

tag pacific limited

annual report 2000

tag

**“investment
must continue
evolve
changing**

evo

strategies

to

to keep up with

times...”

I V E

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directory

DIRECTORS:

P.H. WISE (CHAIRMAN)
D.R. COE (N.J. BAIN ALTERNATE)
G.M. COHEN
R.T. CONSTABLE
R.D. PETERSON
G.H. WEISS

SECRETARY:

D.J. HENDERSON
LEVEL 46 MLC CENTRE
19-29 MARTIN PLACE
SYDNEY NSW 2000

WEBSITE:

www.tagpac.com

AUDITORS:

PKF
LEVEL 20
1 YORK STREET
SYDNEY NSW 2000

SHARE REGISTRARS:

COMPUTERSHARE
REGISTRY SERVICES
PTY LIMITED
SYDNEY NSW 2000

COMPUTERSHARE
REGISTRY SERVICES
PTY LIMITED
AUCKLAND
NEW ZEALAND

highlights

1999/2000

- ◆ Sales increase by 8% to A\$30.616m
- ◆ Operating profit A\$2.381m
- ◆ Total equity increases by A\$7.051m to A\$18.514m
- ◆ Rights issue raises A\$5.145m

- 
- ◆ Investments in ChaosMusic Ltd, SWi Holdings Pty Ltd and IBA Technologies Ltd were transformed into investments in listed public companies
 - ◆ Comprador Pacific Pty Ltd and Potter Interior Systems Ltd delivered greatly improved results

chairman's report

The year just completed marks a new milestone in the recent history of your company as we have moved successfully from being a narrowly focussed investment group into a more diversified technology investor.

In our traditional activities, we concentrated hard during the year on consolidating and strengthening our existing portfolio in the power technology and building components industries and this has delivered very satisfactory results.

It's fair to say that your company has embraced change and as a result, experienced a major improvement in its financial performance. Much of this improved performance can be attributed to the board's decision 18 months ago to shift the company's portfolio focus towards diversified technology investments.

Reflecting higher activity in the building sector, sales increased by 8% to A\$30.616m, the main increases being recorded by subsidiary companies Comprador Pacific Pty Ltd and Potter Interior Systems Ltd.

This performance was exceeded by the top line operating profit of A\$2.381m that strongly reversed the previous year's loss of A\$0.724m and this trend was carried through into the final after tax result. It should be noted that although tax of A\$0.552m was provided, a substantial portion of this was offset against future tax benefits.

Tag's total shareholders' equity also increased - from A\$11.463m to A\$18.514m - as a result of the increased profitability and the 1:4 rights issue in April 2000, which raised A\$5.145m.

Tag's balance sheet was also strengthened in the last 6 months by a five-fold increase in cash on hand to A\$5.586m and a decrease of some 60% in borrowings to A\$2.234m.

Initial Public Offerings by ChaosMusic Ltd and IBA Technologies Ltd during the period under review transformed the Tag Group's investments in these companies into investments in listed public companies.

Consolidated investments in Comprador Pacific Pty Ltd and Potter Interior Systems Ltd delivered greatly improved results, as did Anglo Engineering Ltd on a smaller scale.

Following its successful merger with Nikko Business Equipment Pty Ltd and Westpower Rectifiers and its subsequent purchase of the business of Project Electronics, our associate company M+H Power Systems Pty Ltd went from strength to strength after a period of neutral growth.





*“Diversity **evolves** from well-conceived investment strategies...”*

IWE

chairman's report

Since balance date the Company has entered into arrangements to increase its beneficial holding in M+H Power Systems Ltd to 48% with that company absorbing, restructuring and operating the business of MHS Technologies in New Zealand as a branch. This move is intended to be the final step in consolidating the Company's previously diverse investments in the power technology sector under proven and strong management in Melbourne.

The results for 51% owned MHS Technologies Ltd in New Zealand continued to disappoint and were again negative. However, in anticipation of the restructuring of this business, provisions were made against its carrying value at year end.

In general terms, the Company made very significant progress during the year. This came about because of a number of factors, and as I mentioned earlier, not least of which were those involving the Company's increased focus in the technology sector.

Fluctuating equity markets and negative sentiment have detrimentally affected the current market values of Tag's holdings in ChaosMusic and IBA Technologies over recent months, but it should be noted that the investment in IBA Technologies in particular, produced very good realised gains upon listing. It is also worth noting that notwithstanding the currently depressed share-prices, the combined market value of listed investments at 30 June 2000 exceeded the Company's carrying value, although this was not reflected in the Company's balance sheet at that date.

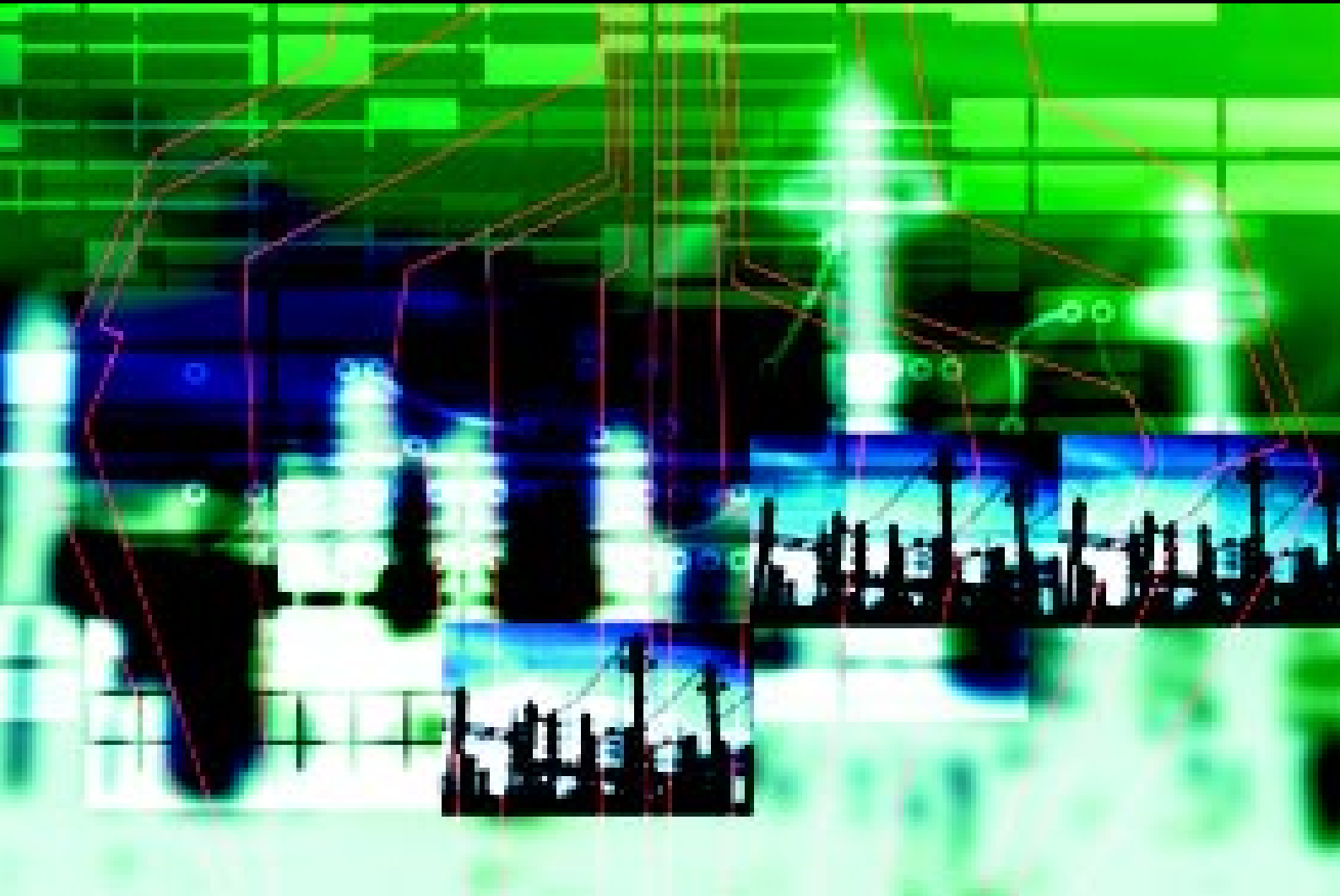
LOCATION OF ASSETS AND INVESTMENTS

The Company's historic dependence on New Zealand based assets and investments has diminished considerably, with New Zealand based assets now accounting for less than 30% of total assets and Australian revenue during the period exceeding New Zealand revenue for the first time in the Company's recent history. Notwithstanding this, the Company has a continuing exposure to the New Zealand dollar. A further amount was debited to the foreign currency translation reserve during the period, bringing the unrealised foreign currency translation reserve deficit to A\$0.586m at 30 June 2000.

DIVIDEND

The Board is recommending that the dividend rate of 0.6 cents per share (unfranked) be maintained on the expanded capital base.

chaos



mgae

*“Nothing endures but **change**”*

chairman's report

SHAREHOLDING CHANGES

The Allco Finance Group is now a significant shareholder in the Company with a direct and indirect holding approximating 26%. The Company is working closely with the Allco Finance Group, both with regard to existing investments as well as the Company's future investment strategy.

BOARD

During the year two principals of the Allco Finance Group, Messrs D.R. Coe and G.M. Cohen, were appointed to the Board. Messrs H. Wu and D.J. Henderson resigned from the parent company board but continued in their roles as group executives and directors of subsidiary companies. The Company thanks them and acknowledges their many years of loyal service to the parent company board.

The aggregate annual maximum amount available for non-executive directors' fees was set at A\$50,000 per annum in 1984. Accordingly, shareholders will be asked to approve an increase of this amount to A\$100,000 per annum at the AGM.

SUMMARY

With total assets of A\$28.423m including A\$5.586m in cash and only A\$0.224m in intangibles, and with a mix of trading company and cornerstone investments in listed technology companies, the Company is somewhat different to many others in this sector. The Company is acutely aware that investment strategies must continue to evolve to keep up with changing times and new and existing investments are therefore under constant review. Continuing gains are expected as the Company develops its strategies further.

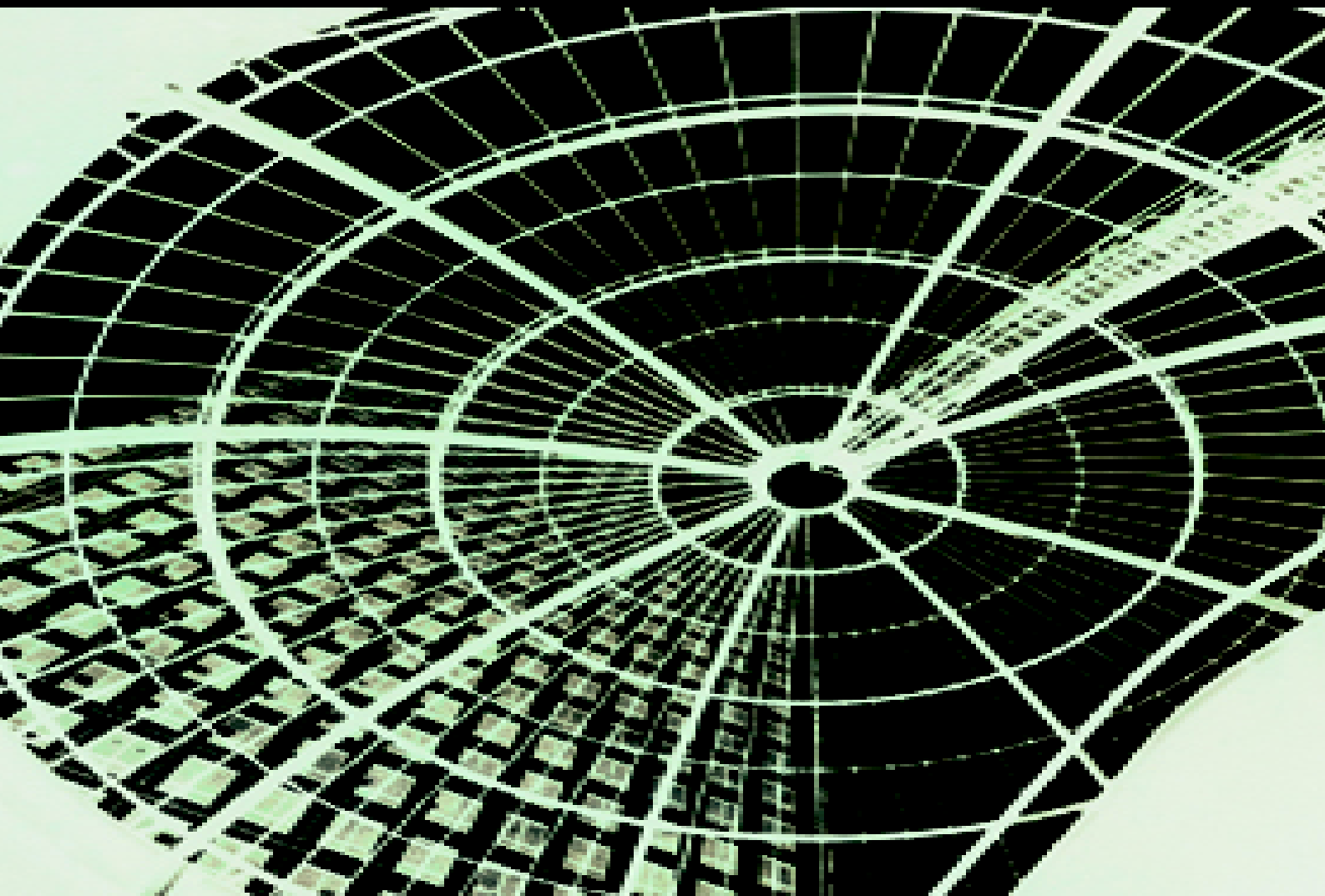
For and on behalf of the Board



Peter Wise
Chairman

28 September 2000





“...investing with sound judgment...”

est

chairman's report

INVESTMENT SUMMARY

IBA Technologies Ltd

Evolving international supplier of healthcare information systems and e-health services operating in Australia, New Zealand, Singapore and the United Kingdom.

www.iba.com.au

ChaosMusic Ltd

Leading Australian provider of online music services which is positioning itself as a pioneer in digital delivery of entertainment through the internet.

www.chaosmusic.com.au

Comprador Pacific Ltd and Potter Interior Systems Ltd

Leading independent suppliers of componentry for commercial interiors, specialising in suspended ceilings and operating in all major cities in Australia and New Zealand.

www.comprador.com.au

www.potters.co.nz

M+H Power Systems Pty Ltd

Established Australasian supplier of power associated products with an emphasis on batteries, battery chargers, uninterruptible power supplies and rectifiers.

www.mhpower.com.au

Anglo Engineering Ltd

New Zealand based manufacturer and processor of metal products including computer racking systems and cubicles for electrical and electronic industries.

corporate governance statement

The board of directors of Tag Pacific Limited comprises an Executive Chairman Mr P.H. Wise, and five non-executive directors being Messrs D.R. Coe (alternate N.J. Bain), G.M. Cohen, R.T. Constable, 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 Executive 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.

AUDIT COMMITTEE

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

The 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

The directors present their report on the company (Tag Parent) and its controlled entities (Tag Group) for the year ended 30 June, 2000. The Chairman's Report (pages 4-10) 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) (appointed 22 October 1999)
- ◆ D.R. Coe (appointed 22 October 1999)
- ◆ G.M. Cohen (appointed 22 October 1999)
- ◆ R.T. Constable
- ◆ D.J. Henderson (resigned 22 October 1999)
- ◆ R.D. Peterson
- ◆ G.H. Weiss
- ◆ H. Wu (resigned 22 October 1999)

PRINCIPAL ACTIVITIES

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

- ◆ technology and e-commerce sectors
- ◆ marketing and distributing componentry for commercial interiors
- ◆ engineering and metal fabricating
- ◆ manufacturing, marketing and distributing power electronics and battery products

With the exception of the e-commerce sector, these principal activities remain unchanged from the previous year.

OPERATING RESULTS

The consolidated profit after providing for income tax and eliminating outside equity interests amounted to A\$1,883,079.

DIVIDEND PAID OR RECOMMENDED

Dividends paid or declared for payment are as follows:

Ordinary dividend of 0.6 cents per share paid on 25 November 1999, as recommended in last year's report	A\$275,613 (unfranked)
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Final ordinary dividend of 0.6 cents per share recommended by the directors	A\$393,959 (unfranked)
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directors' report

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of Tag Parent occurred during the financial year:

- (i) on 15 September 1999, 6,890,315 fully paid ordinary shares at 15 cents per share were issued to Kotic Pty Limited (an associate of the Allco Finance Group) in addition to the payment of A\$266,453 from cash reserves to facilitate the purchase by Tagpac Securities Limited of 2,000,000 fully paid ordinary shares in the capital of ChaosMusic Limited.
- (ii) on 3 May 2000, 12,834,043 fully paid ordinary shares at 40 cents per share were issued pursuant to the company's 1:4 rights issue.

The following significant changes in the state of affairs of Techno Holdings Pty Limited (a controlled entity) occurred during the financial year:

- (i) on 30 September 1999, SWi Holdings Pty Limited merged with IBA Technologies Limited. In addition to shares in IBA Technologies Limited allotted to Techno Holdings Pty Limited arising from this merger, Techno Holdings Pty Limited increased its investment in IBA Technologies Limited by a further A\$5,000,000.

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 regulation under the law of the Australian Commonwealth and State as well as New Zealand law.

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

directors' report

INFORMATION ON DIRECTORS

Directors in office at the date of this report are:

- Peter H. Wise** - Executive Chairman
- Qualifications - Dip ID
- Experience - Appointed Chairman and board member 1986. Chairman of Tag Holdings (NZ) Limited, director of IBA Technologies Limited and director of other subsidiaries and associates within the Tag Group.
- Interest in shares - Through family interests has a controlling interest in Anthony Australia Pty Limited which controls 25,590,553 ordinary shares in Tag Pacific Limited.
-
- Nicholas J. Bain** - Alternate director (non-executive) for D.R. Coe.
- Qualifications - BA
- Experience - Appointed as alternate director for D.R. Coe October 1999. Principal of the Allco Finance Group.
- Interest in shares - Holds a relevant interest in 14,442,803 ordinary shares in Tag Pacific Limited.
-
- David R. Coe** - Director (non-executive)
- Qualifications - BA (Hons), LLB
- Experience - Appointed board member October 1999. Chairman of ChaosMusic Limited, Managing Director of Allco Finance Group and director of several other companies and a board member of the Sydney Childrens Hospital Foundation and the Sydney Biennale.
- Interest in shares - Holds a relevant interest in 17,474,056 ordinary shares in Tag Pacific Limited.
-
- Gary M. Cohen** - Director (non-executive)
- Qualifications - B Comm, LLM (Hons)
- Experience - Appointed board member October 1999. Chairman of IBA Technologies Limited, Principal of Allco Finance Group and a director of several other companies.
- Interest in shares - Holds a relevant interest in 14,572,606 ordinary shares in Tag Pacific Limited
- Special Responsibilities - Mr Cohen is a member of the Remuneration Committee

directors' report

INFORMATION ON DIRECTORS (Cont.)

- 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 in Tag Pacific Limited held non-beneficially.
- Special Responsibilities - Mr Constable is the Chairman of the Audit Committee and a member of the Remuneration Committee.
-
- Richard D. Peterson** - Director (non-executive)
- Qualifications - LL.M., F.A.M.I.N.Z.
- Experience - Appointed board member 1986. Director of Tag Holdings (NZ) Limited, and of other subsidiaries within the Tag Group as well as other private interests. 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 H. Weiss** - Director (non-executive)
- Qualifications - LL.M. (NZ), J.S.D. (Cornell)
- Experience - Appointed board member 1988. Chairman of Mid-East Minerals 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 in Tag Pacific Limited held non-beneficially.
- Special Responsibilities - Dr Weiss is a member of the Audit Committee.

directors' report

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 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\$
Tag Parent:						
P.H. Wise	233,812	-	-	-	-	233,812
D.R. Coe (part year)	-	7,000	-	-	-	7,000
G.M. Cohen (part year)	-	7,000	-	-	-	7,000
R.T. Constable	-	12,000	-	-	-	12,000
R.D. Peterson	-	12,000	-	-	-	12,000
G.H. Weiss	-	12,000	-	-	-	12,000

Messrs D.J. Henderson and H. Wu were directors of the Tag Parent until 22 October 1999 and continued in other positions in the Tag Group subsequent to this date. Their remuneration is detailed under the Tag Group, 31% of which is attributable to the period they were directors of the Tag Parent.

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

Directors	Management Fee / Salary A\$	Director's Fees A\$	Super- annuation Contributions A\$	Incentives A\$	Non-cash Benefits A\$	Total A\$
Tag Group:						
G. Appleby	168,000	-	-	100,560	2,868	271,428
B. Bamforth	97,855	-	-	-	5,417	103,272
R. Graham	62,627	-	-	-	26,304	88,931
D.J. Henderson	154,533	-	-	-	-	154,533
B. Johnson	78,284	-	-	-	32,096	110,380
T. Johnson	68,068	-	7,620	-	17,138	92,826
H. Wu	105,683	-	-	-	6,328	112,011

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

Executive Officers

Tag Parent:	Nil.
Tag Group:	Nil.

directors' report

DIRECTORS & COMMITTEE MEETINGS

During the financial year, 16 meetings of directors (including committees) were held.

Attendances were:

	BOARD		AUDIT		REMUNERATION	
	A	B	A	B	A	B
P.H. Wise	12	12				
N.J. Bain	1	1				
D.R. Coe	5	4				
G.M. Cohen	6	5			2	2
R.T. Constable	12	8	2	2	2	2
D.J. Henderson	5	5				
R.D. Peterson	12	11				
G.H. Weiss	12	7	2	2		
H. Wu	5	4				

A = Eligible Meetings Held

B = Meetings Attended

INDEMNIFYING OFFICERS OR AUDITOR

During the financial year, the Company paid a premium to insure the officers of the Company and related entities against certain liability incurred in that capacity. Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

directors' report

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.

OPTIONS

No shares have been issued by virtue of the exercise of an option during the year or to the date of this report and there are no unissued ordinary shares for which options are outstanding at the date of this report.

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



P.H. WISE
Chairman

Dated this 28th day of September, 2000.

financial statements

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profit & loss statement

FOR THE YEAR ENDED 30 JUNE, 2000

	Note	Tag Group		Tag Parent	
		2000 A\$	1999 A\$	2000 A\$	1999 A\$
Operating profit/(loss) before abnormal items & income tax	3	2,380,634	(246,702)	(1,342,586)	(40,023)
Abnormal items	3	-	(477,373)	-	-
Operating profit/(loss) before income tax		2,380,634	(724,075)	(1,342,586)	(40,023)
Income tax (expense) attributable to operating profit/(loss)	4	(551,880)	(483,751)	(183,864)	(29,856)
Operating profit/(loss) after income tax		1,828,754	(1,207,826)	(1,526,450)	(69,879)
Outside equity interests in operating profit/(loss) after income tax		54,325	515,872	-	-
Operating profit/(loss) after income tax attributable to members of the Tag Parent		1,883,079	(691,954)	(1,526,450)	(69,879)
Retained profits at the beginning of the financial year		503,945	1,471,512	1,572,522	1,918,014
Aggregate of amounts transferred from reserves	18	360,770	-	360,770	-
Total available for appropriation		2,747,794	779,558	406,842	1,848,135
Dividends paid or proposed	5	393,959	275,613	393,959	275,613
Aggregate of amounts transferred to reserves	18	658,351	-	-	-
Retained profits at end of the financial year		1,695,484	503,945	12,883	1,572,522

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

balance sheet

AS AT 30 JUNE, 2000

	Note	Tag Group		Tag Parent	
		2000 A\$	1999 A\$	2000 A\$	1999 A\$
CURRENT ASSETS					
Cash	6	5,585,590	3,434,295	4,183,479	3,260,751
Receivables	7	5,839,831	6,314,922	9,360,719	5,158,456
Inventories	8	5,473,255	6,125,232	-	-
Other	9	528,320	1,105,048	102,107	278,260
TOTAL CURRENT ASSETS		17,426,996	16,979,497	13,646,305	8,697,467
NON-CURRENT ASSETS					
Receivables	7	-	-	-	123,440
Investments	10	8,658,732	1,170,190	2,323,503	4,520,943
Property, plant & equipment	12	2,113,157	2,316,578	35,582	40,857
Intangibles	13	223,983	335,428	-	-
TOTAL NON-CURRENT ASSETS		10,995,872	3,822,196	2,359,085	4,685,240
TOTAL ASSETS		28,422,868	20,801,693	16,005,390	13,382,707
CURRENT LIABILITIES					
Accounts payable	14	6,940,765	6,193,052	128,047	1,754,742
Borrowings	15	1,508,614	1,764,306	6,316	6,316
Provisions	16	690,205	575,543	398,251	280,469
TOTAL CURRENT LIABILITIES		9,139,584	8,532,901	532,614	2,041,527
NON-CURRENT LIABILITIES					
Borrowings	15	725,382	777,386	7,369	13,684
Provisions	16	43,749	28,549	9,463	7,117
TOTAL NON-CURRENT LIABILITIES		769,131	805,935	16,832	20,801
TOTAL LIABILITIES		9,908,715	9,338,836	549,446	2,062,328
NET ASSETS		18,514,153	11,462,857	15,455,944	11,320,379
SHAREHOLDERS' EQUITY					
Issued capital	17	15,443,061	9,387,087	15,443,061	9,387,087
Reserves	18	308,944	90,675	-	360,770
Retained profits		1,695,484	503,945	12,883	1,572,522
Shareholders' equity attributable to members of the Tag Parent		17,447,489	9,981,707	15,455,944	11,320,379
Outside equity interests in controlled entities	20	1,066,664	1,481,150	-	-
TOTAL EQUITY		18,514,153	11,462,857	15,455,944	11,320,379

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

statement of cash flows

FOR THE YEAR ENDED 30 JUNE, 2000

	Note	Tag Group		Tag Parent	
		2000 A\$	1999 A\$	2000 A\$	1999 A\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		32,754,386	28,388,197	707,620	230,333
Payments to suppliers		(30,419,165)	(30,168,973)	(1,812,747)	(956,382)
Dividends received		786,117	37,664	-	-
Dividends received from associates		72,000	-	13,500	-
Interest received		328,846	263,957	287,357	208,836
Income tax paid		(9,672)	-	(7,711)	-
Borrowing costs		(161,377)	(171,481)	-	-
Net cash provided by/(used in) operating activities	29(b)	3,351,135	(1,650,636)	(811,981)	(517,213)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of plant & equipment		8,231	140,942	900	-
Payment for investments		(7,314,598)	-	(1,284)	-
Payment for property, plant & equipment		(187,441)	(1,170,918)	(4,700)	-
Loans repaid by other entities		78,880	35,000	-	54,781
Proceeds from sale of investments		2,084,963	379,882	-	21,000
Net cash (used in)/provided by investing activities		(5,329,965)	(615,094)	(5,084)	75,781
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		3,156,568	600,000	-	-
Repayment of borrowings		(3,107,542)	(208,292)	-	-
Loans to controlled entities		-	-	(3,007,021)	-
Distribution to outside equity interests		(343,000)	(199,669)	-	-
Dividend paid		(275,613)	(275,613)	(275,613)	(275,613)
Proceeds from issue of shares		5,022,427	-	5,022,427	-
Net cash provided by/(used in) financing activities		4,452,840	(83,574)	1,739,793	(275,613)
Net increase/(decrease) in cash held		2,474,010	(2,349,304)	922,728	(717,045)
Cash at 1 July, 1999		2,917,115	5,274,044	3,260,751	3,977,796
Effects of exchange rate on cash holdings in foreign currencies		4,463	(7,625)	-	-
Cash at 30 June, 2000	29(a)	5,395,588	2,917,115	4,183,479	3,260,751

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

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. The financial report has been prepared on an accruals basis and 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 accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Tag Group in the preparation of the financial report.

Principles of Consolidation

The consolidated accounts comprise the financial statements of Tag Pacific Limited and all of its controlled entities. 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.

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 operating profit 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 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

Investments are valued at cost less amounts written off for permanent diminution in value.

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. Further information is disclosed in note 11 although a summarised balance sheet is excluded as these investments are not considered material.

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 have been brought to account at the exchange rate applying on the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange applying at that date.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Foreign Currencies (Cont.)

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.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Note	Tag Group		Tag Parent	
		2000 A\$	1999 A\$	2000 A\$	1999 A\$
2. REVENUE					
Operating activities					
- sale of goods		30,616,268	28,201,341	-	-
- dividends received	2(a)	786,117	7,664	13,500	-
- interest received	2(b)	328,846	263,957	287,357	208,836
- other revenue		402,014	231,301	359,820	428,229
- rental revenue		-	47,881	-	-
Share of associated companies operating profit before income tax		277,259	86,304	-	-
		32,410,504	28,838,448	660,677	637,065
Non-operating activities					
- proceeds on disposal of property, plant & equipment		567,586	140,942	900	-
- proceeds on disposal of non- current investments		1,487,711	379,882	-	21,000
		2,055,297	520,824	900	21,000
		34,465,801	29,359,272	661,577	658,065
(a) Dividend revenue from:					
- other corporations		786,117	7,664	-	-
- associated companies		-	-	13,500	-
Total dividend revenue		786,117	7,664	13,500	-
(b) Interest revenue from:					
- other persons		292,536	196,260	264,309	152,857
- partly-owned subsidiaries		36,310	67,697	23,048	55,979
Total interest revenue		328,846	263,957	287,357	208,836

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) before income tax has been determined after:

Charging as expenses:

Borrowing costs

- other persons	155,477	145,985	-	-
- finance lease charges	5,900	25,496	-	-
Total borrowing costs	161,377	171,481	-	-

Movements in provisions:

Depreciation

- buildings	29,996	-	-	-
- plant & equipment	300,331	292,084	9,075	15,031
- capitalised leased assets	30,317	64,621	-	-

Amortisation of non current assets

- goodwill	105,582	79,718	-	-
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notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
3. OPERATING PROFIT/(LOSS) (Cont.)				
Movements in provisions: (Cont.)				
Other provisions				
- employee entitlements	(4,310)	30,658	1,783	7,635
- diminution in value of non-current investments	-	3,006	-	-
Net expense resulting from movement in provisions	461,916	470,087	10,858	22,666
Bad and doubtful debts				
- movement in provision	(13,570)	53,579	-	-
- bad debts written off	49,297	181,884	-	-
Net bad and doubtful debt expense	35,727	235,463	-	-
Operating lease rentals	933,758	771,206	69,497	64,276
Crediting as income:				
Net gain on disposal of non-current assets:				
- property, plant & equipment	59,355	-	-	-
- investments	658,351	42,315	-	-
Foreign currency translation gains	2,176	39,372	-	-
Abnormal Item:				
Write off of inventory and provisions for discontinued activity in a partly owned subsidiary (no income tax benefit applicable)	-	477,373	-	-
4. INCOME TAX				
(a) The prima facie tax on operating profit/(loss) is reconciled to the income tax provided in the accounts as follows:				
Prima facie tax payable/(benefit) on operating profit/(loss) before income tax at 36%	857,028	(260,667)	(483,331)	(14,408)
Add:				
Tax effect of:				
- non-allowable items	-	-	4,182	2,561
- non-deductible diminution & amortisation	46,772	29,781	-	-
- difference in overseas tax rates	9,095	42,275	-	-
- non deductible costs of tax related legal matter	-	94,817	-	94,817
- losses not tax effected	207,103	404,913	776,855	-
- change of tax rates on tax benefit carried forward	11,913	-	5,089	-
- future income tax benefit written back	-	272,627	-	-
Less:				
Tax effect of:				
- rebatable fully franked dividends	(283,943)	(2,597)	-	-
- non-assessable items	(12,056)	(13,070)	-	-
- capital profits not subject to income tax	(237,006)	(15,233)	-	-
- transfer from provision not subject to income tax	-	(68,797)	(108,000)	(57,165)
- over provision in prior year	(47,026)	(298)	(10,931)	-
- tax losses transferred to/from controlled entities	-	-	-	4,051
Income tax expense attributable to operating profit/(loss) before income tax	551,880	483,751	183,864	29,856

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000	1999	2000	1999
	A\$	A\$	A\$	A\$
4. INCOME TAX (Cont.)				
(b) Income tax expense attributable to:				
- Tag group	448,351	422,830	183,864	29,856
- associated companies	103,529	60,921	-	-
	551,880	483,751	183,864	29,856
5. DIVIDENDS PAID OR PROPOSED				
Proposed final unfranked (1999 unfranked) ordinary dividend	393,959	275,613	393,959	275,613
Balance of franking account at year end adjusted for payment of proposed dividend	-	-	-	-
6. CASH				
Cash at bank and on hand	495,596	202,394	8,915	30,850
Short-term deposits	5,089,994	3,231,901	4,174,564	3,229,901
	5,585,590	3,434,295	4,183,479	3,260,751
7. RECEIVABLES				
CURRENT:				
Trade debtors	5,557,619	5,430,357	-	1,665
Provision for doubtful debts	(91,378)	(150,779)	-	-
	5,466,241	5,279,578	-	1,665
Other debtors and prepayments	373,590	415,128	11,043	8,345
Amounts receivable from:				
- partly owned subsidiaries	-	-	554,028	748,805
- wholly owned subsidiaries	-	-	8,795,648	4,079,425
- provision for doubtful debts	-	-	-	(300,000)
	-	-	9,349,676	4,528,230
- associated companies	-	620,216	-	620,216
	5,839,831	6,314,922	9,360,719	5,158,456
NON-CURRENT:				
Amounts receivable from:				
- wholly owned subsidiaries	-	-	-	123,440
	-	-	-	123,440

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
8. INVENTORIES				
Raw materials	598,450	742,564	-	-
Work in progress	126,103	480,709	-	-
Finished stock	4,748,702	4,901,959	-	-
	5,473,255	6,125,232	-	-

9. OTHER

Investment - sundry	200,000	-	-	-
Investment property	-	500,000	-	-
Future income tax benefit	328,320	605,048	102,107	278,260
	528,320	1,105,048	102,107	278,260

The future income tax benefit is made up of the following estimated tax benefits:

- tax losses	296,699	481,420	94,290	264,962
- timing differences	31,621	123,628	7,817	13,298
	328,320	605,048	102,107	278,260

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	559,498	594,829	-	-
- capital losses	3,383,066	217,520	3,383,066	217,520

10. INVESTMENTS

NON-CURRENT:

Shares in unlisted subsidiaries:

- cost	-	-	2,107,219	16,357,219
- diminution	-	-	-	(12,091,286)
	-	-	2,107,219	4,265,933

Shares in listed corporations:

- cost	7,737,234	-	-	-
	7,737,234	-	-	-

NON-CURRENT:

Shares in unlisted associated companies:

- equity accounted (note 11)	921,498	866,811	-	-
- at cost	-	-	216,284	255,010
Other unlisted investment at cost	-	303,379	-	-
	8,658,732	1,170,190	2,323,503	4,520,943

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

10. INVESTMENTS (Cont.)

Shares and units in controlled entities comprise:

Company	Place of Incorporation	Class of Share	% Owned	
			2000	1999
Tag Pacific Ltd	AUS	Ord		
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	100
Anglo Engineering Ltd	NZ	Ord	100	100
Potter Industries Ltd	NZ	Ord	100	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	51	51
MHS Technologies Pty Ltd	AUS	Ord	51	51
Westpower Rectifiers Pty Ltd	AUS	Ord	27	27
The Westpower Rectifiers Unit Trust No 1	AUS	Units	27	27

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

The Westpower Rectifiers Unit Trust No. 1 and Westpower Rectifiers Pty Limited are considered to be controlled entities by virtue of control of the intermediary parent company, MHS Technologies Pty Limited.

11. INVESTMENT IN ASSOCIATED COMPANIES

Name of Associated Company:	Principal Activity	Ownership Interest		Balance Date
		2000	1999	
M+H Power Systems Pty Ltd	Power electronics	29%	29%	30 June
Power Property Unit Trust	Property investment	19%	19%	30 June
Qumran Capital Ltd	Investment banking	-	50%	30 June

The intermediary parent company MHS Technologies Pty Limited, which is 51% owned by Tag Pacific Limited, holds a 39% beneficial interest in M+H Power Systems Pty Limited and a 38% beneficial interest in Power Property Unit Trust.

Tag Pacific Limited has a direct interest of 9% in M+H Power Systems Pty Limited.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
11. INVESTMENT IN ASSOCIATED COMPANIES (Cont.)				
Equity accounted investment in associated companies:				
At beginning of financial year	866,811	622,949	-	-
Add:				
New investments during the year	-	218,627	-	-
Share of associated companies operating profit after income tax	173,730	55,235	-	-
Less:				
Dividend revenue from associated company	(72,000)	(30,000)	-	-
Distribution from Unit Trust	(6,803)	-	-	-
Adjustment to cost of investment	(2,343)	-	-	-
Sale of interest in associate	(37,897)	-	-	-
	921,498	866,811	-	-
Operating profit before income tax	277,259	86,304	-	-
Income tax expense attributable to operating profit	103,529	31,069	-	-
Operating profit after tax	173,730	55,235	-	-
12. PROPERTY, PLANT & EQUIPMENT				
Plant & equipment				
- at cost	2,739,158	2,830,072	105,645	104,444
- accumulated depreciation	(1,846,045)	(1,893,784)	(70,063)	(63,587)
	893,113	936,288	35,582	40,857
- at directors valuation 30 June 1997	299,709	307,435	-	-
- accumulated depreciation	(179,760)	(170,722)	-	-
	119,949	136,713	-	-
Total plant & equipment	1,013,062	1,073,001	35,582	40,857
Land & buildings				
Freehold land				
- at cost	140,000	140,000	-	-
	140,000	140,000	-	-
Buildings				
- at cost	801,880	801,880	-	-
- accumulated depreciation	(29,996)	-	-	-
	771,884	801,880	-	-
Total land & buildings	911,884	941,880	-	-

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
12. PROPERTY, PLANT & EQUIPMENT (Cont.)				
Capitalised leased assets	370,347	478,384	-	-
Accumulated amortisation	(182,136)	(176,687)	-	-
Total capitalised leased assets	188,211	301,697	-	-
	2,113,157	2,316,578	35,582	40,857

13. INTANGIBLES

Goodwill:				
- cost	539,962	549,495	-	-
- amortisation	(315,979)	(214,067)	-	-
	223,983	335,428	-	-

14. ACCOUNTS PAYABLE

Unsecured liabilities				
Trade creditors	6,147,071	5,294,426	62,557	333,668
Sundry creditors	793,694	849,958	65,490	66,940
Amounts payable to:				
- ultimate parent entity	-	36,001	-	36,001
- wholly owned subsidiaries	-	-	-	1,305,466
- director related bodies	-	12,667	-	12,667
	6,940,765	6,193,052	128,047	1,754,742

15. BORROWINGS

CURRENT:

Bank overdrafts (secured)	190,001	517,180	-	-
Bank loans (secured)	1,252,544	1,124,227	-	-
Lease liabilities (unsecured)	66,069	122,899	6,316	6,316
	1,508,614	1,764,306	6,316	6,316

NON-CURRENT:

Lease liabilities (unsecured)	125,382	177,386	7,369	13,684
Mortgage loan (secured)	600,000	600,000	-	-
	725,382	777,386	7,369	13,684

The bank loans of New Zealand controlled entities and Comprador Pacific Pty Limited are fully secured by registered mortgage debentures.

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
16. PROVISIONS				
CURRENT:				
Dividends	393,959	275,613	393,959	275,613
Employee entitlements	296,246	299,930	4,292	4,856
	690,205	575,543	398,251	280,469
NON-CURRENT:				
Employee entitlements	43,749	28,549	9,463	7,117
	43,749	28,549	9,463	7,117
Aggregate employee entitlements liability	339,995	328,479	13,755	11,973

17. ISSUED CAPITAL

Paid-up capital 65,659,794 (1999 - 45,935,436) fully paid ordinary shares	15,443,061	9,387,087	15,443,061	9,387,087
Ordinary shares at the beginning of the financial year 45,935,436 (1999 - 45,935,436)	9,387,087	9,187,087	9,387,087	9,187,087
Shares issued during the year				
- 6,890,315 on 15 September 1999	1,033,547	-	1,033,547	-
- 12,834,043 on 3 May 2000	5,145,489	-	5,145,489	-
Transaction costs relating to share issues	(123,062)	-	(123,062)	-
Balance of share premium reserve transferred to share capital	-	200,000	-	200,000
At the end of the financial year	15,443,061	9,387,087	15,443,061	9,387,087

- on 15 September 1999, 6,890,315 fully paid ordinary shares were issued to Kotic Pty Limited (an associate of the Allco Finance Group) at 15 cents per share in part payment for the purchase by Tagpac Securities Limited of 2,000,000 fully paid ordinary shares in the capital of ChaosMusic Limited.
- on 3 May 2000, 12,834,043 fully paid ordinary shares were issued at 40 cents per share pursuant to the company's 1:4 rights issue.

18. RESERVES

Capital reserve	894,891	597,310	-	360,770
Share premium reserve	-	-	-	-
Foreign currency translation reserve	(585,947)	(506,635)	-	-
	308,944	90,675	-	360,770

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
18. RESERVES (Cont.)				
Movements during year:				
Capital reserve				
Opening balance	597,310	597,310	360,770	360,770
Capital profit on sale of investments transferred from retained profits	658,351	-	-	-
Transfer to retained profits	(360,770)	-	(360,770)	-
Closing Balance	894,891	597,310	-	360,770
Share premium reserve				
Opening balance	-	200,000	-	200,000
Transfer balance to issued capital	-	(200,000)	-	(200,000)
Closing balance	-	-	-	-
Foreign currency translation reserve				
Opening balance	(506,635)	(326,505)	-	-
Adjustment arising from the translation of foreign controlled entities' financial statements	(79,312)	(180,130)	-	-
Closing balance	(585,947)	(506,635)	-	-
19. RETAINED PROFITS				
Amount of retained profits attributable to associated company:				
At beginning of financial year	156,384	101,149	-	-
At end of financial year	330,114	156,384	-	-
20. OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES				
Outside equity interest comprises:				
Share capital	980,000	2,124,101	-	-
Retained profits/(accumulated losses)	86,664	(642,951)	-	-
	1,066,664	1,481,150	-	-

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000	1999	2000	1999
	A\$	A\$	A\$	A\$

21. CAPITAL AND LEASING COMMITMENTS

(a) Capital expenditure commitments

Capital expenditure commitments contracted for:	-	-	-	-
---	---	---	---	---

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable:				
- not later than one year	535,813	618,097	-	-
- later than one year but not later than five years	741,404	1,008,911	-	-
	1,277,217	1,627,008	-	-

Operating leases are non-cancellable property leases with varying terms up to 3 years, with varying renewable options and contingent rental provisions.

(c) Finance lease commitments

Payable:				
- not later than one year	77,084	141,571	-	-
- later than one year but not later than five years	132,440	193,613	-	-
Minimum lease payments	209,524	335,184	-	-
Less: future finance charges	(18,073)	(34,899)	-	-
Provided for in accounts (Note 15)	191,451	300,285	-	-

Finance leases relate principally to motor vehicles over 3-4 year terms typically with a 25% residual value.

22. SEGMENTAL INFORMATION

	REVENUE		OPERATING PROFIT BEFORE INCOME TAX		ASSETS	
	2000	1999	2000	1999	2000	1999
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
(a) Industry segments						
Investment activity	3,807	1,027	2,333	417	14,276	6,182
Trading conducted by subsidiaries	30,659	28,332	1,138	(264)	14,147	14,620
Unallocated expenses	-	-	(1,090)	(877)	-	-
	34,466	29,359	2,381	(724)	28,423	20,802
(b) Geographical segments						
Australia	18,614	14,392	3,209	1,127	20,247	12,774
New Zealand	15,852	14,967	262	(974)	8,176	8,028
Unallocated expenses	-	-	(1,090)	(877)	-	-
	34,466	29,359	2,381	(724)	28,423	20,802

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

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	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Cash & deposits	5.49%	4.72%	5,586	3,434	-	-	-	-	5,586	3,434
Receivables	-	-	-	-	-	-	5,840	6,315	5,840	6,315
Investments	-	-	-	-	-	-	8,859	1,170	8,859	1,170
			5,586	3,434	-	-	14,699	7,485	20,285	10,919
Bank overdraft	9.96%	9.20%	190	517	-	-	-	-	190	517
Bank loans	8.08%	5.95%	1,253	1,124	-	-	-	-	1,253	1,124
Accounts payable	-	-	-	-	-	-	6,941	6,193	6,941	6,193
Lease liabilities	9.90%	9.80%	-	-	177	280	14	20	191	300
Mortgage loan	8.00%	6.39%	600	600	-	-	-	-	600	600
			2,043	2,241	177	280	6,955	6,213	9,175	8,734

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 balance sheet 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 valued at 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 net asset 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 financial assets and financial liabilities at balance date:

	2000		1999	
	Carrying Amount A\$'000	Net Fair Value A\$'000	Carrying Amount A\$'000	Net Fair Value A\$'000
Financial assets				
Listed investments	7,737	11,223	-	-
Unlisted investments	1,122	1,122	1,170	1,170
	8,859	12,345	1,170	1,170

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
24. AUDITORS' REMUNERATION				
Remuneration of the auditor of Tag Parent for:				
Auditing or reviewing the accounts	101,317	86,238	51,816	30,100
Other services	49,932	-	49,932	-
	151,249	86,238	101,748	30,100

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

1,217,193 1,248,727

Income paid or payable to all directors of the Tag Parent by the Tag Parent and any related parties.

364,727 498,040

Number of Tag Parent directors whose income from the Tag Parent or any related parties was within the following bands:

	No	No
\$1 - 9,999	2	-
\$10,000 - 19,999	3	3
\$30,000 - 39,999	1	-
\$40,000 - 49,999	1	-
\$110,000 - 119,000	-	1
\$140,000 - 149,999	-	1
\$190,000 - 199,999	-	1
\$230,000 - 239,999	1	-

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

D.R. Coe	(appointed 22 October 1999)
N.J. Bain	(alternate for D.R. Coe) (appointed 22 October 1999)
G.M. Cohen	(appointed 22 October 1999)
R.T. Constable	
D.J. Henderson	(resigned 22 October 1999)
R.D. Peterson	
G.H. Weiss	
P.H. Wise	
H. Wu	(resigned 22 October 1999)

Executives' remuneration

A\$ A\$ A\$ A\$

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

985,436 855,702 388,345 347,950

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
25. REMUNERATION OF DIRECTORS & EXECUTIVES (Cont.)				
Number of executives of the Tag Group and the Tag Parent whose remuneration falls within the following bands:				
\$100,000 - 109,999	1	-	-	-
\$110,000 - 119,999	2	2	-	-
\$120,000 - 129,999	1	-	-	-
\$140,000 - 149,999	-	1	-	1
\$150,000 - 159,999	1	-	1	-
\$190,000 - 199,999	-	1	-	1
\$230,000 - 239,999	1	-	1	-
\$270,000 - 279,999	1	-	-	-
\$280,000 - 289,000	-	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 has received management fees for services rendered during the year. These fees are included in the remuneration of directors disclosures in Note 25.

During the year rental payments for premises totalling A\$16,440 (1999 A\$19,272) were made by Potter Interior Systems Limited, a controlled entity, to an entity associated with Mr P.H. Wise. These rental payments were on normal commercial terms and conditions.

Mr R.D. Peterson is a former partner of Morrison Kent. Morrison Kent has received fees of A\$1,012 (1999 A\$104,747) as the Tag Group's former solicitor in New Zealand. Mr R.D. Peterson is a partner of Harkness & Peterson. Harkness & Peterson has received fees of A\$5,057 (1999 nil) as the Tag Group's solicitor in New Zealand.

Messrs. Coe, Bain (alternate for D.R. Coe) and Cohen have ownership interests in the Allco Finance Group. The Allco Finance Group holds 17,124,796 ordinary shares in Tag Pacific Limited by virtue of the share placement (Note 17), on market purchases and pursuant to entitlements under the rights issue and the underwriting thereof (Note 17). During the year Tag Pacific Limited borrowed and repaid A\$3m from entities associated with the Allco Finance Group. Interest at commercial rates totaling A\$114,111 was paid. The Allco Finance Group was paid an underwriting fee of A\$75,438 from the proceeds of the rights issue.

	Tag Group		Tag Parent	
	2000 No.	1999 No.	2000 No.	1999 No.
Share transactions of directors				
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in Tag Pacific Limited	44,651,359	27,142,230	44,651,359	27,142,230

Directors and their related entities acquired 18,146,084 ordinary shares in Tag Pacific Limited under the issues described in Note 17 to the financial report.

27. SUPERANNUATION COMMITMENTS

Defined contribution superannuation plans have been established for the provision of retirement, death or disability benefits to members of the plans. Benefits provided under the plans are based on contributions for each employee. Employees contribute various percentages of their gross income and the entity contributes at the same rate of the employee's contribution up to a certain percentage of the employee's gross income.

28. EARNINGS PER SHARE

Basic earnings are 3.5 cents per share (1999 -1.5 cents per share). The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share is 53,463,851 (1999 45,935,436). Diluted earnings per share is no different from basic earnings per share.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE, 2000

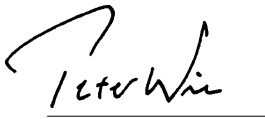
	Tag Group		Tag Parent	
	2000 A\$	1999 A\$	2000 A\$	1999 A\$
29. CASH FLOW INFORMATION				
(a) Reconciliation of cash				
Cash at the end of the year is shown in the balance sheet as:				
Cash at bank and on hand	495,595	202,394	8,915	30,850
Short term deposits	5,089,994	3,231,901	4,174,564	3,229,901
Bank overdraft	(190,001)	(517,180)	-	-
	5,395,588	2,917,115	4,183,479	3,260,751
(b) Reconciliation of cash flow from operations with operating profit/(loss) after income tax				
Operating profit/(loss) after income tax	1,828,755	(1,207,826)	(1,526,450)	(69,879)
Non-cash flows in operating profit/(loss):				
Amortisation	30,317	64,621	-	-
Depreciation	330,327	292,084	9,075	15,030
Charges to provisions	757,526	729,371	182,902	(29,604)
Share of associated companies operating profit after income tax	(173,730)	(55,235)	-	-
(Gain)/loss on sale of non-current assets	(832,776)	(42,315)	2,157,931	-
Changes in assets and liabilities				
Decrease/(increase) in trade debtors	334,210	(488,555)	(8,744)	(107,717)
Decrease in inventories	562,995	184,089	-	-
Increase/(decrease) in trade creditors & accruals	513,511	(1,126,870)	(1,626,695)	(325,043)
Cash flow provided by/(used in) operations	3,351,135	(1,650,636)	(811,981)	(517,213)
(c) Non-cash financing and investing activities				
On 15 September 1999, 6,890,315 fully paid ordinary shares were issued at 15 cents per share in part payment for the purchase by Tagpac Securities Limited of 2,000,000 fully paid ordinary shares in the capital of ChaosMusic Limited.				
30. UNUSED CREDIT FACILITIES				
Arrangements with banks to provide stand-by funds and/or support facilities	4,104,083	2,987,095	-	-
Amounts utilised at the year end	2,399,275	2,374,147	-	-
Net available at year end	1,704,808	612,948	-	-
Bank credit facilities are arranged with banks with general terms and conditions agreed to from time to time.				
31. CONTINGENT LIABILITY				
Guarantee in respect of a bank facility for a non-controlled entity	-	750,000	-	750,000

directors' declaration

The Directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 21 to 39:
 - (i) comply with Accounting Standards and the Corporations Law; and
 - (ii) give a true and fair view of the financial position as at 30 June, 2000 and performance for the year ended on that date of the company and the Tag Group.
- (b) in the director's 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.



P.H. WISE
Chairman

Dated this 28th day of September, 2000.

independent audit report

To 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 2000 as set out on pages 21 to 40. 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 Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



PKF
Chartered Accountants



G J HARRIS
Partner

Sydney: 28 September 2000

shareholder information

AS AT 20 SEPTEMBER, 2000

SHAREHOLDING

Distribution of shareholders

Range	Holders	Shares
1 - 1,000	854	439,444
1,001 - 5,000	919	2,445,878
5,001 - 10,000	318	2,494,534
10,001 - and over	393	60,279,938
	2,484	65,659,794

The number of shareholdings held in less than marketable parcels is 1,923.

The names of the substantial shareholders listed in Tag Pacific Limited's register as at 20 September, 2000 are:

Anthony Australia Pty Limited.	25,590,553
Allco Finance Group Limited & others.	17,142,796

Twenty largest shareholders

	No. of shares	% of shares
Anthony Australia Pty Limited	25,590,553	39.0
Kotic Pty Limited	8,455,769	12.9
Amco Trading Pty Limited	4,446,133	6.7
Weldon Technology Pty Limited	1,796,134	2.7
Weldon Enterprises No. 2 Pty Limited	1,796,133	2.7
AIB Investments Pty Limited	1,292,410	2.0
Lu's International Limited	1,082,233	1.7
Mr George Chien Hsun Lu & Mrs Jenny Chin Pao Lu	800,450	1.2
AIB Investments Limited	754,875	1.2
Excalibur Nominees Limited	736,746	1.1
Brides Pty Limited	400,000	0.6
Mr Alistair Woodside Cunningham	340,000	0.5
Mr Richard Dale Peterson	337,732	0.5
Regans Express Pty Limited	253,700	0.4
Mr Harvey Wu	223,510	0.3
Mr Stephen Lyle Green	200,000	0.3
Lockley Management Services	200,000	0.3
Locope Pty Limited	198,599	0.3
Mr David John Henderson	187,500	0.3
Mr Robert Franklin Cameron	185,000	0.3
	49,277,477	75.0

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, 2000

REGISTERS OF SECURITIES ARE HELD AT THE FOLLOWING ADDRESSES:

Australia:

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

New Zealand:

Computershare Registry Services Pty 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

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 (djh@tagpac.com).

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