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# directory

**tag pacific limited**

ACN 009 485 625

**directors:**

P H Wise (Chairman)  
G M Cohen  
R T Constable  
R B Moran  
R D Peterson  
G H Weiss

**secretary:**

D J Henderson  
Level 46 MLC Centre  
19-29 Martin Place  
Sydney NSW 2000  
djh@tagpac.com

**auditors:**

PKF  
Level 20  
1 York Street  
Sydney NSW 2000

**share registrars:**

Computershare  
Investor Services Pty Limited  
Sydney NSW 2000 Australia

Computershare  
Investor Services Limited  
Auckland New Zealand

# chairman's report



Analysis of the results for the Tag Group for the year ended 30 June 2001, as detailed in this Annual Report, should be divided into two parts :

1. The provisions made against investments in listed technology companies.
2. The results and performance of other activities.

## LISTED INVESTMENTS

The Tag Group has investments in two companies listed on the ASX, IBA Technologies Limited and ChaosMusic Limited. Given prevailing market conditions, the Directors have formed the view that it is prudent for provisions to be made against the carrying value of each of these investments to a level that reflects current market sentiment.

The Company made a provision of A\$1.150m against the carrying value of its investment in ChaosMusic Limited at 30 December 2000, effectively bringing the book value of this investment down to A\$0.158m at 30 June 2001 for the 2m shares held (approximately A\$0.08 per share). ChaosMusic Limited recently announced a diversification away from its dependence on internet commerce and shareholders have agreed to a proposal to acquire Microview Pty Limited, a leading Australian DVD production house and data storage specialist. Shareholders have also agreed to change the name of the company to Chaos Group Limited. Although the ChaosMusic Limited share price has strengthened somewhat, the provision made by the Tag Group at the half year has been maintained at year end. Further information on ChaosMusic Limited is a matter of public record (ASX code: CHS).

The Tag Group's largest single investment is an interest in IBA Technologies Limited, an international supplier of healthcare information systems and e-health services to hospitals as well as community and primary care organisations. IBA Technologies Limited has not fared well at the hands of the sharemarket in recent times, notwithstanding recent announcements concerning the signing of major contracts in the UK.

Reflecting this market sentiment, a provision of A\$3.456m has now been made against the carrying value of the Tag Group's investment in IBA Technologies Limited. This reflects a carrying value at 30 June 2001 of A\$3.113m for the 12.45m shares held (A\$0.25 per share). Further information on IBA Technologies Limited, is a matter of public record (ASX code: IBA).

Together these provisions have impacted the otherwise profitable after-tax result for the period by an abnormal amount of A\$4.606m. Because this has impacted on the Company's retained earnings, the Company is precluded from paying a dividend this year.

## OTHER ACTIVITIES

Tag Group revenue from ordinary activities of A\$27.554m was down when measured against the comparative period last year, however when adjusted for non-recurring activities and those that are no longer consolidated, there was a marginal increase. The non-consolidated activities relate to Anglo Engineering Limited and the business of MHS Technologies Limited in New Zealand which was acquired by the M+H Power Systems Group in the latter half of the 2000 calendar year.

*“...interesting expansion initiatives  
are currently being pursued.”*



# chairman's report

## (continued)

The sale of Anglo Engineering Limited occurred on 27 March 2001. As a small metal fabrication business based in Auckland, New Zealand, Anglo Engineering Limited no longer served a strategic purpose and the business was earmarked for disposal some time ago. The sale was effected at the book value on that date.

During the period under review, the Tag Group increased its beneficial holdings in M+H Power Systems Pty Limited from 29% to 48% and in the associated property owning entity from 19% to 38%. These entities are accounted for on an equity accounting basis. M+H Power Systems made good progress in its Australian operations and after a slow start, went a long way towards integrating the trading activities of its wholly owned New Zealand subsidiary. Over the last year or two, the M+H Power Group has blossomed as the full effect of the acquisitions of Nikko Business Equipment, Westpower Rectifiers, Project Electronics and MHS Technologies have begun to bear fruit.

The activities of the Interior Products Group (Comprador Pacific Pty Limited in Australia and Potter Interior Systems Limited in New Zealand) were impacted by the contraction in the building industry on both sides of the Tasman. Sales were marginally ahead of the previous year, but competitive pressures and market factors tended to impact on profitability. However, both companies are continuing to fare well and interesting expansion initiatives are currently being pursued.

As reported earlier, Comprador Pacific Pty Limited acquired the Brisbane based business of Tecoa (The Enamel Steel Corporation of Australia) early in the 2001 calendar year. Tecoa specialises in the manufacture of acoustic panels as well as fabric covered boards and porcelain write-on-boards. Elements of the business are similar to activities already undertaken by Potter Interior Systems Pty Limited.

During the period under review, the Tag Group also took an interest in Smartbuy Solutions Pty Limited, a company offering traditional retailers customised solutions in the establishment of on-line stores. The first such store to open for business was developed for the consumer electronics retailer, Tandy Australia, in February 2001. Since then Smartbuy Solutions Pty Limited has merged with the Unique World Group.

Unique World specialises in systems integration and design, with particular emphasis on business process redesign using internet technology. To date Unique World has concentrated on developing bespoke web functionality for corporate and government customers.

Unique World has a broad spread of customers. Whilst in past years Unique World has had a narrow customer base, this has now broadened considerably and with the horizontal and vertical integration resulting from the merger with Smartbuy, the combined operation is expecting to take advantage of major contracts involving ongoing support and with recurring revenues. As a result of the merger, the Tag Group now has a 7% investment in the merged company (Unique World Pty Limited) with the option of increasing its investment at a later date.



*“...blossomed as the full effect of the acquisitions...have begun to bear fruit.”*

# chairman's report

(continued)

## GENERAL

Notwithstanding the provisions made against the listed investments mentioned earlier, the Tag Group continues to be in a strong and liquid position. The Company is hopeful that the provisioning it has made will, at some future date, be viewed as having been overly conservative.

At 30 June 2001, the Company has net tangible assets of A\$0.20 per share and balance sheet goodwill that is minimal. It enjoys very good ratios, with low debt, and cash reserves of A\$4.407m. It now has a greatly simplified corporate structure and with clear focus, it is strongly committed to increasing and developing its existing businesses and its level of activity.

For and on behalf of the Board of Directors



PETER WISE  
Chairman

28th September 2001

## INVESTMENT SUMMARY

Further information on companies in which the Tag Group has invested is available by accessing the following internet addresses :

<b>Comprador Pacific Pty Limited</b>	<a href="http://www.comprador.com.au">www.comprador.com.au</a>
<b>Potter Interior Systems Limited</b>	<a href="http://www.potters.co.nz">www.potters.co.nz</a>
<b>M+H Power Systems Pty Limited</b>	<a href="http://www.mhpower.com.au">www.mhpower.com.au</a>
<b>IBA Technologies Limited</b>	<a href="http://www.iba.com.au">www.iba.com.au</a>
<b>ChaosMusic Limited</b>	<a href="http://www.chaosmusic.com.au">www.chaosmusic.com.au</a>
<b>Unique World Pty Limited</b>	<a href="http://www.uniqueworld.net">www.uniqueworld.net</a>



*“...strongly committed to increasing and  
developing its existing businesses  
and its level of activity.”*

# corporate governance statement

**T**he board of directors of Tag Pacific Limited comprises the Chairman (executive) Mr P H Wise, and five non-executive directors being Messrs G M Cohen, R T Constable, R B Moran, R D Peterson and Dr G H Weiss.

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 balance between executive and non-executive directors and 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.

The remuneration and terms and conditions of employment for the chairman and senior executives is reviewed and approved by the remuneration committee which seeks independent professional advice where appropriate. The main responsibility of the remuneration committee is to set and monitor employment terms and conditions. The remuneration committee comprises Messrs R T Constable and G M Cohen. Remuneration for non-executive directors is determined by the full board and is subject to shareholder approval.

The board meets regularly to review risks associated with each entity in the group; to implement procedures to manage such risks; and to develop policies regarding the establishment and maintenance of appropriate ethical standards. The board's specific role in this regard is to:

- ▲ ensure compliance with legal, statutory, and ethical matters;
- ▲ monitor the business environment;
- ▲ identify business risk areas;
- ▲ identify business opportunities.

At the date of this report Tag Pacific Limited had an Audit Committee comprising Mr R T Constable and Dr G H Weiss.

The audit committee's responsibilities are to:

- ▲ 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.

# directors' report

**T**he directors present their report on the company (Tag Parent) and its controlled entities (Tag Group) for the year ended 30 June 2001. The Chairman's Report (pages 2-6) contains a review of the operations of the Tag Group during the financial year and the results of those operations and details of significant changes in the Tag Group. The Chairman's Report is incorporated into and forms part of this Directors' Report.

## DIRECTORS

The names of directors in office at any time during or since the end of the year are:

- ▲ P H Wise
- ▲ N J Bain (alternate for D R Coe) (retired 29 June 2001)
- ▲ D R Coe (retired 29 June 2001)
- ▲ G M Cohen
- ▲ R T Constable
- ▲ R B Moran (appointed 1 July 2001)
- ▲ R D Peterson
- ▲ G H Weiss

## PRINCIPAL ACTIVITIES

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

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

## OPERATING RESULTS

The consolidated loss after providing for income tax and eliminating outside equity interests amounted to A\$4,270,103.

## DIVIDEND PAID OR RECOMMENDED

Dividends paid or declared for payment are as follows:-

Ordinary dividend of 0.6 cents per share  
paid on 23 November 2000, as  
recommended in last year's report                      A\$393,959 (unfranked)

The directors are not recommending the payment of a dividend in respect of the year ending 30 June 2001.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS:

No significant changes in the state of affairs of the Tag Parent occurred during the financial year.

# directors' report

## (continued)

### AFTER BALANCE DATE EVENTS

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

### FUTURE DEVELOPMENTS

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

### ENVIRONMENTAL ISSUES

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

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

### INFORMATION ON DIRECTORS

Directors in office at the date of this report are:

<b>Peter H Wise</b>	- Chairman (executive)
Qualifications	- Dip ID
Experience	- Appointed Chairman and board member 1986. Director of IBA Technologies Limited and Unique World Pty Limited and Chairman of subsidiaries and associates within the Tag Group.
Interest in shares	- Through family interests has a controlling interest in Anthony Australia Pty Limited which controls 25,922,899 ordinary shares in Tag Pacific Limited.
<b>Gary M Cohen</b>	- Director (non-executive)
Qualifications	- B Comm, LLM (Hons)
Experience	- Appointed board member October 1999. Executive Chairman of IBA Technologies Limited and a director of Plessey Asia Pacific Pty Limited. Formerly a principal of Allco Finance Group and was a senior legal partner of Rosenblum and Partners.
Special Responsibilities	- Mr Cohen is a member of the Remuneration Committee
Interest in shares	- Holds a relevant interest in 14,572,606 ordinary shares in Tag Pacific Limited.

# directors' report

(continued)

## INFORMATION ON DIRECTORS (CONTINUED)

- Robert T Constable** - Director (non-executive)
- Qualifications - MA (Cantab)
- Experience - Appointed board member 1986. Former positions include secretary of the Beecham Group, director of Sime Darby Holdings Limited, and deputy chief executive of Bousteadco Singapore Limited.
- Interest in shares - 200,000 ordinary shares of Tag Pacific Limited held non-beneficially.
- Special Responsibilities - Mr Constable is the Chairman of the Audit Committee and a member of the Remuneration Committee.
- 
- Robert B Moran** - Director (non-executive)
- Qualifications - BEc, LLB (Hons)
- Experience - Appointed board member July 2001. Director of the Investment Banking Group of Allco Finance Group. Prior to joining Allco practised as a corporate and commercial lawyer for 12 years.
- Interest in Shares - 20,000 ordinary shares of Tag Pacific Limited held beneficially.
- 
- Richard D Peterson** - Director (non-executive)
- Qualifications - LL.M, F.A.M.I.N.Z
- Experience - Appointed board member 1986. Barrister and Solicitor of The High Court of New Zealand and a partner in Harkness & Peterson.
- Interest in shares - 1,136,750 ordinary shares of Tag Pacific Limited held non-beneficially.
- 
- Gary H Weiss** - Director (non-executive)
- Qualifications - LL.M (NZ), J.S.D (Cornell)
- Experience - Appointed board member 1988. Chairman of Tomorrow Limited and Joe White Malting Limited, Deputy Chairman of Ariadne Australia Limited, executive director of Guinness Peat Group plc and is a director of several other public companies.
- Interest in shares - 250,000 ordinary shares of Tag Pacific Limited held non-beneficially.
- Special Responsibilities - Dr Weiss is a member of the Audit Committee.

# directors' report

(continued)

## DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is detailed under the corporate governance statement.

The emoluments of each director and each of the five executive officers receiving the highest emoluments are as follows:

Directors	Management Fee / Salary A\$	Director's Fees A\$	Super- annuation Contributions A\$	Incentives A\$	Non-cash Benefits A\$	Total A\$
<b>Tag Parent:</b>						
P H Wise	270,000	-	-	-	-	270,000
D R Coe	-	12,000	-	-	-	12,000
G M Cohen	-	12,000	-	-	-	12,000
R T Constable	-	12,000	-	-	-	12,000
R D Peterson	-	12,000	-	-	-	12,000
G H Weiss	-	12,000	-	-	-	12,000

### Tag Group:

The emoluments of directors of companies within the Tag Group not mentioned above are as follows:

G Appleby	231,744	-	-	67,000	-	298,744
B Bamforth	122,142	-	-	-	5,507	127,649
D J Henderson	167,200	-	-	-	-	167,200
T Johnson	54,525	-	5,877	-	1,200	61,602
H Wu	103,652	-	-	-	4,746	108,398

Non-cash benefits principally comprise the provision of motor vehicles.

### Executive Officers

**Tag Parent:** Nil.

**Tag Group:** Nil.

# directors' report

(continued)

## DIRECTORS & COMMITTEE MEETINGS

During the financial year, 12 meetings of directors (including committees) were held. Attendances were:

	BOARD		AUDIT		REMUNERATION	
	A	B	A	B	A	B
P H Wise	9	9				
N J Bain (alternate for D R Coe)	7	4				
D R Coe	8	1				
G M Cohen	9	8			1	1
R T Constable	9	8	2	2	1	1
R D Peterson	9	7				
G H Weiss	9	6	2	2		

A = Eligible meetings held

B = Meetings attended

## INDEMNIFYING OFFICERS OR AUDITOR

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

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\$2,609 for each director.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

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



PH WISE  
Chairman

Dated this 28th day of September 2001

# statement of financial performance

for the year ended 30 june 2001

	Note	Tag Group		Tag Parent	
		2001 A\$	2000 A\$	2001 A\$	2000 A\$
Revenues from ordinary activities	2	27,554,435	34,188,541	1,037,449	1,653,330
Cost of sales		(19,809,159)	(22,979,374)	-	-
Employee benefits expense		(3,337,503)	(4,545,266)	(501,721)	(438,030)
Depreciation and amortisation		(438,203)	(466,226)	(14,294)	(9,075)
Borrowing cost expense	3	(153,306)	(161,377)	-	-
Occupancy expense		(645,552)	(933,758)	-	-
Other expenses from ordinary activities		(2,700,012)	(2,999,166)	(524,837)	(2,548,811)
Provision for diminution in carrying value of investments	3	(4,605,537)	-	-	-
Share of net profits of associates accounted for using the equity method	11	150,945	173,730	-	-
(Loss)/profit from ordinary activities before income tax	3	(3,983,892)	2,277,104	(3,403)	(1,342,586)
Income tax relating to ordinary activities	4	(94,764)	(448,349)	(22,754)	(183,864)
(Loss)/profit from ordinary activities after related income tax		(4,078,656)	1,828,755	(26,157)	(1,526,450)
Net (profit)/loss attributable to outside equity interest		(191,447)	54,324	-	-
Net (loss)/profit attributable to members of the parent entity		(4,270,103)	1,883,079	(26,157)	(1,526,450)
Net exchange difference on translation of financial reports of self-sustaining foreign operations	18	36,617	(79,312)	-	-
Total revenues, expenses and valuation adjustments attributed to members of the parent entity and recognised directly in equity		36,617	(79,312)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(4,233,486)	1,803,767	(26,157)	(1,526,450)
Basic earnings per share (cents)	27	(6.5)	3.5		
Dividends per share (cents)		Nil	0.6		

The accompanying notes form part of these financial statements.

# statement of financial position

as at 30 june 2001

	Note	Tag Group		Tag Parent	
		2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>CURRENT ASSETS</b>					
Cash assets	6	4,406,733	5,585,590	2,648,505	4,183,479
Receivables	7	4,920,264	5,839,831	10,398,339	9,160,719
Inventories	8	5,175,324	5,473,255	-	-
Other	9	264,833	528,320	71,699	302,107
<b>TOTAL CURRENT ASSETS</b>		<b>14,767,154</b>	<b>17,426,996</b>	<b>13,118,543</b>	<b>13,646,305</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	10	3,771,035	7,737,234	2,409,019	2,107,219
Equity accounted investments	11	1,704,948	921,498	-	216,284
Property, plant & equipment	12	1,599,073	2,113,157	21,808	35,582
Intangible assets	13	99,960	223,983	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,175,016</b>	<b>10,995,872</b>	<b>2,430,827</b>	<b>2,359,085</b>
<b>TOTAL ASSETS</b>		<b>21,942,170</b>	<b>28,422,868</b>	<b>15,549,370</b>	<b>16,005,390</b>
<b>CURRENT LIABILITIES</b>					
Payables	14	4,679,745	6,940,765	111,127	128,047
Interest-bearing liabilities	15	1,891,342	1,508,614	6,316	6,316
Provisions	16	227,018	690,205	1,087	398,251
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,798,105</b>	<b>9,139,584</b>	<b>118,530</b>	<b>532,614</b>
<b>NON-CURRENT LIABILITES</b>					
Interest-bearing liabilities	15	638,289	725,382	1,053	7,369
Provisions	16	15,954	43,749	-	9,463
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>654,243</b>	<b>769,131</b>	<b>1,053</b>	<b>16,832</b>
<b>TOTAL LIABILITIES</b>		<b>7,452,348</b>	<b>9,908,715</b>	<b>119,583</b>	<b>549,446</b>
<b>NET ASSETS</b>		<b>14,489,822</b>	<b>18,514,153</b>	<b>15,429,787</b>	<b>15,455,944</b>
<b>EQUITY</b>					
Contributed equity	17	15,443,061	15,443,061	15,443,061	15,443,061
Reserves	18	345,561	308,944	-	-
(Accumulated losses)/ retained profits	19	(2,574,619)	1,695,484	(13,274)	12,883
<b>TAG PARENT INTEREST</b>		<b>13,214,003</b>	<b>17,447,489</b>	<b>15,429,787</b>	<b>15,455,944</b>
<b>OUTSIDE EQUITY INTEREST</b>	20	<b>1,275,819</b>	<b>1,066,664</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>14,489,822</b>	<b>18,514,153</b>	<b>15,429,787</b>	<b>15,455,944</b>

The accompanying notes form part of these financial statements.

# statement of cash flows

for the year ended 30 june 2001

	Note	Tag Group		Tag Parent	
		2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>Cash flows from operating activities</b>					
Receipts from customers		31,423,698	32,747,583	216,113	707,620
Payments to suppliers & employees		(31,492,779)	(30,419,165)	(1,262,213)	(1,812,747)
Dividends received		-	786,117	-	-
Dividends received – associates		26,474	72,000	-	13,500
Distribution from unit trust		4,434	6,803	-	-
Interest received		279,466	328,846	199,751	287,357
Income tax refund/(paid)		7,774	(9,672)	7,654	(7,711)
Borrowing costs		(153,306)	(161,377)	-	-
Net cash provided by/(used in) operating activities	28	95,761	3,351,135	(838,695)	(811,981)
<b>Cash flows from investing activities</b>					
Proceeds from sale of plant & equipment		200,895	8,231	-	900
Payment for investments		(1,094,970)	(7,314,598)	(301,800)	(1,284)
Payment for property, plant & equipment		(277,492)	(187,441)	(520)	(4,700)
Proceeds from sale of shares in subsidiary	28	130,668	-	-	-
Loans repaid by other entities		-	78,880	-	-
Proceeds from sale of investments		-	2,084,963	-	-
Net cash (used in) investing activities		(1,040,899)	(5,329,965)	(302,320)	(5,084)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		1,100,000	3,156,568	-	-
Repayment of borrowings		(703,902)	(3,107,542)	-	-
Loans to controlled entities		-	-	-	(3,007,021)
Distribution to outside equity interests		(100,467)	(343,000)	-	-
Dividend paid		(393,959)	(275,613)	(393,959)	(275,613)
Proceeds from issue of shares		-	5,022,427	-	5,022,427
Net cash (used in)/provided by financing activities		(98,328)	4,452,840	(393,959)	1,739,793
Net (decrease)/increase in cash held		(1,043,466)	2,474,010	(1,534,974)	922,728
Cash at beginning of year		5,395,588	2,917,115	4,183,479	3,260,751
Effects of exchange rate on cash holdings in foreign currencies		25,307	4,463	-	-
Cash at end of year	28	4,377,429	5,395,588	2,648,505	4,183,479

The accompanying notes form part of these financial statements.

# notes to the financial statements

for the year ended 30 June 2001

## 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 the 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.

### Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on an average cost basis. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity.

### Property, Plant and Equipment

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

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, 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%
Buildings	2.5%

### 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 finance cost 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.

# notes to the financial statements

for the year ended 30 june 2001

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments

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

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

### Investments in Associates

Investments in Associate Companies are recognised in the financial statements by applying the equity method of accounting.

### Goodwill

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

### 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.

### Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements 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 their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

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 based on the 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. Dividends received from associates are accounted for in accordance with the equity method of accounting.

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

# notes to the financial statements

for the year ended 30 june 2001

	Note	Tag Group		Tag Parent	
		2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>2. REVENUE</b>					
Operating activities					
- sale of goods & services		26,877,933	30,578,370	837,698	967,765
- dividends received	2(a)	445	786,117	-	13,500
- interest received	2(b)	279,466	328,846	199,751	311,345
- other revenue		65,028	402,014	-	359,820
		<b>27,222,872</b>	<b>32,095,347</b>	<b>1,037,449</b>	<b>1,652,430</b>
Non-operating activities					
- proceeds on disposal of property, plant & equipment		200,895	8,231	-	900
- proceeds on disposal of shares in subsidiary		130,668	-	-	-
- proceeds on disposal of non-current investments		-	2,084,963	-	-
		<b>331,563</b>	<b>2,093,194</b>	<b>-</b>	<b>900</b>
Total revenue		<b>27,554,435</b>	<b>34,188,541</b>	<b>1,037,449</b>	<b>1,653,330</b>
(a) Dividend revenue from:					
- other corporations		445	786,117	-	-
- associated companies		-	-	-	13,500
Total dividend revenue		<b>445</b>	<b>786,117</b>	<b>-</b>	<b>13,500</b>
(b) Interest revenue from:					
- other persons		279,466	292,536	199,751	264,309
- partly-owned subsidiaries		-	36,310	-	47,036
Total interest revenue		<b>279,466</b>	<b>328,846</b>	<b>199,751</b>	<b>311,345</b>
<b>3. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES</b>					
(Loss)/profit from ordinary activities before income tax has been determined after:					
Expenses					
Borrowing costs					
- other persons		143,379	155,477	-	-
- finance lease charges		9,927	5,900	-	-
Total borrowing costs		<b>153,306</b>	<b>161,377</b>	<b>-</b>	<b>-</b>
Depreciation of non-current assets					
- buildings		27,456	29,996	-	-
- plant & equipment		188,953	300,331	14,294	9,075
- capitalised leased assets		31,861	30,317	-	-
Total depreciation		<b>248,270</b>	<b>360,644</b>	<b>14,294</b>	<b>9,075</b>
Amortisation of non current assets					
- goodwill		189,933	105,582	-	-

# notes to the financial statements

for the year ended 30 june 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>3. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES (CONTINUED)</b>				
Expenses (Continued)				
Bad and doubtful debts				
- movement in provision	(29,111)	(13,570)	-	-
- bad debts written off	129,206	49,297	-	-
Net bad and doubtful debt expense	100,095	35,727	-	-
Operating lease rentals	645,552	933,758	-	-
Revenue & net gains				
Net gain on disposal of non-current assets:				
- property, plant & equipment	-	59,355	-	-
- investments	-	658,351	-	-
Foreign currency translation gains	6,316	2,176	-	-
Significant expenses				
The following significant expense item is relevant in explaining the financial performance.				
Provisions for diminution in carrying value of investments in:				
- ChaosMusic Limited	1,150,000	-	-	-
- IBA Technologies Limited	3,455,537	-	-	-
	4,605,537	-	-	-
<b>4. INCOME TAX</b>				
The prima facie tax on (loss)/profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax (benefit)/payable on (loss)/profit from ordinary activities before income tax at 34% (2000: 36%)	(1,354,523)	819,757	(1,157)	(483,331)
Add tax effect of:				
- non-allowable items	59,075	8,282	7,995	4,182
- non-deductible diminution & amortisation	1,577,460	46,772	-	-
- difference in overseas tax rates	-	9,095	-	-
- losses not tax effected	-	205,890	-	776,855
- change of tax rates to 30% (2000: from 36% to 34%) on tax benefit carried forward	30,753	11,913	10,493	5,089
Less tax effect of:				
- rebateable fully franked dividends	-	(282,931)	-	-
- non-assessable items	(25,942)	(45,012)	-	-
- capital profits not subject to income tax	-	(237,006)	-	-
- transfer from provision not subject to income tax	(84,832)	-	-	(108,000)
- over-provision in prior year	(50,785)	(47,026)	5,423	(10,931)
- share of net profits of associates	(54,340)	(41,385)	-	-
- difference in overseas tax rates	(2,102)	-	-	-
Income tax attributable to (loss)/profit from ordinary activities before income tax	94,764	448,349	22,754	183,864

# notes to the financial statements

for the year ended 30 June 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>5. DIVIDENDS PAID OR PROPOSED</b>				
Proposed final ordinary dividend (2000: unfranked)	-	393,959	-	393,959
Balance of franking account at year end	-	-	-	-
<b>6. CASH</b>				
Cash at bank and on hand	445,099	495,596	38,640	8,915
Short-term deposits	3,961,634	5,089,994	2,609,865	4,174,564
	<b>4,406,733</b>	<b>5,585,590</b>	<b>2,648,505</b>	<b>4,183,479</b>
Reconciliation of Cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:				
Cash	4,406,733	5,585,590	2,648,505	4,183,479
Bank overdrafts	(29,304)	(190,001)	-	-
	<b>4,377,429</b>	<b>5,395,589</b>	<b>2,648,505</b>	<b>4,183,479</b>
<b>7. RECEIVABLES</b>				
Trade debtors	4,645,623	5,557,619	-	-
Provision for doubtful debts	(45,187)	(91,378)	-	-
	<b>4,600,436</b>	<b>5,466,241</b>	<b>-</b>	<b>-</b>
Other debtors and prepayments	319,828	373,590	28,089	11,043
Amounts receivable from:				
- partly owned subsidiaries	-	-	307,893	554,028
- wholly owned subsidiaries	-	-	10,062,357	8,595,648
	<b>-</b>	<b>-</b>	<b>10,370,250</b>	<b>9,149,676</b>
	<b>4,920,264</b>	<b>5,839,831</b>	<b>10,398,339</b>	<b>9,160,719</b>
<b>8. INVENTORIES</b>				
Raw materials	233,580	598,450	-	-
Work in progress	73,896	126,103	-	-
Finished goods	4,867,848	4,748,702	-	-
	<b>5,175,324</b>	<b>5,473,255</b>	<b>-</b>	<b>-</b>

# notes to the financial statements

for the year ended 30 june 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>9. OTHER</b>				
Investment - sundry	-	200,000	-	200,000
Future income tax benefit	<b>264,833</b>	328,320	<b>71,699</b>	102,107
	<b>264,833</b>	528,320	<b>71,699</b>	302,107
The future income tax benefit is made up of the following estimated tax benefits:				
- tax losses	<b>256,973</b>	296,699	<b>67,633</b>	94,290
- timing differences	<b>7,860</b>	31,621	<b>4,066</b>	7,817
	<b>264,833</b>	328,320	<b>71,699</b>	102,107
Future income tax benefit not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1 occur:				
- revenue losses	<b>732,546</b>	559,498	-	-
- capital losses	<b>2,985,058</b>	3,383,066	<b>2,985,058</b>	3,383,066
Where applicable, the future income tax benefit has been restated to reflect the decrease in the corporate tax rate from 34% to 30% (2000: 36% to 34%).				
<b>10. OTHER FINANCIAL ASSETS</b>				
Shares in unlisted subsidiaries at cost	-	-	<b>2,409,019</b>	2,107,219
Shares in listed investments				
- cost	<b>7,876,572</b>	7,737,234	-	-
- provisions for diminution	<b>(4,605,537)</b>	-	-	-
	<b>3,271,035</b>	7,737,234	-	-
Other unlisted investments at cost	<b>500,000</b>	-	-	-
	<b>3,771,035</b>	7,737,234	<b>2,409,019</b>	2,107,219

# notes to the financial statements

for the year ended 30 June 2001

## 10. OTHER FINANCIAL ASSETS (CONTINUED)

Shares and units in controlled entities comprise:

Entity	Place of Incorporation	Class of Share	% Owned 2001	% Owned 2000
Fibumi Pty Ltd	AUS	Ord	100	100
Tagpac Securities Ltd	AUS	Ord	100	100
Techno Holdings Pty Ltd	AUS	Ord/Pref	100/100	100/100
Comprador Pacific Pty Ltd	AUS	Ord	51	51
Comprador Pacific Unit Trust	AUS	Units	51	51
Tag Holdings (NZ) Ltd	NZ	Ord	100	100
Anglo Assemblers Ltd	NZ	Ord	-	100
Anglo Engineering Ltd	NZ	Ord	-	100
Potter Industries Ltd	NZ	Ord	-	100
Potter Interior Systems Ltd	NZ	Ord	100	100
Spedding Ltd	NZ	Ord	100	100
Santon Technology Ltd	NZ	Ord	100	100
MHS Technologies Ltd	NZ	Ord	100	51
Electro Securities Pty Ltd	AUS	Ord	100	51
Westpower Rectifiers Pty Ltd	AUS	Ord	-	27
The Westpower Rectifiers Unit Trust No 1	AUS	Units	-	27

Companies incorporated in New Zealand carry on business primarily in that country.

Anglo Engineering Ltd and its wholly owned subsidiary Anglo Assemblers Ltd were sold in March 2001 (refer note 28).

Electro Securities Pty Ltd was formerly known as MHS Technologies Pty Ltd.

Potter Industries Ltd was voluntarily liquidated in March 2001.

Westpower Rectifiers Unit Trust and Westpower Rectifiers Pty Ltd were voluntarily liquidated in November 2000.

## 11. EQUITY ACCOUNTED INVESTMENTS

Interests are held in the following associated companies:

Entity	Principal Activity	% Owned		Carrying Amount (A\$)	
		2001	2000	2001	2000
M+H Power Systems Pty Ltd	Power electronics	48	29	1,674,175	899,828
Power Property Unit Trust	Property investment	38	19	30,773	21,670
Power Property Nominees Pty Ltd	Trustee	38	19	-	-
				<b>1,704,948</b>	<b>921,498</b>

# notes to the financial statements

for the year ended 30 june 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>11. EQUITY ACCOUNTED INVESTMENTS (CONTINUED)</b>				
Movements during the year in equity accounted investment in associated companies				
Balance at beginning of year	921,498	866,811		
Add:				
- New investments during the year	663,413	-		
- Share of associated companies profit from ordinary activities after income tax	150,945	173,730		
Less:				
- Dividend revenue from associated company	(26,474)	(72,000)		
- Distribution from Unit Trust	(4,434)	(6,803)		
- Adjustment to cost of investment	-	(2,343)		
- Sale of interest in associate	-	(37,897)		
Balance at end of year	<b>1,704,948</b>	<b>921,498</b>		
Retained profits attributable to associates				
Share of associates' profit from ordinary activities before income tax	277,326	277,259		
Share of associates' income tax	(126,381)	(103,529)		
Share of associates' profit from ordinary activities after income tax	150,945	173,730		
Share of retained profits at beginning of year	716,573	318,427		
Dividends & distributions received	(30,908)	(78,803)		
Share of retained profits at end of year	<b>836,610</b>	<b>413,354</b>		
Summarised presentation of aggregate assets & liabilities				
Assets	8,359,569	4,537,172		
Liabilities	5,018,825	1,958,837		
Net assets	<b>3,340,744</b>	<b>2,578,335</b>		

## 12. PROPERTY, PLANT & EQUIPMENT

Plant & equipment				
- at cost	1,578,646	2,739,158	106,165	105,645
- accumulated depreciation	(978,485)	(1,846,045)	(84,357)	(70,063)
	<b>600,161</b>	<b>893,113</b>	<b>21,808</b>	<b>35,582</b>
- at deemed cost	-	299,709	-	-
- accumulated depreciation	-	(179,760)	-	-
	-	<b>119,949</b>	-	-
Total plant & equipment	<b>600,161</b>	<b>1,013,062</b>	<b>21,808</b>	<b>35,582</b>

# notes to the financial statements

for the year ended 30 june 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>12. PROPERTY, PLANT &amp; EQUIPMENT (CONTINUED)</b>				
Freehold land at cost	140,000	140,000	-	-
Buildings				
- at cost	801,880	801,880	-	-
- accumulated depreciation	(57,452)	(29,996)	-	-
	744,428	771,884	-	-
Total land & buildings	884,428	911,884	-	-
Capitalised leased assets	243,547	370,347	-	-
Accumulated amortisation	(129,063)	(182,136)	-	-
Total capitalised leased assets	114,484	188,211	-	-
Total property, plant & equipment	1,599,073	2,113,157	21,808	35,582

## 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:

	Freehold Land A\$	Buildings A\$	Plant and equipment A\$	Leased plant an equipment A\$	Total A\$
<b>Tag Group:</b>					
Balance at beginning of year	140,000	771,884	1,013,062	188,211	2,113,157
Additions	-	-	250,023	27,469	277,492
Disposals	-	-	(131,560)	(69,335)	(200,895)
Depreciation expense	-	(27,456)	(188,953)	(31,861)	(248,270)
Disposal on sale of subsidiary	-	-	(358,312)	-	(358,312)
Effect of exchange rate differences between the beginning and end of year	-	-	15,901	-	15,901
Carrying amount at end of year	140,000	744,428	600,161	114,484	1,599,073
<b>Tag Parent:</b>					
Balance at beginning of year	-	-	35,582	-	35,582
Additions	-	-	520	-	520
Depreciation expense	-	-	(14,294)	-	(14,294)
Carrying amount at end of year	-	-	21,808	-	21,808

# notes to the financial statements

for the year ended 30 june 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>13. INTANGIBLE ASSETS</b>				
Goodwill				
- at cost	612,709	539,962	-	-
- amortisation	(512,749)	(315,979)	-	-
	<b>99,960</b>	<b>223,983</b>	<b>-</b>	<b>-</b>
<b>14. PAYABLES</b>				
Unsecured liabilities				
- Trade creditors	4,446,281	6,147,071	16,649	62,557
- Sundry creditors and accrued expenses	208,264	793,694	69,278	65,490
- Amount payable to director related entity	25,200	-	25,200	-
	<b>4,679,745</b>	<b>6,940,765</b>	<b>111,127</b>	<b>128,047</b>
Foreign currency liabilities				
Current liabilities not effectively hedged				
- Eurodollars	107,138	-	-	-
- United States Dollars	289,930	150,612	-	-
- Japanese Yen	10,550	110,271	-	-
	<b>407,618</b>	<b>260,883</b>	<b>-</b>	<b>-</b>
<b>15. INTEREST BEARING LIABILITIES</b>				
Current				
- Bank overdrafts (secured)	29,304	190,001	-	-
- Bank loans (secured)	1,761,776	1,252,544	-	-
- Lease liabilities (unsecured)	100,262	66,069	6,316	6,316
	<b>1,891,342</b>	<b>1,508,614</b>	<b>6,316</b>	<b>6,316</b>
Non-current				
- Lease liabilities (unsecured)	38,289	125,382	1,053	7,369
- Mortgage loan (secured)	600,000	600,000	-	-
	<b>638,289</b>	<b>725,382</b>	<b>1,053</b>	<b>7,369</b>

Bank overdraft and loans are fully secured by registered mortgage debentures given by controlled entities. The mortgage loan is secured by registered first mortgage over freehold property held in a controlled entity.

# notes to the financial statements

for the year ended 30 June 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>16. PROVISIONS</b>				
Current				
- Dividends	-	393,959	-	393,959
- Employee entitlements	227,018	296,246	1,087	4,292
	<b>227,018</b>	<b>690,205</b>	<b>1,087</b>	<b>398,251</b>
Non-current				
- Employee entitlements	15,954	43,749	-	9,463
Aggregate employee entitlements liability	<b>242,972</b>	<b>339,995</b>	<b>1,087</b>	<b>13,755</b>
Number of employees at end of year	<b>60</b>	<b>109</b>	<b>3</b>	<b>3</b>

## 17. CONTRIBUTED EQUITY

65,659,794 (2000: 65,659,794) fully paid ordinary shares		<b>15,443,061</b>	15,443,061
Ordinary shares at beginning of year		<b>15,443,061</b>	9,387,087
Shares issued during the year:			
- 6,890,315 on 15 September 1999		-	1,033,547
- 12,834,043 on 3 May 2000		-	5,145,489
Transaction costs relating to share issues		-	(123,062)
At end of year		<b>15,443,061</b>	15,443,061
		<b>No.</b>	<b>No.</b>
Ordinary shares at beginning of year		<b>65,659,794</b>	45,935,436
Shares issued during the year:			
- 15 September 1999		-	6,890,315
- 3 May 2000		-	12,834,043
At end of year		<b>65,659,794</b>	65,659,794

Ordinary share rights entitle shareholders to participate in dividends and the proceeds on a winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share carries one vote when a poll is called; alternatively, on a show of hands, each shareholder has one vote.

# notes to the financial statements

for the year ended 30 june 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>18. RESERVES</b>				
Capital reserve	894,891	894,891	-	-
Foreign currency translation reserve	(549,330)	(585,947)	-	-
	<b>345,561</b>	<b>308,944</b>	<b>-</b>	<b>-</b>
Movements during year:				
Capital reserve				
Opening balance	894,891	597,310	-	360,770
Capital profit on sale of investments transferred from retained profits	-	658,351	-	-
Transfer to retained profits	-	(360,770)	-	(360,770)
Closing balance	<b>894,891</b>	<b>894,891</b>	<b>-</b>	<b>-</b>
Foreign currency translation reserve				
Opening balance	(585,947)	(506,635)	-	-
Adjustment arising from the translation of foreign controlled entities' financial statements	36,617	(79,312)	-	-
Closing balance	<b>(549,330)</b>	<b>(585,947)</b>	<b>-</b>	<b>-</b>
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities.				
<b>19. RETAINED PROFITS</b>				
Retained profits at beginning of year	1,695,484	503,945	12,883	1,572,522
Net (loss)/profit attributable to the members of the parent entity	(4,270,103)	1,883,079	(26,157)	(1,526,450)
Dividends provided for	-	(393,959)	-	(393,959)
Transfers to and from reserves				
- Capital reserve	-	(297,581)	-	360,770
(Accumulated losses)/retained profits at end of year	<b>(2,574,619)</b>	<b>1,695,484</b>	<b>(13,274)</b>	<b>12,883</b>
<b>20. OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES</b>				
Outside equity interest comprises:				
- Capital	980,000	980,000	-	-
- Profits	295,819	86,664	-	-
	<b>1,275,819</b>	<b>1,066,664</b>	<b>-</b>	<b>-</b>

# notes to the financial statements

for the year ended 30 June 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>21. CAPITAL AND LEASING COMMITMENTS</b>				
Capital expenditure commitments				
Capital expenditure commitments contracted for	-	-	-	-
Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable:				
- not later than one year	547,291	535,813	-	-
- later than one year but not later than five years	848,626	741,404	-	-
	<b>1,395,917</b>	<b>1,277,217</b>	-	-
Operating leases are non-cancellable property leases with varying terms up to four years, with variable renewable options and contingent rental provisions.				
Finance lease commitments				
Payable:				
- not later than one year	106,138	77,084	-	-
- later than one year but not later than five years	42,989	132,440	-	-
Minimum lease payments	149,127	209,524	-	-
Less:- future finance charges	(10,576)	(18,073)	-	-
Provided for in accounts (Note 15)	138,551	191,451	-	-

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

## 22. SEGMENTAL INFORMATION

	REVENUE		RESULT		ASSETS	
	2001 A\$'000	2000 A\$'000	2001 A\$'000	2000 A\$'000	2001 A\$'000	2000 A\$'000
Industry segments						
Investment activity	785	3,703	(3,934)	2,229	9,983	14,276
Trading conducted by subsidiaries	26,920	30,659	1,164	1,138	11,959	14,147
Unallocated expenses	-	-	(1,214)	(1,090)	-	-
	<b>27,705</b>	<b>34,362</b>	<b>(3,984)</b>	<b>2,277</b>	<b>21,942</b>	<b>28,423</b>
Geographical segments						
Australia	15,319	18,510	(3,662)	3,105	16,067	20,247
New Zealand	12,386	15,852	892	262	5,875	8,176
Unallocated expenses	-	-	(1,214)	(1,090)	-	-
	<b>27,705</b>	<b>34,362</b>	<b>(3,984)</b>	<b>2,277</b>	<b>21,942</b>	<b>28,423</b>

# notes to the financial statements

for the year ended 30 june 2001

## 23. FINANCIAL INSTRUMENTS

### Interest Rate Risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate A\$'000		Fixed Interest Rate Maturing 1-5 Years A\$'000		Non-Interest Bearing A\$'000		Total A\$'000	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Cash & deposits	5.13	6.03	3,962	5,090	-	-	445	496	4,407	5,586
Receivables	-	-	-	-	-	-	4,920	5,840	4,920	5,840
Investments	-	-	-	-	-	-	5,476	8,859	5,476	8,859
			3,962	5,090	-	-	10,841	15,195	14,803	20,285
Bank overdraft	10.75	9.96	29	190	-	-	-	-	29	190
Bank loans	6.80	8.08	1,762	1,253	-	-	-	-	1,762	1,253
Accounts payable	-	-	-	-	-	-	4,680	6,941	4,680	6,941
Lease liabilities	7.45	9.90	-	-	132	177	7	14	139	191
Mortgage loan	6.32	8.00	600	600	-	-	-	-	600	600
			2,391	2,043	132	177	4,687	6,955	7,210	9,175

### Credit Risk

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

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

### Net Fair Values

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

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

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

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

	2001		2000	
	Carrying Amount A\$'000	Net Fair Value A\$'000	Carrying Amount A\$'000	Net Fair Value A\$'000
Financial assets				
Listed investments	3,271	3,186	7,737	11,223
Unlisted investments	500	500	-	-
	3,771	3,686	7,737	11,223

# notes to the financial statements

for the year ended 30 June 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>24. AUDITORS' REMUNERATION</b>				
Remuneration of the auditor of Tag Parent for:				
Auditing or reviewing the accounts	53,371	101,317	28,831	51,816
Other services	22,392	49,932	22,392	49,932
	<b>75,763</b>	<b>151,249</b>	<b>51,223</b>	<b>101,748</b>

## 25. REMUNERATION OF DIRECTORS & EXECUTIVES

### Directors' Remuneration

Income paid or payable to all directors of each entity in the Tag Group by the entities of which they are directors and any related parties

<b>1,093,593</b>	<b>1,217,193</b>
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Income paid or payable to all directors of the Tag Parent by the Tag Parent and any related parties

<b>330,000</b>	<b>364,727</b>
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Number of Tag Parent directors whose income from the Tag Parent or any related parties was within the following bands:

	No.	No.
A\$1 - 9,999	-	2
A\$10,000 - 19,999	5	3
A\$30,000 - 39,999	-	1
A\$40,000 - 49,999	-	1
A\$230,000 - 239,999	-	1
A\$270,000 - 279,999	1	-

The names of Tag Parent directors who have held office during the financial year are:

D R Coe (resigned 29 June 2001)  
 N J Bain (alternate for D R Coe) (resigned 29 June 2001)  
 G M Cohen  
 R T Constable  
 R D Peterson  
 G H Weiss  
 P H Wise

### Executives' Remuneration

Income paid or payable to all executive officers of the Tag Group and the Tag Parent whose remuneration is A\$100,000 or more, from entities in the Tag Group and any related bodies corporate

<b>971,991</b>	<b>985,436</b>	<b>437,200</b>	<b>388,345</b>
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# notes to the financial statements

for the year ended 30 june 2001

	Tag Group		Tag Parent	
	2001	2000	2001	2000
<b>25. REMUNERATION OF DIRECTORS &amp; EXECUTIVES (CONTINUED)</b>				
Number of executives of the Tag Group and the Tag Parent whose remuneration falls within the following bands:				
A\$100,000 - 109,999	1	1	-	-
A\$110,000 - 119,999	-	2	-	-
A\$120,000 - 129,999	1	1	-	-
A\$150,000 - 159,999	-	1	-	1
A\$160,000 - 169,999	1	-	1	-
A\$230,000 - 239,999	-	1	-	1
A\$270,000 - 279,999	1	1	1	-
A\$290,000 - 299,999	1	-	-	-

## 26. RELATED PARTIES

Related parties fall into the following categories:

### Controlled Entities

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

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

### Director related entities

Mr P H Wise has a controlling interest in Anthony Australia Pty Limited through family interests. Anthony Australia Pty Limited effected a net increase of 332,346 ordinary shares in Tag Pacific Limited during the year under review. Anthony Australia Pty Limited has received management fees for services rendered during the year. These fees are included in the remuneration of directors disclosures in Note 25.

### Directors

The names of the directors of the chief entity during the year under review are Messrs P H Wise, D R Coe, N J Bain (alternate for D R Coe), G M Cohen, R T Constable, R D Peterson, and Dr G H Weiss. Messrs D R Coe and N J Bain retired on 29 June 2001. Information on the remuneration of directors and their respective periods of service is set out in Note 25. Information on Directors' interests in shares is detailed in the Directors' Report.

Mr R D Peterson is a partner of Harkness & Peterson. Harkness & Peterson has received fees of A\$12,944 (2000: A\$5,057) as the Tag Group's solicitor in New Zealand.

	2001	2000
<b>Share Transactions of Directors</b>		
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in Tag Pacific Limited	42,082,255	44,651,359

## 27. EARNINGS PER SHARE

Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share

	2001	2000
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	65,659,794	53,463,851

Diluted earnings per share is no different from basic earnings per share.

# notes to the financial statements

for the year ended 30 June 2001

	Tag Group		Tag Parent	
	2001 A\$	2000 A\$	2001 A\$	2000 A\$
<b>28. CASH FLOW INFORMATION</b>				
Reconciliation of cash				
Cash at the end of the year is shown in the balance sheet as:				
- Cash at bank and on hand	445,099	495,595	38,640	8,915
- Short term deposits	3,961,634	5,089,994	2,609,865	4,174,564
- Bank overdraft	(29,304)	(190,001)	-	-
	<b>4,377,429</b>	<b>5,395,588</b>	<b>2,648,505</b>	<b>4,183,479</b>
Reconciliation of cash flow from operating activities with (loss)/profit from ordinary activities after income tax				
(Loss)/profit from ordinary activities after income tax	(4,078,656)	1,828,755	(26,157)	(1,526,450)
Non-cash flows:				
- Amortisation	221,794	135,899	-	-
- Depreciation	216,409	330,327	14,294	9,075
- Charges to provisions	3,996,035	651,944	17,525	182,902
- Share of associated companies operating profit after income tax	(150,945)	(173,730)	-	-
(Gain)/loss on sale of non-current assets	-	(832,776)	-	2,157,931
Changes in assets and liabilities				
- Decrease/(increase) in receivables	966,585	334,210	(813,682)	(8,744)
- Decrease in inventories	173,403	562,995	-	-
- (Decrease)/increase in trade creditors & accruals	(1,248,864)	513,511	(30,675)	(1,626,695)
Cash flow provided by/ (used in) operating activities	<b>95,761</b>	<b>3,351,135</b>	<b>(838,695)</b>	<b>(811,981)</b>
Disposal of business				
During the year the controlled entity Anglo Engineering Limited and its wholly owned subsidiary, Anglo Assemblers Limited were sold. Aggregate details of this transaction are:				
Sale consideration	462,763	-	-	-
Sale of shares	130,668	-	-	-
Loan repayment	332,095	-	-	-
	<b>462,763</b>	<b>-</b>	<b>-</b>	<b>-</b>
Assets & liabilities held at disposal date:				
- Receivables	196,752	-	-	-
- Inventories	177,428	-	-	-
- Plant & equipment	358,312	-	-	-
- Creditors	(269,729)	-	-	-
	<b>462,763</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unused credit facilities				
Arrangements with banks to provide stand-by funds and/or support facilities				
Amounts utilised at year end	2,680,705	3,422,514	-	-
	<b>2,391,080</b>	<b>2,042,545</b>	<b>-</b>	<b>-</b>
Net available at year end	<b>289,625</b>	<b>1,379,969</b>	<b>-</b>	<b>-</b>

# notes to the financial statements

for the year ended 30 june 2001

## 29. CONTINGENT LIABILITY

No contingent liabilities existed at 30 June 2001 (2000: Nil)

## 30. COMPANY DETAILS

The registered office of the company is:

Tag Pacific Limited  
Suite 4604, Level 46 MLC Centre  
19-29 Martin Place  
SYDNEY NSW 2000

# directors' declaration

**T**he Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 14 to 34:
  - (i) comply with Accounting Standards and the Corporations Act, 2001; and
  - (ii) give a true and fair view of the financial position as at 30 June 2001 and performance for the year ended on that date of the company and economic entity.
- (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.

This declaration is made in accordance with a resolution of the Board of Directors.



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P H WISE  
Chairman

Dated this 28th day of September 2001

# independent audit report

**T**o the members of Tag Pacific Limited

## SCOPE

We have audited the financial report of Tag Pacific Limited and controlled entities for the year ended 30 June 2001 as set out on pages 14 to 35. The financial report includes the consolidated financial report of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## AUDIT OPINION

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

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

  
\_\_\_\_\_  
PKF  
Chartered Accountants

  
\_\_\_\_\_  
G J Harris  
Partner  
A New South Wales Partnership

Sydney: 28 September 2001

# shareholder information

as at 20 September 2001

## SHAREHOLDING

Distribution of shareholders

Range	Holders	Shares
1 - 1,000	828	422,559
1,001 - 5,000	896	2,388,208
5,001 - 10,000	299	2,365,963
10,001 - and over	368	60,483,064
	<b>2,391</b>	<b>65,659,794</b>

The number of shareholdings held in less than marketable parcels is 1,627.

The names of the substantial shareholders listed in Tag Pacific Limited's register as at 20 September 2001 are:

Anthony Australia Pty Limited.	25,922,899
Allco Finance Group Limited & others.	17,436,209

## Twenty largest shareholders

	No.	%
Anthony Australia Pty Limited	25,922,899	39.5
AlB Investments Limited	6,404,402	9.8
Amco Trading Pty Limited	4,446,133	6.8
Sports & Entertainment Limited	2,588,528	3.9
Weldon Technology Pty Limited	1,796,134	2.7
Weldon Enterprises No. 2 Pty Limited	1,796,133	2.7
Brides Pty Limited	1,150,000	1.7
George Chien Hsun Lu & Jenny Chin Pao Lu	976,100	1.5
Lu's International Limited	786,718	1.2
Excalibur Nominees Limited	474,995	0.7
Kotic Pty Limited	404,879	0.6
Alistair Woodside Cunningham	340,000	0.5
Richard Dale Peterson	337,732	0.5
Monetti Pty Limited	331,260	0.5
Locope Pty Limited	275,000	0.4
Regans Express Pty Limited	253,700	0.4
Keith Richard Frankum	241,855	0.4
Harvey Wu	223,510	0.3
Stephen Lyle Green	200,000	0.3
Lockley Management Services Pty Limited	200,000	0.3
	<b>49,149,978</b>	<b>74.7</b>

## Voting Rights

No restriction exists. On a show of hands, every member present or by proxy shall have one vote and upon a poll each share shall have one vote.

# shareholder information

as at 20 September 2001

## 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: Suite 4604, Level 46, MLC Centre, 19-29 Martin Place, Sydney NSW 2000. Telephone (02) 9223-7933. Fax (02) 9223-3967. Internet [www.tagpac.com](http://www.tagpac.com)

## STOCK EXCHANGE LISTINGS

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited and the New Zealand Stock Exchange.

## COMPANY SECRETARY

The name of the Company Secretary is Mr David John Henderson.



# proxy form

The Secretary  
Tag Pacific Limited  
GPO Box 4032  
**SYDNEY NSW 2001**

I/We  being a member/s of **TAG PACIFIC LIMITED**

hereby appoint

of

or in his/her absence

of

or failing him/her the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the company to be held on Tuesday 20th November 2001 and at any adjournment thereof.

DATED the

day of

2001

SIGNED

(Shareholder)

Unless otherwise instructed the proxy will vote as he or she thinks fit, or abstain from voting. Should the member wish to direct the proxy how to vote, the following should be completed.

**AGENDA ITEM NO:**

**FOR**

**AGAINST**

**ABSTAIN**

1. Adoption of financial report

2. Election and appointment of directors:

Re-election of Mr R B Moran

Re-election of Mr R D Peterson

Re-election of Mr P H Wise



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