-	-
Payments for new businesses	30	(1,688)	-	-	-
Payment for property, plant & equipment		(611)	(421)	(5)	(60)
Cash acquired from consolidating subsidiary		-	1,013	-	-
Net cash (used in) by investing activities		(2,370)	(349)	(5)	(60)
Cash flows from financing activities					
Proceeds from borrowings		1,932	-	-	15
Repayment of borrowings		(193)	(86)	(15)	-
Payments to outside equity interests		(113)	(387)	-	-
Proceeds from loan repayment		282	-	-	-
Dividend paid		(327)	-	(327)	-
Proceeds from issue of Shares		337	-	337	-
Share buy-back payment		-	(39)	-	(39)
Net cash provided by / (used in) financing activities		1,918	(512)	(5)	(24)
Net (decrease) / increase in cash held		(662)	292	(724)	(1,370)
Cash at beginning of year		5,419	5,112	2,712	4,082
Effects of exchange rate on cash holdings in foreign currencies		-	15	-	-
Cash at end of year	6	4,757	5,419	1,988	2,712

The accompanying notes form part of these financial statements.

notes to the financial statements

for the year ended 30 June 2005

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 into 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.

notes to the financial statements

for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 except where immaterial. 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 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 except where immaterial. 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 being the 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.

notes to the financial statements

for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Tag Group's and the Tag Parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated.

The Tag Group's management has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

notes to the financial statements

for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The directors are of the opinion that the key material differences in the Tag Group's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the Tag Group's management.

Share-based Payments

The group operates a share-based compensation plan. This is an executive share option plan. The bonus element over the exercise price of the executive services rendered in exchange for the grant of shares and options will be recognised as an expense in the income statement under AIFRS. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted. The consolidated entity does not currently recognise share based payment costs as an expense in the Statement of Financial Performance.

The Tag Group issued 1,025,000 options under the executive share option plan on 14 April 2005 to eligible executives. The shares issued to executives vest at the date of issue. Under AASB 2 'Share Based Payments' Tag Pacific Limited would be required to recognise a share based payment expense of A\$71,750 (Parent: A\$71,750) in the financial year ended 30 June 2005.

Business Combinations

On initial adoption of AIFRS, Tag Pacific Limited has elected not to restate business combinations that occurred before 1 July 2004. Accordingly, the impacts of the adoption of AIFRS on the retained earnings of Tag Pacific Limited associated with business combinations will be immaterial.

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

Goodwill amortisation amounting to A\$4,000 (Parent: \$nil) not recognised under AIFRS but recognised under current GAAP in the year ended 30 June 2005 will be written back to the income statement. No impairment has been assessed to have occurred hence net profit attributable to members will increase by A\$4,000 (Parent: \$nil).

Impairment of Assets

The Tag Group 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 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. This change in accounting policy may lead to impairments being recognised more often than under the existing policy.

The Tag Group has assessed its impairment testing policy and tested all individual assets or at the "cash generating unit" level for impairment as at 1 July 2005. The impact of this testing is A\$nil (Parent: A\$nil).

Intangible Assets

Under AASB 138: Intangible Assets, trademarks and registered designs are capitalised to the statement of financial position and if assessed as having an indefinite useful economic life are subjected to an annual impairment test. Intangible assets which are assessed as having a finite economic life are written off over their useful economic lives. The current accounting policy of the Tag Group is to amortise trademarks and registered designs on a straight line basis over a period of 10 – 20 years. Tag Group has reassessed the useful economic lives of its intangibles and believes there will be no material change after adopting AIFRS.

Impairment testing as at 1 July 2004 confirmed no impairment of the A\$102,000 trademarks and registered designs value as disclosed in the Tag Group's financial statements at 30 June 2004.

Financial Instruments

The Tag Group's financial assets comprise available for sale financial instruments. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to the current accounting policy which measures non-current investments at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is likely to increase the value of non-current other financial assets in relation to available for sale instruments.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. At this stage the Tag Group has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

notes to the financial statements

for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As at 1 July 2005, potential adjustments include intercompany loans (in the Tag parent) for which no interest is currently being charged and on terms that may be subject to variation might be classified as equity.

Income Tax

Currently, the Tag Group 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 AASB 112: Income Taxes, the Tag Group 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.

On transition, the financial effect of this impact is assessed as immaterial.

Cumulative Translation Differences

Tag Pacific Limited has elected to take advantage of the exemption allowed under AASB 1 First time adoption of Australian International Financial Reporting Standards where the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition. The adjustment in equity at the date of transition would be to reduce accumulated losses by A\$659,000, and deem the foreign currency translation reserve to be zero.

Investments in Associates

On initial adoption of AIFRS, Tag Pacific Limited has elected not to restate investments in associates that occurred before 1 July 2004. Accordingly, the impacts of the adoption of AIFRS on the retained earnings of Tag Pacific Limited associated with investments in associates will be immaterial.

On transition to AIFRS the estimated cumulative financial effect of the reliably known differences on the parent and Tag Group reported net profit and equity as at 30 June 2005 is summarised below. As noted above, these amounts represent management's best estimates, and could differ from actuals.

	Tag Group 2005 A\$000	Tag Parent 2005 A\$000
Reconciliation of Net Profit		
Net profit reported under Australian accounting standards	1,702	482
Key transitional adjustments		
- share based payment expense	(72)	(72)
- reversal of amortisation of goodwill	4	-
Net profit under AIFRS	<u>1,634</u>	<u>410</u>
Reconciliation of equity		
Total equity reported under Australian accounting standards	21,142	13,429
No retrospective adjustments to equity at 1 July 2004	-	-
	<u>21,142</u>	<u>13,429</u>
Increase in current year profit resulting from transition to AIFRS	(68)	(72)
Total equity under AIFRS	<u>21,074</u>	<u>13,357</u>

notes to the financial statements

for the year ended 30 June 2005

	Tag Group		Tag Parent	
	2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
2. REVENUE				
Operating activities				
- sale of goods & services	59,892	50,601	554	507
- interest from other corporations	202	259	113	171
- interest from associated entities	11	13	-	-
- dividends received	67	-	875	-
- other revenue	248	114	-	-
	60,420	50,987	1,542	678
Non-operating activities				
- movement in provision for diminution in carrying value of investments in				
- IBA Health Limited	690	2,677	-	-
- Microview Limited	-	(131)	-	-
- wholly owned subsidiaries	-	-	-	1,204
- proceeds on disposal of other financial assets	17	19	-	-
	707	2,565	-	1,204
	61,127	53,552	1,542	1,882

3. PROFIT FROM ORDINARY ACTIVITIES

The profit from ordinary activities before income tax has been determined after

Expenses

Borrowing costs

- other persons	291	256	1	2
- finance lease charges	22	26	-	-
	313	282	1	2

Depreciation of non-current assets

- plant & equipment	234	176	14	10
- capitalised leased assets	78	97	-	-
	312	273	14	10

Amortisation of non-current assets

- goodwill	4	38	-	-
- leasehold improvements	45	34	-	-
- trademarks	7	7	-	-
	56	79	-	-

Bad and doubtful debts

- movement in provision	33	19	-	-
- bad debts written off	179	52	-	-
Net bad and doubtful debt expense	212	71	-	-

Operating lease rentals

	1,489	1,272	96	64
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Gain on sale of other financial assets

	3	19	-	-
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notes to the financial statements

for the year ended 30 June 2005

	Tag Group		Tag Parent	
	2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
4. INCOME TAX				
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows				
Prima facie tax expense / (benefit) on profit / (loss) from ordinary activities before income tax at 30% (2004: 30%)				
- Tag Group	896	1,218	-	-
- Tag Parent	-	-	99	(107)
- other members of the income tax consolidated group net of intercompany transactions	-	-	(7)	778
	896	1,218	92	671
Add tax effect of				
- non-allowable items	113	100	1	41
- non-deductible diminution & amortisation	3	13	-	-
- under provision in prior year	11	1	11	-
- difference in overseas tax rates	23	3	-	-
Less tax effect of				
- non-assessable items	(227)	(809)	(227)	(809)
- deductible items not claimed	(177)	(33)	(72)	-
- share of net profits of associates	(21)	-	(21)	-
- income tax benefit / (expense) to wholly-owned subsidiaries under the tax sharing agreement	-	-	65	(8)
Income tax expense / (benefit) attributable to profit / (loss) from ordinary activities before income tax	621	493	(151)	(105)

5. DIVIDENDS PAID

Dividends paid	327	-	327	-
Balance of franking account at year end	38	63	38	63

6. CASH

Cash at bank and on hand	2,793	2,373	175	80
Short-term deposits	1,964	3,046	1,813	2,632
	4,757	5,419	1,988	2,712
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	4,757	5,419	1,988	2,712

7. RECEIVABLES

Trade debtors	10,711	8,626	-	-
Provision for doubtful debts	(108)	(118)	-	-
	10,603	8,508	-	-
Other debtors and prepayments	769	218	61	41
Amounts receivable from				
- partly owned subsidiaries	-	-	148	177
- wholly owned subsidiaries	-	-	8,917	7,825
- provision for non-recoverability	-	-	(1,507)	(1,507)
	-	-	7,558	6,495
	11,372	8,726	7,619	6,536

notes to the financial statements

for the year ended 30 June 2005

	Tag Group		Tag Parent	
	2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
8. INVENTORIES				
Raw materials	986	416	-	-
Work in progress	65	601	-	-
Finished stock	9,491	7,964	-	-
	10,542	8,981	-	-

9. TAX ASSETS

Future income tax benefit	1,087	741	768	624
The future income tax benefit is made up of the following estimated tax benefits				
- tax losses	954	677	768	623
- timing difference	133	64	-	1
	1,087	741	768	624
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	843	839	-	-
- capital losses	4,194	4,194	4,194	4,194

10. OTHER FINANCIAL ASSETS

Shares in unlisted subsidiaries at cost	-	-	3,276	3,276
Shares in listed corporations				
- cost	8,419	8,331	-	-
- provisions for diminution	(2,615)	(3,305)	-	-
	5,804	5,026	-	-
Market value of shares in listed corporations at 30 June 2005 A\$6,923,221 (2004: A\$5,215,000)				
Other unlisted investments at cost	35	298	-	-
	5,839	5,324	3,276	3,276

Shares in listed corporations include a shareholding in IBA Health Limited of A\$5,359,000 (2004 : A\$4,669,000) being 5.5% (2004 : 6.7%) of the issued capital. IBA Health Limited's principal activity is the development and licensing of computer software and the supply of services to the health industry.

Shares and units in controlled entities comprise:	Place of Incorporation	Class of Share	% Owned 2005	% Owned 2004
Entity				
Electro Securities Pty Limited	AUS	Ord	100	100
Fibumi Pty Limited	AUS	Ord	100	100
ShareCover Pty Limited	AUS	Ord	100	-
ShareCover Services Pty Limited	AUS	Ord	100	-
Tagpac Financial Services Pty Limited	AUS	Ord	100	-
Tagpac Securities Limited	AUS	Ord	100	100
Techno Holdings Pty Limited	AUS	Ord/Pref	100/100	100/100
Comprador Pacific Pty Limited	AUS	Ord	51	51
Comprador Pacific Unit Trust	AUS	Units	51	51
M+H Power Systems Pty Limited	AUS	Ord	55	56
M+H Power Systems Limited	NZ	Ord	55	56
Nikko Business Equipment Pty Limited	AUS	Ord	55	56
Flatbat Limited	NZ	Ord	100	100
Potter Interior Systems Limited	NZ	Ord	100	100
Spedding Limited	NZ	Ord	100	100

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

notes to the financial statements

for the year ended 30 June 2005

11. EQUITY ACCOUNTED INVESTMENTS

The Group, through its wholly owned subsidiary Electro Securities Pty Limited, holds a 50% (2004: 50%) interest in Power Property Nominees Pty Limited and a 46% (2004: 46%) interest in the units of the Power Property Unit Trust, which owns the property occupied by M+H Power Systems Pty Limited in Melbourne. All profits of the Power Property Unit Trust are distributed to unit holders and accordingly Electro Securities Pty Limited does not equity account these interests.

The Group, through its wholly owned subsidiary Tagpac Securities Limited, holds a 27% (2004:27%) interest in Unique World Group Pty Limited. Unique World Group Pty Limited's principal activity is web based services.

	Tag Group		Tag Parent	
	2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
Movements during the year in equity accounted investment in associated company				
Balance at beginning of financial year	1,118	2,367	-	-
Less				
- associate acquired as controlled entity	-	(2,367)	-	-
Add				
- reclassification from other investments	-	518	-	-
- new investments during the year	-	600	-	-
- share of associate's profit from ordinary activities after income tax	72	-	-	-
	1,190	1,118	-	-
Share of associate's profit from ordinary activities before income tax	72	-	-	-
Share of associate's income tax	-	-	-	-
Share of associate's profit from ordinary activities after income tax	72	-	-	-
Share of retained profits at beginning of the financial year	-	-	-	-
Dividends received	-	-	-	-
Share of retained profits at end of the financial year	72	-	-	-
Summarised presentation of aggregate assets & liabilities				
Assets	2,353	1,976	-	-
Liabilities	1,091	1,102	-	-
Net assets	1,262	874	-	-

12. PROPERTY, PLANT & EQUIPMENT

Plant & equipment				
- at cost	2,364	2,297	174	169
- accumulated depreciation	(1,301)	(1,626)	(121)	(107)
	1,063	671	53	62
Leasehold improvements				
- at cost	437	394	-	-
- accumulated amortisation	(124)	(125)	-	-
	313	269	-	-
Capitalised leased assets				
- at cost	594	543	-	-
- accumulated amortisation	(281)	(196)	-	-
	313	347	-	-
	1,689	1,287	53	62

notes to the financial statements

for the year ended 30 June 2005

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	671	269	347	1,287
Additions	470	88	51	609
Additions through acquisition of businesses	160	-	-	160
Disposals	(13)	-	-	(13)
Depreciation expense	(227)	(45)	(85)	(357)
Effect of exchange rate differences between the beginning and end of year	2	1	-	3
Carrying amount at end of year	1,063	313	313	1,689
Tag Parent				
Balance at beginning of year	62	-	-	62
Additions	5	-	-	5
Depreciation expense	(14)	-	-	(14)
Carrying amount at end of year	53	-	-	53
	Tag Group		Tag Parent	
	2005	2004	2005	2004
	A\$000	A\$000	A\$000	A\$000

13. INTANGIBLE ASSETS

Goodwill				
- cost	919	699	-	-
- amortisation	(669)	(665)	-	-
	250	34	-	-
Trademarks				
- cost	218	148	-	-
- amortisation	(53)	(46)	-	-
	165	102	-	-
	415	136	-	-

14. PAYABLES

Unsecured liabilities

- trade creditors	7,840	7,385	-	-
- sundry creditors and accrued expenses	1,613	1,269	275	255
	9,453	8,654	275	255

Foreign currency liabilities

Current liabilities not effectively hedged

- AUD	59	10	-	-
- EUR	91	269	-	-
- GBP	-	13	-	-
- NZD	30	8	-	-
- USD	37	15	-	-
	217	315	-	-

notes to the financial statements

for the year ended 30 June 2005

	Tag Group		Tag Parent	
	2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
15. INTEREST BEARING LIABILITIES				
Current				
- bank loans (secured)	3,931	2,059	-	-
- lease liabilities (secured)	125	99	-	-
- other	-	-	-	15
	4,056	2,158	-	15
Non-current				
- bank loans (secured)	522	657	-	-
- lease liabilities (secured)	248	265	-	-
	770	922	-	-

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

16. TAX LIABILITIES

Income tax	364	388	-	-
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17. PROVISIONS

Current				
- employee entitlements	877	696	-	3
- warranties	58	49	-	-
	935	745	-	3
Non-current				
- employee entitlements	171	12	-	-
	171	12	-	-
Aggregate employee entitlements	1,048	708	-	3
Number of personnel at year end	162	128	4	4

A provision of A\$58,000 (2004 : A\$49,000) has been recognised for estimated warranty claims in respect of products and services sold which are still under warranty at balance date. The provision is based on historical percentage of claims made in relation to total sales.

18. CONTRIBUTED EQUITY

66,804,745 (2004: 65,452,969) fully paid ordinary shares			15,741	15,404
Ordinary shares				
At the beginning of the reporting period	15,404	15,443	15,404	15,443
Shares issued on 15 November 2004 - 1,351,776	337	-	337	-
Shares bought back on 30 June 2004 - 206,825	-	(39)	-	(39)
At reporting date	15,741	15,404	15,741	15,404

Ordinary shares participate in dividends and the proceeds on winding up of the Tag Parent in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

19. RESERVES

Capital reserve	659	659	-	-
Foreign currency translation reserve	143	131	-	-
	802	790	-	-

notes to the financial statements

for the year ended 30 June 2005

	Tag Group		Tag Parent	
	2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
19. RESERVES (continued)				
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	131	59	-	-
Adjustment arising from the translation of self-sustaining foreign controlled entities' financial statements	12	72	-	-
Closing balance	143	131	-	-
The foreign currency translation reserve records exchange differences arising on translation of self-sustaining foreign controlled entities				

20. RETAINED PROFITS / (ACCUMULATED LOSSES)

(Accumulated losses) at beginning of year	(789)	(3,806)	(2,467)	(3,418)
Net profit attributable to the members of the parent entity	1,702	3,017	482	951
Dividend paid	(327)	-	(327)	-
Retained profits/(accumulated losses) at end of year	586	(789)	(2,312)	(2,467)

21. OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

Outside equity interests comprise				
- capital	1,501	1,480	-	-
- profits	2,512	1,968	-	-
	4,013	3,448	-	-

22. CAPITAL AND LEASING COMMITMENTS

Capital expenditure commitments	-	-	-	-
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.				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
- not later than one year	1,184	1,346	91	88
- later than one year but not later than five years	1,289	2,157	7	95
- later than five years	156	496	-	-
	2,629	3,999	98	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	155	121	-	-
- later than one year but not later than five years	266	293	-	-
Minimum lease payments	421	414	-	-
Less:- future finance charges	(48)	(50)	-	-
Provided for in accounts	373	364	-	-

notes to the financial statements

for the year ended 30 June 2005

23. SEGMENTAL INFORMATION

	Building Products		Power Products		Investment		Tag Group		
	2005	2004	2005	2004	2005	2004	2005	2004	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
PRIMARY REPORTING - BUSINESS SEGMENTS									
Revenue									
External revenue	38,491	31,322	21,723	19,393	913	2,837	61,127	53,552	
Share of net profits of equity accounted associates	0	0	0	0	72	0	72	0	
Total revenue from ordinary activities	38,491	31,322	21,723	19,393	985	2,837	61,199	53,552	
Result									
Segment result	978	120	2,236	2,216	985	2,761	4,199	5,097	
Unallocated expenses							(1,211)	(1,036)	
Profit from ordinary activities before income tax	978	120	2,236	2,216	985	2,761	2,988	4,061	
Income tax							(621)	(493)	
Profit from ordinary activities after income tax	978	120	2,236	2,216	985	2,761	2,367	3,568	
Assets									
Segment assets	16,995	13,447	9,767	8,993	10,129	9,292	36,891	31,732	
Liabilities									
Segment liabilities	12,794	9,331	2,679	3,275	276	273	15,749	12,879	
Other									
Acquisitions of non-current segment assets	575	258	288	239	280	960	1,143	1,457	
Depreciation and amortisation of segment assets	274	260	80	81	14	11	368	352	
			Australia		New Zealand		Tag Group		
			2005	2004	2005	2004	2005	2004	
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	

SECONDARY REPORTING - GEOGRAPHIC SEGMENTS

Segment revenues		37,198	32,950	24,001	20,602	61,199	53,552
Segment assets		27,965	24,511	8,926	7,221	36,891	31,732
Acquisition of non-current assets		981	1,198	162	259	1,143	1,457

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		Fixed Interest Rate Maturing 1-5 Years		Non-Interest Bearing		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
			A\$000		A\$000		A\$000		A\$000	
Financial Assets										
Cash & deposits	4.67%	5.34%	3,943	4,807	-	-	814	612	4,757	5,419
Receivables	-	-	-	-	-	-	11,372	8,726	11,372	8,726
Investments	-	-	-	-	-	-	7,029	6,442	7,029	6,442
			3,943	4,807	-	-	19,215	15,780	23,158	20,587
Financial Liabilities										
Bank loans	7.20%	7.27%	4,453	2,716	-	-	-	-	4,453	2,716
Accounts payable	-	-	-	-	-	-	9,453	8,654	9,453	8,654
Lease liabilities	7.85%	8.28%	-	-	373	364	-	-	373	364
			4,453	2,716	373	364	9,453	8,654	14,279	11,734

notes to the financial statements

for the year ended 30 June 2005

24. FINANCIAL INSTRUMENTS (continued)

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. Subsequent to balance date the quoted market bid prices have altered to more closely align, in total, with the carrying value disclosed in these accounts. 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

	2005		2004	
	Carrying Amount A\$000	Net Fair Value A\$000	Carrying Amount A\$000	Net Fair Value A\$000
Listed investments	5,804	6,923	5,026	5,215
Unlisted investments	35	35	298	298
	5,839	6,958	5,324	5,513

	Tag Group		Tag Parent	
	2005 A\$	2004 A\$	2005 A\$	2004 A\$

25. AUDITORS' REMUNERATION

Remuneration of the auditor of Tag Parent for

Auditing or reviewing the accounts	105,425	88,143	43,000	30,000
Other services	35,395	33,670	19,950	29,150
	140,820	121,813	62,950	59,150

26. EMPLOYMENT BENEFITS

Executive Share Option Plan

On 14 April 2005, 1,025,000 options were granted under the Tag Pacific Limited executive share option plan to take up ordinary shares at an exercise price of A\$0.33 each. The options are exercisable on or before 14 April 2010. The options hold no voting or dividend rights and are not transferable. There are no vesting conditions attaching to the exercising of these options. At balance date, no option has been exercised.

Movement in the number of options

Opening balance	-	-	-	-
Granted during the year	1,025,000	-	1,025,000	-
Closing balance	1,025,000	-	1,025,000	-

Grant date – 14 April 2005

Expiry and exercise date – 14 April 2010

Exercise price – A\$0.33

notes to the financial statements

for the year ended 30 June 2005

27. RELATED PARTIES

Controlled Entities

Information relating to controlled entities is set out in Note 10. Transactions occur between certain of these entities and with an associated entity during the year, all of which are conducted at commercial rates. These transactions include loans to and from entities within the group, sales of goods and services between subsidiaries and associates, and accounting, legal and administrative assistance to Tag's subsidiaries.

Director related entities

Peter Wise has a controlling interest in Anthony Australia Pty Limited through family interests. Anthony Australia Pty Limited effected a net increase of nil (2004:2,000,729) ordinary shares in Tag Pacific Limited during the year under review. Anthony Australia Pty Limited has received fees for services rendered during the year. These fees are included in the remuneration of directors disclosures in the Directors' Report.

Directors

The names of the directors of the Tag Group during the year under review are Peter Wise, Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary 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.

Richard Peterson is a partner of Harkness & Peterson. Harkness & Peterson has received fees of A\$nil (2004: A\$5,282) as the Tag Group's solicitor in New Zealand.

Share Transactions of Directors

	2005 No.	2004 No.
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in Tag Pacific Limited	<u>37,378,695</u>	<u>37,378,695</u>

28. EARNINGS PER SHARE

	Tag Group	
	2005 A\$000	2004 A\$000
Reconciliation of earnings to net profit		
Net profit	2,367	3,568
Net profit attributable to outside equity interest	(665)	(551)
Earnings used in the calculation of basic and diluted earnings per share	<u>1,702</u>	<u>3,017</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	<u>66,516,407</u>	<u>65,659,794</u>
Weighted average number of options outstanding	<u>288,338</u>	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	<u>66,804,745</u>	<u>65,659,794</u>

29. EVENTS SUBSEQUENT TO REPORTING DATE

On 14 September 2005 Tag Pacific Limited's subsidiary, M+H Power Systems Pty Limited, acquired all the issued shares in Advanced Power Pty Limited, a Sydney based supplier of electrical power generation products, for A\$3.5million. The initial payment of A\$1.1million was met from M+H Power Systems Pty Limited's own cash reserves. Deferred consideration of A\$2.4million will be funded by way of cash and external borrowings and paid over a period of up to eighteen months.

notes to the financial statements

for the year ended 30 June 2005

	Tag Group		Tag Parent	
	2005 A\$000	2004 A\$000	2005 A\$000	2004 A\$000
30. CASH FLOW INFORMATION				
Reconciliation of cash flow from operating activities with profit after income tax				
Profit from operating activities after income tax	2,367	3,568	482	951
Non-cash flows				
- amortisation	56	79	-	-
- depreciation	312	273	14	10
- charges to provisions	(549)	(1,882)	(1,576)	(1,814)
- share of associated company's operating profit after income tax	(72)	-	-	-
Gain on sale of property, plant and equipment	(3)	(19)	-	-
Changes in assets and liabilities				
- (increase)/decrease in receivables	(1,586)	(626)	413	(600)
- (increase) in inventories	(871)	(155)	-	-
- increase/(decrease) in trade creditors & accruals	487	232	(47)	167
- income tax payable	(351)	(317)	-	-
Cash flow (used in)/provided by operating activities	(210)	1,153	(714)	(1,286)
Payments for new businesses				
Additions to assets and liabilities				
Fixed assets	160	-	-	-
Stock	677	-	-	-
Debtors and prepayments	1,044	-	-	-
Goodwill	257	-	-	-
Creditors	(300)	-	-	-
Employee entitlements	(150)	-	-	-
Cash consideration	1,688	-	-	-
Credit facilities				
Credit facilities	5,212	3,581	-	-
Amounts utilised	4,453	2,716	-	-
Unused credit facilities	759	865	-	-

Bank overdrafts and loans

Bank overdraft of A\$367,000 (2004:A\$865,000) and loan facilities of A\$4,845,000 (2004:A\$2,716,000) 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 (refer Note 24).

Non-cash financing and investment activities

During the year the economic entity acquired plant and equipment with an aggregate value of A\$51,721 (2004: A\$75,836) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

31. CONTINGENT LIABILITY

A contingent liability exists whereby, if certain provisions are met and a key performance indicator is reached or exceeded, a further payment of A\$75k will become payable on 11 February 2007 in respect of the purchase by M+H Power Systems Pty Limited of the business of GenPower Group Pty Limited. It is not possible to ascertain whether or not this amount will become payable (2004:nil).

32. 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 2005

1. In the opinion of the directors of Tag Pacific Limited

(a) the financial statements and notes, as set out on pages 15 to 33, are in accordance with the Corporations Act 2001, and

(i) comply with Accounting Standards and the Corporations Regulations 2001; and

(ii) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and the group; and

(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.

2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chairman and Group Secretary for the financial year ended 30 June 2005.

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



Peter Wise
Chairman

30 September 2005

independent audit report

to the members of Tag Pacific Limited

Chartered Accountants
& Business Advisers

Level 10, 1 Margaret Street
Sydney NSW 2000

DX 10173
Sydney Stock Exchange

Tel: 61 2 9251 4100

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SCOPE

The financial report, remuneration disclosures 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 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures") as required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" in pages 11 to 13 of the directors' report, as permitted by the Corporations Regulations 2001.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with Accounting Standard AASB 1046 and Corporations Regulations 2001. 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 and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

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 Acts 2001.

AUDIT OPINION

In our opinion:

1. The financial report of Tag Pacific Limited and its 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 2005 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.
2. The remuneration disclosures that are contained in pages 11 to 13 of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.



PKF
Chartered Accountants
A New South Wales Partnership



John Bresolin
Partner

Sydney, 30 September 2005

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 applied for the entire financial year ended 30 June 2005.

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 and 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
- 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) Peter Wise, and five non-executive directors being Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary Weiss.

Experience relevant to the position of director of each director in office at the date of this report is set out on page 10.

Peter Wise is not considered to be an "independent" director in terms of the ASX Recommendations because interests associated with him are "substantial shareholders" of the company and his appointment as director of the company is reflective of the underlying capital structure of the company. In addition, Peter Wise is remunerated in an executive capacity by the company.

Gary Cohen and Robert Moran 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.

Robert Constable, Richard Peterson and Gary Weiss are considered "independent" in terms of the ASX Recommendations, each holding nominal numbers of shares as set out on page 10.

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.

corporate governance statement (continued)

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 Robert Constable and Gary 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 the 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 Robert Constable and Gary Weiss. Peter Wise and John Henderson 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.

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 and safety
- relations with customers and 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
- 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.

shareholder information

as at 14 September 2005

SHAREHOLDING

Distribution of shareholders

Range	Holders	Shares
1 - 1,000	570	282,162
1,001 - 5,000	672	1,876,430
5,001 - 10,000	252	1,988,960
10,001 - 100,000	324	8,976,977
100,001 - and over	51	53,680,216
	<u>1,869</u>	<u>66,804,745</u>

The number of holdings of less than a marketable parcel is 870.

	No. of Shares	% of Shares
The names of the substantial shareholders listed in Tag Pacific Limited's register as at 14 September 2005 are		
Anthony Australia Pty Limited	30,041,314	45.0%
Allco Finance Group Limited & associates	6,390,175	9.6%
RJL Investments Pty Limited & associates	5,238,436	7.8%

Twenty largest shareholders

Anthony Australia Pty Limited	30,041,314	45.0
AIB Investments Pty Limited	5,741,902	8.6
RJL Investments Pty Limited	5,160,936	7.7
Loftus Lane Investments Pty Limited	1,654,355	2.5
Brides Pty Limited	900,000	1.3
George Chien Hsun Lu & Jenny Chin Pao Lu	850,000	1.3
Weldon Enterprises No. 2 Pty Limited	648,273	1.0
RHC Management Pty Limited	492,195	0.7
Excalibur Nominees Limited	474,995	0.7
Sophie Gelski	400,000	0.6
Ron Irish	400,000	0.6
Monetti Pty Limited	383,548	0.6
Alistair Woodside Cunningham	340,000	0.5
Richard Dale Peterson	337,732	0.5
Lu's International Limited	315,139	0.5
Noonbah Pty Ltd	300,000	0.4
Keith Richard Frankum	274,490	0.4
Harvey Wu	223,510	0.3
Ngair Jean Pincott	211,759	0.3
Selkirk Holdings Ltd	210,800	0.3
	<u>49,360,949</u>	<u>73.9</u>

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.

REGISTERS OF SECURITIES ARE HELD AT THE FOLLOWING ADDRESSES

Australia

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

New Zealand

Computershare Investor Services Limited
Level 3, 277 Broadway, Newmarket, Auckland

REGISTERED OFFICE

The address of the principal registered office in Australia is: Level 26 Piccadilly Tower, 133 Castlereagh Street, Sydney NSW 2000. Telephone +61 2 9283 9377. Fax +61 2 9283 9566. Internet www.tagpac.com

STOCK EXCHANGE LISTINGS

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

COMPANY SECRETARY

The name of the Company Secretary is John Henderson. Email: djh@tagpac.com



Tag Pacific Limited ACN 009 485 625
GPO Box 4032
Sydney NSW 2001 AUSTRALIA
Facsimile: +612 9283 9566

APPOINTMENT OF PROXY

I/We.....

of.....

being a member/s of Tag Pacific Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an "X") **OR**

If you are not appointing the Chairman of the meeting as your proxy please write here the full name of the individual or body corporate (excluding registered Securityholder) you are appointing as your proxy or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Tag Pacific Limited to be held at Sheraton On The Park, 161 Elizabeth Street, Sydney Australia, on Thursday 10 November 2005 at 10:00am and at any adjournment of that meeting.

Voting directions to your proxy – please mark X to indicate your directions

Agenda Item No.	For	Against	Abstain
2. Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of directors:			
3.1 Re-election of Gary Cohen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.2 Re-election of Gary Weiss	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the meeting intends to vote undirected proxies in favour of each of the items of business.

If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Please sign here

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone Number

____/____/____
Date



how to complete this proxy form

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the meeting please write the full name of that individual or body corporate. If you leave the section blank, or your named proxy does not attend the meeting, the Chairman of the meeting will be your proxy. A proxy need not be a securityholder of the company.

VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded
- (b) return both forms together in the same envelope

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: where the holding is in one name, the holder must sign

Joint Holding: where the holding is in more than one name, all of the security holders should sign

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

LODGEMENT OF A PROXY

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 10:00am on Thursday 10 November 2005. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON

Tag Pacific Limited, Level 26 Piccadilly Tower, 133 Castlereagh Street, Sydney, Australia

BY MAIL

Tag Pacific Limited, GPO Box 4032, Sydney NSW 2001, Australia

BY FAX

+612 9283 9566

corporate directory

directors

Peter Wise (*Chairman*)

Gary Cohen

Robert Constable

Robert Moran

Richard Peterson

Gary Weiss

auditors

PKF

Level 10

1 Margaret Street

SYDNEY NSW 2000

AUSTRALIA

secretary

John Henderson

Level 26 Piccadilly Tower

133 Castlereagh Street

SYDNEY NSW 2000

AUSTRALIA

djh@tagpac.com

share registrars

Computershare Investor Services Pty Limited

SYDNEY NSW 2000 AUSTRALIA

Computershare Investor Services Limited

AUCKLAND NEW ZEALAND

