



TAG



annual report **2003**

tag pacific limited



notice of annual general meeting

Tag Pacific Limited ACN 009 485 625

NOTICE is hereby given that the Annual General Meeting of Tag Pacific Limited will be held at The Wentworth Sydney Hotel, 61 Phillip Street, Sydney NSW 2000 on Thursday 20th November, 2003 at 10.00a.m.

ordinary business

1. To receive and consider the financial report of the company and of the Tag Group for the year ended 30th June 2003 and the reports by directors and auditors thereon.
2. To elect directors;
Messrs PH Wise and RT Constable retire by rotation in accordance with the provisions of the constitution and, being eligible, offer themselves for re-election.
3. To transact any business which may be lawfully brought forward.

By order of the Board

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

DJ Henderson

Secretary

30th September 2003

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

Corporate shareholders will be required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. A form of this certificate may be obtained from

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chairman's report

Whilst the result for the year ended 30 June 2003 is a welcome improvement from the loss reported in the previous year, the result masks the true underlying advances that have been made in many spheres of our activities. The substantial gains that were made were marred by less than satisfactory outcomes in others, delivering what can best be described as a patchy overall result.

The Tag Group has diverse investments in a number of companies, which are broadly categorised as Building, Electrical and Technology.

building group

The two companies in which Tag is invested in this sector are Comprador Pacific Pty Limited (Australia) and Potter Interior Systems Limited (New Zealand). Whilst both companies have some similarities in their product offerings and their vulnerability to increased operating costs and tight margins, they differ somewhat because of their geographies and the varying extent of their specialisation.

Both companies have a substantial involvement in the importation and supply of componentry for commercial interiors with an emphasis on steel grid and mineral fibre panels for suspended ceilings, a field in which they each enjoy significant market share.

Potters has in recent years been quite successful in broadening its base of operations to also become a fully fledged supplier of interior wall systems; commercial, residential and industrial insulation; and fabricated board products particularly for educational facilities. It is well on the way to a better future.

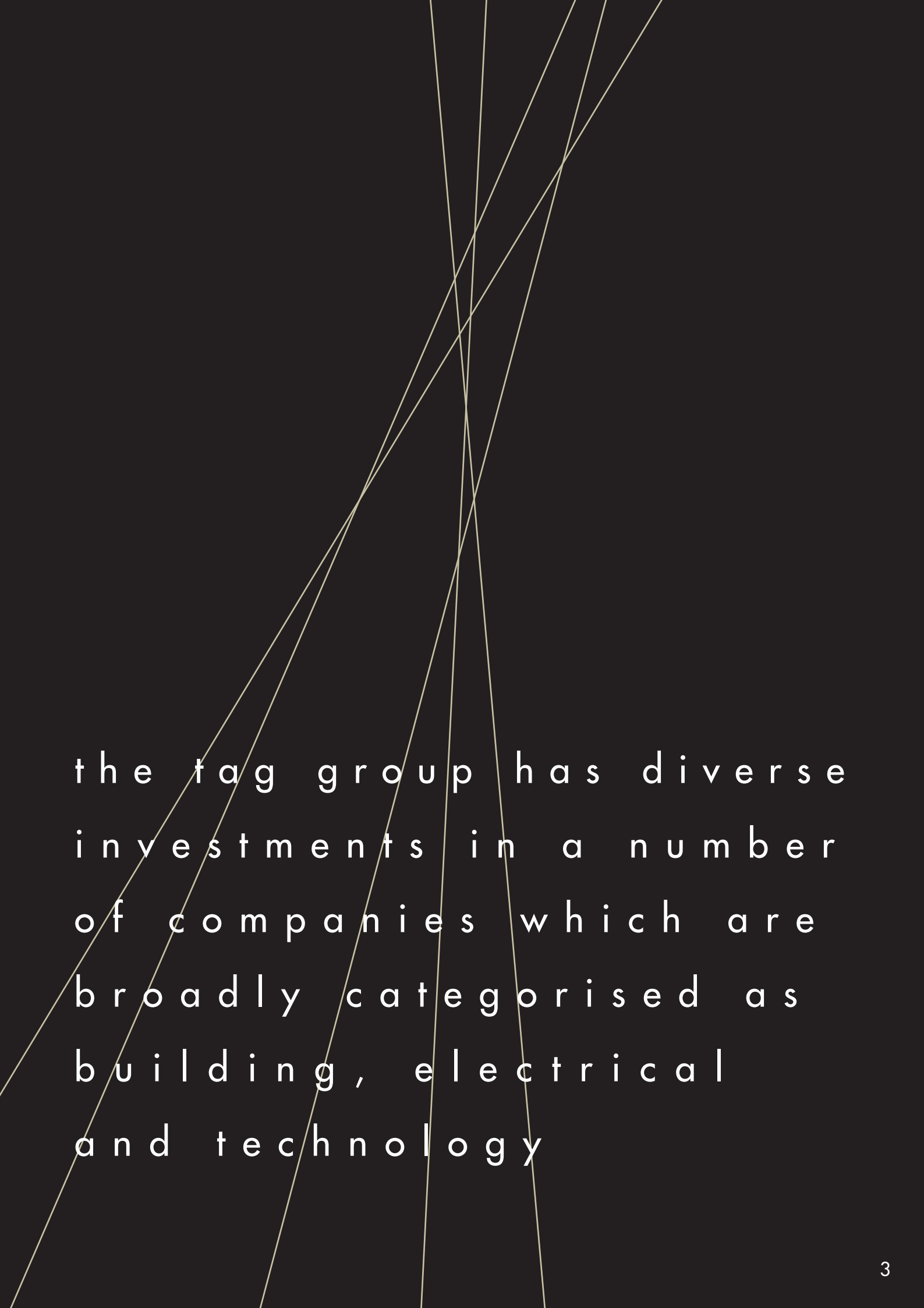
Comprador Pacific, however, in its six years of operation has not yet had the same opportunity to diversify and develop, although a start was made with the acquisition of Tecoa a little over two years ago; and with the trial commencement of a gypsum compounds division in Brisbane during 2002. It is in the areas of product diversification, business acquisition and business development that Tag is currently devoting considerable planning and attention, in conjunction with Comprador management.

Ultimately we intend that through a program of acquisition and diversification, we will succeed in developing a unified group of operating units in this and other allied sectors.


electrical group

Tag's past investments in various entities in the electrical sector in both Australia and New Zealand have taken many years to develop; and after a series of less than average experiences, we can now say with some confidence that we have arrived at a position of stability and growth with our evolved investment in M+H Power Systems. Well managed from its Melbourne base and with premises and representation in most major cities in Australia and New Zealand, M+H Power has experienced a very successful year and indications are that this trend will continue.

Specialisation in batteries, ancillary charging equipment, emergency lighting and rectifiers place M+H Power in a unique position in its niche markets. The prospects for both organic growth and growth by acquisition in times to come are quite exciting.

The background of the page is black, featuring several thin, white, straight lines that intersect and cross each other in a complex, geometric pattern. These lines originate from the top and sides of the page and extend downwards, creating a sense of depth and movement. The text is centered horizontally and consists of seven lines of lowercase letters in a clean, sans-serif font.

the tag group has diverse
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building, electrical
and technology



a n e w c o n c e r t e d
d r i v e t o i n c r e a s e t h e
l e v e l o f i n v e s t m e n t
a n d o t h e r a c t i v i t y
i s u n d e r w a y

It should be noted that since balance date M+H Power Systems has undertaken a selective capital reduction which has resulted in it becoming a 55.7% owned subsidiary within the Tag Group. Whereas the results of this company were equity accounted by the Tag Group in the year ended 30 June 2003, M+H Power and its wholly owned subsidiaries have now become consolidated entities. This consolidation is expected to increase the Tag Group's annual revenue by approximately A\$20m.

technology investments

Tag has investments in three technology companies, IBA Health Limited (7.1%), Unique World Group Pty Limited (9.8%) and Microview Limited (3.9%). Whilst our involvement in IBA Health is seen by some as pivotal to Tag, the fact is that none of these investments had any real bearing on Tag's result for the year ended 30 June 2003. They were neither consolidated nor equity accounted by Tag; nor was the profit and loss account impacted by any changes in their carrying value in the period under review.

The investment in Microview Limited can at this stage best be described as a residual investment in which Tag plays no part. We continue to be optimistic that our strategic holding in IBA Health will bear fruit because of its strategic product and market position in the very dynamic health IT sector; and based on performance in the last year, we believe that our investment in Unique World will in the fullness of time be recognised as being very worthwhile. However, it should be noted that these technology investments are not seen as the core upon which Tag is building its investment future.

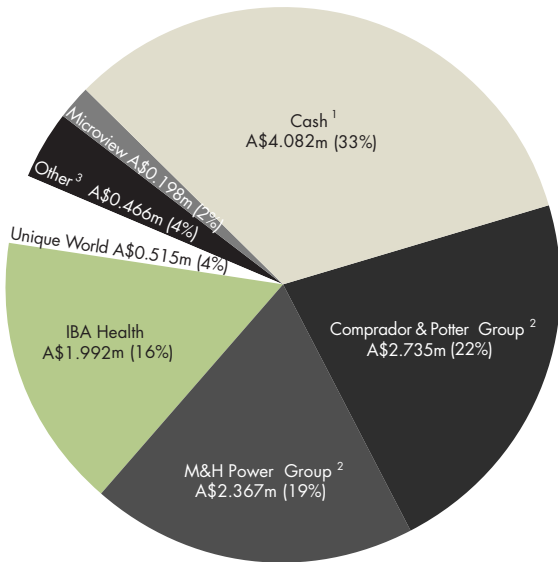
Pro-forma consolidated statement of financial position restated as at 30 June 2003 to incorporate the subsequent consolidation of M+H Power Systems Pty Limited

	Tag Group A\$'000
Current assets	
Cash assets	6,125
Receivables	7,997
Inventories	8,706
Tax assets	743
Total current assets	23,571
Non-current assets	
Other financial assets	2,916
Property, plant and equipment	1,080
Intangible assets	182
Total non-current assets	4,178
Total assets	27,749
Current liabilities	
Payables	8,614
Interest-bearing liabilities	1,844
Provisions	799
Total current liabilities	11,257
Non-current liabilities	
Interest-bearing liabilities	1,184
Provisions	19
Total non-current liabilities	1,203
Total liabilities	12,460
Net assets	15,289
Equity	
Contributed equity	15,443
Reserves	718
(Accumulated losses)	(3,806)
Tag parent interest	12,355
Outside equity interest	2,934
Total equity	15,289



chairman's report

The following is an informal analysis of the **pro-forma net asset position** as at 30 June 2003 to demonstrate Tag Pacific's investment spread in a simplified form.



1. Tag Parent only
2. Net of outside equity interests
3. Net of liabilities

outlook

The company has maintained a strong balance sheet and with low gearing and adequate cash reserves, it continues to be well positioned for expansion once our criteria have been met. It is not widely recognised that the cash in just the parent company alone represents some 6 cents per share. In addition, when the value of the technology investments is taken into account, it serves to illustrate the low enterprise value that the market is attributing to our current investments in operating companies.

The company has both the financial and human resources to perform well in excess of current levels. A number of opportunities have been identified and a new concerted drive to increase the level of investment and other activity is underway, as is a program for the underlying value to be more visible; and in the fullness of time to be unlocked.

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

For and on behalf of the Board
Tag Pacific Limited

Peter Wise
Chairman
30 September 2003

h i g h l i g h t s a t a g l a n c e

Companies in which Tag has investments have made pleasing progress in the following areas, both during the year under review and subsequently.

- ▽ Potter Interior Systems Limited www.potters.co.nz
 - strong sales growth in all divisions
 - absorption of the business of Best Insulation Sales
 - relocation to improved new Auckland premises

- ▽ Comprador Pacific Pty Limited www.comprador.com.au
 - successful sale of the Melbourne property
 - Tecoa panel manufacturing division placed on new footing
 - commencement of a gypsum compound division

- ▽ M+H Power Systems Pty Limited www.mhpower.com.au
 - improved profitability on a consolidated product offering
 - good gains in the Bardic Emergency Lighting Division
 - reorganisation at senior management level
 - capital reduction and restructure of constitution

- ▽ IBA Health Limited www.iba.com.au
 - improved operating result
 - product improvements
 - development of channel relationships

- ▽ Unique World Group Pty Limited www.uniqueworld.net
 - major improvement in sales, profitability and cash flow
 - growth in resources and services
 - gaining Microsoft Managed Partner status
 - establishment of a Canberra branch

- ▽ Microview Limited www.microview.com.au
 - disposal of Chaos online music business
 - successful capital raising



corporate governance statement

Tag Pacific Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance, consistent with the size and nature of the Company. The Company's corporate governance framework is largely consistent with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003.

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

board responsibilities and objectives

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

The powers reserved to the board include the following:

- The review and oversight of the Company's strategic plan, setting goals and long term objectives with a view to maximising shareholder value;
- Adopting an annual budget and reviewing financial performance;
- Establishment of the control environment to provide for meaningful and timely information;

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

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

board composition

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

Experience relevant to the position of director of each director in office at the date of this report is set out on pages 12-13.



corporate governance statement

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

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

Messrs Constable, Peterson and Weiss are considered “independent” in terms of the ASX Recommendations, holding nominal amounts of shares as set out on pages 12-13.

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

The criteria for board membership and the selection of appropriate members of the board is determined by the board itself. Election and rotation of directors is governed by the Company’s constitution.

Shareholder approval is sought where appropriate.

In determining the appointment and retirement of non-executive directors, a cross section of skills and experience is sought.

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

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

The Company’s constitution specifies that:

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



corporate governance statement

audit committee

The Audit Committee comprises Mr RT Constable & Dr GH Weiss.

The role of this committee is to:

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

risk assessment and management

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

code of conduct

As part of the review of the Company's corporate governance framework, the board proposes to formalise a code of conduct applicable to directors and key executives to reflect the current thinking amongst the board on ethical and responsible decision-making.

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

continuous disclosure

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

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



directors' report

The directors present their report on the company (Tag Parent) and its controlled entities (Tag Group) for the financial year ended 30 June, 2003. 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 Messrs PH Wise, GM Cohen, RT Constable, RB Moran, RD Peterson and GH Weiss.

principal activities

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

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

operating results

The consolidated profit after providing for income tax and eliminating outside equity interests amounted to A\$16,499.

dividend paid or recommended

No dividends have been paid or declared. The directors are not recommending the payment of a dividend in respect of the year ended 30 June 2003.

significant changes in state of affairs:

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

after balance date events

Other than matters referred to in the Chairman's Report and note 30, 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.



directors' report

information on directors

Directors in office at the date of this report are:

Peter H Wise	- Chairman (executive)
Qualifications	- Dip ID
Experience	- Appointed Chairman and board member 1986. Director of IBA Health Limited and Unique World Pty Limited and Chairman 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 28,245,180 ordinary shares in Tag Pacific Limited.
<hr/>	
Gary M Cohen	- Director (non-executive)
Qualifications	- B Comm, LLM (Hons)
Experience	- Appointed board member 1999. Chairman of IBA Health Limited. Formerly a principal of Allco Finance Group and was a senior legal partner of Rosenblum and Partners.
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
<hr/>	
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.
<hr/>	
Robert B Moran	- Director (non-executive)
Qualifications	- BEc LLB (Hons)
Experience	- Appointed board member 2002. 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	- 512,195 ordinary shares in Tag Pacific Limited held non-beneficially.



directors' report

information on directors continued

Richard D Peterson	- Director (non-executive)
Qualifications	- LLM, FAMINZ
Experience	- Appointed board member 1986. Barrister and Solicitor of The High Court of New Zealand and a partner in Harkness & Peterson.
Interest in shares	- 1,136,750 ordinary shares in Tag Pacific Limited held non-beneficially.
Gary H Weiss	- Director (non-executive)
Qualifications	- LLM (NZ), JSD (Cornell)
Experience	- Appointed board member 1988. Chairman of MEM Group Limited, Ariadne Australia Limited and Coats Holdings plc, 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

meetings of directors

During the financial year 12 meetings of directors (including committees of directors) were held. The number of meetings attended by each director during the year is stated in this report.

directors' and executive 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 all inclusive emoluments paid or payable to each director of the Tag Parent are as follows:

	A\$
PH Wise	270,000
GM Cohen	12,000
RT Constable	12,000
RB Moran	12,000
RD Peterson	12,000
GH Weiss	12,000

The all inclusive emolument paid to the executive of the Tag Group not mentioned above is as follows:

DJ Henderson	180,000
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directors' report

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
PH Wise	8	8				
GM Cohen	8	6			2	2
RT Constable	8	7	2	2	2	2
RB Moran	8	7				
RD Peterson	8	7				
GH Weiss	8	2	2	2		

A = Eligible Meetings Held

B = Meetings Attended

indemnifying officers or auditor

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was A\$4,884 for each director.

proceedings on behalf of company

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

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

rounding of amounts

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

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

PH Wise

Chairman

Dated this 30th day of September, 2003

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

for the year ended 30 June 2003

	Note	Tag Group		Tag Parent	
		2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Revenues from ordinary activities	2	29,210	26,091	386	466
Cost of sales		(20,905)	(19,320)	-	-
Employee benefits expense		(3,872)	(3,571)	(500)	(496)
Depreciation and amortisation	3	(269)	(308)	(5)	(11)
Borrowing cost expense	3	(243)	(163)	-	-
Occupancy expense		(715)	(662)	-	-
Other expenses from ordinary activities		(2,908)	(2,276)	(456)	(451)
Provision for diminution in carrying value of investments	3	-	(1,246)	-	-
Written down value of property, plant and equipment sold		(878)	(39)	-	-
Provision for non-recoverability of loans		-	-	-	(2,711)
Share of net profits of associates accounted for using the equity method	11	425	295	-	-
(Loss) from ordinary activities before income tax	3	(155)	(1,199)	(575)	(3,203)
Income tax relating to ordinary activities	4	185	108	266	181
Profit/(loss) from ordinary activities after related income tax		30	(1,091)	(309)	(3,022)
Net profit attributable to outside equity interest		(14)	(82)	-	-
Net profit/(loss) attributable to members of the parent entity		16	(1,173)	(309)	(3,022)
Foreign currency translation (loss) on disposal of a self-sustaining foreign subsidiary		-	(74)	-	(74)
Adjustment of capital reserve on disposal of a self-sustaining foreign subsidiary		-	(237)	-	-
Net exchange difference on translation of financial reports of self-sustaining foreign operations	18	9	600	-	-
Total revenues, expenses and valuation adjustments attributed to members of the parent entity and recognised directly in equity		9	289	-	(74)
Total changes in equity other than those resulting from transactions with owners as owners		25	(884)	(309)	(3,096)
Basic earnings per share	27	0.1 cents	(1.8) cents		
Diluted earnings per share	27	0.1 cents	(1.8) cents		

The accompanying notes form part of these financial statements.

statement of financial position

as at 30 June 2003

	Note	Tag Group		Tag Parent	
		2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Current assets					
Cash assets	6	5,112	4,926	4,082	4,591
Receivables	7	5,041	4,970	4,293	4,345
Inventories	8	6,287	5,392	-	-
Tax assets	9	588	415	519	253
Total current assets		17,028	15,703	8,894	9,189
Non-current assets					
Other financial assets	10	2,724	2,590	3,276	3,276
Equity accounted investments	11	2,367	1,969	-	-
Property, plant & equipment	12	899	1,556	12	17
Intangible assets	13	25	52	-	-
Total non-current assets		6,015	6,167	3,288	3,293
Total assets		23,043	21,870	12,182	12,482
Current liabilities					
Payables	14	6,598	4,730	156	147
Interest-bearing liabilities	15	1,828	1,972	-	1
Provisions	16	249	246	1	-
Total current liabilities		8,675	6,948	157	148
Non-current liabilities					
Interest-bearing liabilities	15	919	1,458	-	-
Provisions	16	19	24	-	-
Total non-current liabilities		938	1,482	-	-
Total liabilities		9,613	8,430	157	148
Net assets		13,430	13,440	12,025	12,334
Equity					
Contributed equity	17	15,443	15,443	15,443	15,443
Reserves	18	718	709	-	-
(Accumulated losses)	19	(3,806)	(3,822)	(3,418)	(3,109)
Tag parent interest		12,355	12,330	12,025	12,334
Outside equity interest	20	1,075	1,110	-	-
Total equity		13,430	13,440	12,025	12,334

The accompanying notes form part of these financial statements

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

for the year ended 30 June 2003

	Note	Tag Group		Tag Parent	
		2003 A\$	2002 A\$	2003 A\$	2002 A\$
Cash flows from operating activities					
Receipts from customers		31,141	29,424	437	3,016
Payments to suppliers & employees		(30,975)	(29,481)	(1,152)	(1,174)
Dividends received		-	2	-	-
Dividends received - associates		27	-	-	-
Interest received		236	211	206	108
Borrowing costs		(243)	(163)	-	-
Net cash provided by/(used in) operating activities	28	186	(7)	(509)	1,950
Cash flows from investing activities					
Proceeds from sale of plant & equipment		1,203	36	-	1
Payment for investments		(63)	(15)	-	-
Payment for property, plant & equipment		(228)	(90)	-	(8)
Net cash provided by/(used in) investing activities		912	(69)	-	(7)
Cash flows from financing activities					
Proceeds from borrowings		-	823	-	-
Repayment of borrowings		(921)	(97)	-	-
Distribution to outside equity interests		(40)	(245)	-	-
Proceeds from loan repayment		47	-	-	-
Net cash (used in)/provided by financing activities		(914)	481	-	-
Net increase/(decrease) in cash held		184	405	(509)	1,943
Cash at beginning of year		4,926	4,377	4,591	2,648
Effects of exchange rate on cash holdings in foreign currencies		2	144	-	-
Cash at end of year	6	5,112	4,926	4,082	4,591

The accompanying notes form part of these financial statements

notes to the financial statements

for the year ended 30 June 2003

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.

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

notes to the financial statements

for the year ended 30 June 2003

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

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.

notes to the financial statements

for the year ended 30 June 2003

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

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

Cash

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

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

Provision for Warranties

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

Comparative Figures

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

Revenue

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

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Goods & Services Tax (GST)

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

Rounding of Amounts

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

notes to the financial statements

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
2 revenue				
Operating activities				
- sale of goods & services	27,729	25,666	176	320
- dividends from other corporations	-	125	-	-
- interest from other corporations	236	211	206	108
- other revenue	42	16	4	-
	28,007	26,018	386	428
Non-operating activities				
- proceeds on disposal of property, plant & equipment	1,203	36	-	1
- proceeds on disposal of controlled entity	-	37	-	37
	1,203	73	-	38
Total revenue	29,210	26,091	386	466

3 (loss) from ordinary activities

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

Expenses

Borrowing costs

- other persons	219	149	-	-
- finance lease charges	24	14	-	-

Total borrowing costs

243	163	-	-
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Depreciation of non-current assets

- buildings	10	25	-	-
- plant & equipment	162	192	5	11
- capitalised leased assets	61	44	-	-

Total depreciation

233	261	5	11
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Amortisation of non current assets

- goodwill	36	47	-	-
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Bad and doubtful debts

- movement in provision	25	96	-	-
- bad debts written off	155	108	-	-

Net bad and doubtful debt expense

180	204	-	-
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Operating lease rentals

715	662	-	-
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statement of financial performance

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000

3 (loss) from ordinary activities (continued)

Significant Items

The following significant items are relevant in explaining the financial performance.

Gain/(loss) on sale of property, plant and equipment	325	(3)	-	-
Provision for non-recoverability of loans made to wholly owned subsidiaries	-	-	-	2,711
Provision for diminution in carrying value of investments in:				
- IBA Health Limited	-	1,246	-	-

4 income tax

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

Prima facie tax (benefit) on (loss) from ordinary activities before income tax at 30% (2002: 30%)

- Tag Group	(46)	(360)	-	-
- Tag Parent	-	-	(173)	(961)
- Other members of the income tax consolidated group net of intercompany transactions	-	-	23	-
	(46)	(360)	(150)	(961)
Add tax effect of:				
- non-allowable items	59	27	-	6
- non-deductible diminution & amortisation	32	387	2	813
- under provision in prior year	19	7	19	-
Less tax effect of:				
- non-assessable items	(90)	(11)	-	(11)
- deductible items not claimed	(31)	(68)	(9)	(22)
- transfer from provision not subject to income tax	-	-	-	(6)
- share of net profits of associates	(128)	(88)	-	-
- Income tax expense to wholly-owned subsidiaries under the tax sharing agreement	-	-	(128)	-
- difference in overseas tax rates	-	(2)	-	-
Income tax (benefit) attributable to (loss) from ordinary activities before income tax	(185)	(108)	(266)	(181)



statement of financial position

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000

5 dividends paid or proposed

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

6 cash

Cash at bank and on hand	697	364	14	29
Short-term deposits	4,415	4,562	4,068	4,562
	5,112	4,926	4,082	4,591

Reconciliation of Cash

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

Cash	5,112	4,926	4,082	4,591
	5,112	4,926	4,082	4,591

7 receivables

Trade debtors	4,863	4,621	-	-
Provision for doubtful debts	(76)	(141)	-	-
	4,787	4,480	-	-

Other debtors and prepayments	254	490	57	37
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Amounts receivable from:

- partly owned subsidiaries	-	-	280	183
- wholly owned subsidiaries	-	-	6,667	6,836
- provision for non-recoverability	-	-	(2,711)	(2,711)
	-	-	4,236	4,308
	5,041	4,970	4,293	4,345

8 inventories

Raw materials	359	468	-	-
Work in progress	45	16	-	-
Finished stock	5,883	4,908	-	-
	6,287	5,392	-	-

notes to the financial statements

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Future income tax benefit	588	415	519	253
The future income tax benefit is made up of the following estimated tax benefits:				
- tax losses	537	354	518	238
- timing difference	51	61	1	15
	588	415	519	253
Future income tax benefits not brought to account which will only be realised if the conditions for deductibility set out in note 1 occur:				
- revenue losses	802	796	-	-
- capital losses	4,281	2,985	4,281	2,985

10 other financial assets

Shares in unlisted subsidiaries at cost	-	-	3,276	3,276
Shares in listed corporations				
- cost	8,040	7,877	-	-
- provisions for diminution	(5,851)	(5,851)	-	-
	2,189	2,026	-	-
Market value of shares in listed corporations at 30 June 2003: A\$2,247,000 (2002: A\$1,738,000)				
Other unlisted investments at cost	535	564	-	-
	2,724	2,590	3,276	3,276

Shares and units in controlled entities comprise:

Entity	Place of Incorporation	Class of Share	% Owned 2003	% Owned 2002
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
Potter Interior Systems Ltd	NZ	Ord	100	100
Spedding Ltd	NZ	Ord	100	100
Flatbat Ltd	NZ	Ord	100	100
Electro Securities Pty Ltd	AUS	Ord	100	100

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

notes to the financial statements

for the year ended 30 June 2003

11 equity accounted investments

Electro Securities Pty Ltd holds an interest in the following associated company:

Entity	Principal Activity	% Owned		Carrying Amount	
		2003	2002	2003 A\$'000	2002 A\$'000
M+H Power Systems Pty Ltd	Power electronics/ battery products	49	49	2,367	1,969
				<u>2,367</u>	<u>1,969</u>

Electro Securities Pty Ltd holds a 25% interest in Power Property Nominees Pty Ltd and a 37% interest in the units of the Power Property Unit Trust, which are entities associated with M+H Power Systems Pty Ltd. All profits of the Power Property Unit Trust are distributed to unit holders and accordingly Electro Securities Pty Ltd does not equity account these interests.

Since balance date M+H Power Systems Pty Limited and its wholly owned subsidiaries have become 55.7% owned (on an undiluted basis) subsidiaries of Electro Securities Pty Limited.

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Movements during the year in equity accounted investment in associated company:				
Balance at beginning of financial year	1,969	1,674		
Add:				
- share of associated companies profit from ordinary activities after income tax	425	295		
Less:				
- dividend revenue from associated company	(27)	-		
	<u>2,367</u>	<u>1,969</u>		
Share of associates' profit from ordinary activities before income tax	562	409		
Share of associates' income tax	(137)	(114)		
Share of associates' profit from ordinary activities after income tax	425	295		
Share of retained profits at beginning of the financial year	1,071	776		
Dividends received	(27)	-		
Share of retained profits at end of the financial year	<u>1,469</u>	<u>1,071</u>		
Summarised presentation of aggregate assets & liabilities				
Assets	7,041	7,949		
Liabilities	2,448	4,139		
Net assets	<u>4,593</u>	<u>3,810</u>		

notes to the financial statements

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
12 property, plant & equipment				
Plant & equipment				
- at cost	1,776	1,670	109	109
- accumulated depreciation	(1,215)	(1,162)	(97)	(92)
	561	508	12	17
Freehold land at cost	-	140	-	-
Buildings				
- at cost	-	802	-	-
- accumulated depreciation	-	(83)	-	-
	-	719	-	-
Total land & buildings	-	859	-	-
Capitalised leased assets	494	303	-	-
Accumulated amortisation	(156)	(114)	-	-
Total capitalised leased assets	338	189	-	-
Total property, plant & equipment	899	1,556	12	17
A directors' valuation of freehold land and buildings was undertaken on 30 June 2002. The valuation was based on independent assessments of the property's current market value.	-	1,150	-	-

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\$'000	Buildings A\$'000	Plant and equipment A\$'000	Leased plant and equipment A\$'000	Total A\$'000
Tag Group:					
Balance at beginning of year	140	719	508	189	1,556
Additions	-	-	229	223	452
Disposals	(140)	(709)	(15)	(14)	(878)
Depreciation expense	-	(10)	(162)	(61)	(233)
Effect of exchange rate differences between the beginning and end of year	-	-	1	1	2
Carrying amount at end of year	-	-	561	338	899

notes to the financial statements

for the year ended 30 June 2003

12 property, plant & equipment (continued)

	Freehold Land A\$'000	Buildings A\$'000	Plant and equipment A\$'000	Leased plant and equipment A\$'000	Total A\$'000
Tag Parent:					
Balance at beginning of year	-	-	17	-	17
Depreciation expense	-	-	(5)	-	(5)
Carrying amount at end of year	-	-	12	-	12

13 intangible assets

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Goodwill				
- cost	621	612	-	-
- amortisation	(596)	(560)	-	-
	25	52	-	-

14 payables

Unsecured liabilities				
- trade creditors	6,269	4,566	-	43
- sundry creditors and accrued expenses	329	164	156	104
	6,598	4,730	156	147
Foreign currency liabilities				
Current liabilities not effectively hedged				
- Euros	-	54	-	-
- New Zealand Dollars	5	-	-	-
	5	54	-	-

15 interest bearing liabilities

Current				
- bank loans (secured)	1,755	1,902	-	-
- lease liabilities (unsecured)	73	70	-	1
	1,828	1,972	-	1
Non-current				
- bank loans (secured)	663	740	-	-
- lease liabilities (unsecured)	256	118	-	-
- mortgage loan (secured)	-	600	-	-
	919	1,458	-	-

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

notes to the financial statements

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Employee entitlements				
- current	249	246	1	-
- non-current	19	24	-	-
Aggregate employee entitlements liability	268	270	1	-
Number of employees at year end	69	64	3	3

16 provisions

17 contributed equity

65,659,794 (2002: 65,659,794) fully paid ordinary shares	15,443	15,443
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18 reserves

Capital reserve	659	659	-	-
Foreign currency translation reserve	59	50	-	-
	718	709	-	-

Movements during year:

Capital reserve				
Opening balance	659	895	-	-
Elimination arising from disposal of self-sustaining foreign subsidiary	-	(236)	-	-
Closing Balance	659	659	-	-

The capital reserve records a capital profit from the realisation of a non-current asset

Foreign currency translation reserve				
Opening balance	50	(549)	-	-
Elimination arising from disposal of self-sustaining foreign subsidiary	-	549	-	-
Adjustment arising from the translation of self-sustaining foreign controlled entities' financial statements	9	50	-	-
Closing balance	59	50	-	-

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

notes to the financial statements

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
19 (accumulated losses)				
(Accumulated losses) at beginning of year	(3,822)	(2,575)	(3,109)	(13)
Net profit/(loss) attributable to the members of the parent entity	16	(1,173)	(309)	(3,022)
Foreign currency translation (loss) on disposal of self-sustaining foreign subsidiary	-	(74)	-	(74)
(Accumulated losses) at end of year	(3,806)	(3,822)	(3,418)	(3,109)

20 outside equity interests in controlled entities

Outside equity interests comprise:

- capital	980	980	-	-
- profits	95	130	-	-
	1,075	1,110	-	-

21 capital and leasing commitments

Capital expenditure commitments

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

Operating leases are non-cancellable property leases with varying terms up to 4 years, with variable renewable options and contingent rental provisions. Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable

- not later than one year	535	463	-	-
- later than one year but not later than five years	1,516	438	-	-
- later than five years	259	-	-	-

	2,310	901	-	-
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Finance lease commitments

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

Payable:

- not later than one year	94	82	-	-
- later than one year but not later than five years	286	131	-	-

Minimum lease payments

Less:- future finance charges	(51)	(25)	-	-
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Provided for in accounts	329	188	-	-
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notes to the financial statements

for the year ended 30 June 2003

22 segmental information

	Investment		Merchandising*		Tag Group	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Primary reporting						
- Business segments						
Revenue						
External revenue	279	425	28,931	25,666	29,210	26,091
Share of net profits of equity accounted associates	-	-	425	295	425	295
Total revenue from ordinary activities	279	425	29,356	25,961	29,635	26,386
Result						
Segment result	207	(876)	599	635	806	(241)
Unallocated expenses	-	-	-	-	(961)	(958)
(Loss) from ordinary activities before future income tax benefit	-	-	-	-	(155)	(1,199)
Income tax benefit	-	-	-	-	185	108
Profit/(loss) from ordinary activities after income tax benefit	-	-	-	-	30	(1,091)
Assets						
Segment assets	9,739	9,663	13,304	12,207	23,043	21,870
Liabilities						
Segment liabilities	157	148	9,456	8,282	9,613	8,430
Other						
Investments accounted for using the equity method	-	-	2,367	1,969	2,367	1,969
Acquisitions of non-current segment assets	63	22	452	233	515	255
Depreciation and amorisation of segment assets	5	11	264	297	269	308

* Marketing and distribution of componentry for commercial interiors and equity accounted contribution from power electronics and battery products.

	Australia		New Zealand		Tag Group	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Secondary reporting						
- Geographical segments						
Segment revenues	15,858	15,312	13,777	11,074	29,635	26,386
Segment assets	17,237	16,933	5,806	4,937	23,043	21,870
Acquisition of non-current segment assets	404	173	111	82	515	255

notes to the financial statements

for the year ended 30 June 2003

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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Financial Assets										
Cash & deposits	4.58%	4.53%	4,415	4,562	-	-	697	364	5,112	4,926
Receivables	-	-	-	-	-	-	5,041	4,970	5,041	4,970
Investments	-	-	-	-	-	-	5,091	4,559	5,091	4,559
			4,415	4,562	-	-	10,829	9,893	15,244	14,455
Financial Liabilities										
Bank Loans	6.89%	6.87%	2,418	2,642	-	-	-	-	2,418	2,642
Accounts payable	-	-	-	-	-	-	6,598	4,730	6,598	4,730
Lease Liabilities	7.85%	6.96%	-	-	329	188	-	1	329	189
Mortgage Loan	-	6.35%	-	600	-	-	-	-	-	600
			2,418	3,242	329	188	6,598	4,731	9,345	8,161

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:

	2003		2002	
	Carrying Amount A\$'000	Net Fair Value A\$'000	Carrying Amount A\$'000	Net Fair Value A\$'000
Listed investments	2,189	2,247	2,026	1,739
Unlisted investments	535	535	564	564
	2,724	2,782	2,590	2,303

notes to the financial statements

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Remuneration of the auditor of Tag Parent for:				
Auditing or reviewing the accounts	70	72	38	36
Other services	31	27	31	27
	101	99	69	63

24 auditors' remuneration

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

	909	903	-	-
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Income paid or payable to all directors of the Tag Parent by the Tag Parent and any related parties.

			330	330
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Number of Tag Parent directors whose income from the Tag Parent or any related parties was within the following bands:-

	2003 No.	2002 No.
A\$10,000 - 19,999	5	5
A\$270,000 - 279,999	1	1

The Tag Parent directors who have held office during the financial year are Messrs GM Cohen, RT Constable, RB Moran, RD Peterson, GH Weiss and PH Wise

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
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	681	442	450	442
	No.	No.	No.	No.
Number of executives of the Tag Group and the Tag Parent whose remuneration falls within the following bands:				
A\$110,000 - 119,999	1	-	-	-
A\$120,000 - 129,999	1	-	-	-
A\$170,000 - 179,999	-	1	-	1
A\$180,000 - 189,999	1	-	1	-
A\$270,000 - 279,999	1	1	1	1

notes to the financial statements

for the year ended 30 June 2003

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 PH Wise has a controlling interest in Anthony Australia Pty Limited through family interests. Anthony Australia Pty Limited effected a net increase of 2,113,474 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 PH Wise, GM Cohen, RT Constable, RB Moran, RD Peterson and Dr GH Weiss. Information on the remuneration of directors and their respective periods of service is set out in Note 25. Information on directors' interests in shares is detailed in the Directors' Report.

Mr RD Peterson is a partner of Harkness & Peterson. Harkness & Peterson has received fees of A\$2,967 (2002: A\$2,575) as the Tag Group's solicitor in New Zealand.

Share Transactions of Directors	2003	2002
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in Tag Pacific Limited	44,916,731	42,291,062

27 earnings per share

Note	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
Reconciliation of earnings to net profit/(loss)				
Net profit/(loss)	30	(1,091)		
Net profit attributable to outside equity interest	(14)	(82)		
Earnings used in the calculation of basic and diluted earnings per share	16	(1,173)		

Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share was 65,659,794 (2002: 65,659,794)

notes to the financial statements

for the year ended 30 June 2003

	Tag Group		Tag Parent	
	2003 A\$'000	2002 A\$'000	2003 A\$'000	2002 A\$'000
28 cash flow information				
Reconciliation of cash flow from operating activities with profit/(loss) after income tax				
Profit/(loss) from operating activities after income tax	16	(1,173)	(309)	(3,022)
Non-cash flows:				
- amortisation	36	47	-	-
- depreciation	233	261	5	11
- charges to provisions	(226)	1,084	(265)	2,449
- share of associated companies operating profit after income tax	(425)	(295)	-	-
(Gain)/loss on sale of property, plant and equipment	(325)	3	-	-
Changes in assets and liabilities				
- (increase)/decrease in receivables	(108)	220	51	2,477
- (increase) in inventories	(912)	(76)	-	-
- increase/(decrease) in trade creditors & accruals	1,897	(78)	9	35
Cash flow provided by/(used in) operating activities	186	(7)	(509)	1,950
Unused credit facilities				
Arrangements with banks to provide stand-by funds and/or support facilities	3,394	3,633	-	-
Amounts utilised at year end	2,418	3,242	-	-
Net available at year end	976	391	-	-

Bank Overdrafts and Loans

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

Interest rates are variable and subject to adjustment.

Non-cash financing and Investment Activities

During the year the economic entity acquired plant and equipment with an aggregate value of A\$222,688 (2002: 150,289) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

29 contingent liability

No contingent liabilities existed at 30 June 2003 (2002: nil)

notes to the financial statements

for the year ended 30 June 2003

30 subsequent event

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

Details of the transaction are:

	A\$'000
Carrying value of previously equity accounted investment	<u>2,367</u>
Assets and liabilities held at date consolidation will commence:	
Cash	1,013
Receivables	3,111
Inventories	2,419
Other	317
Property, plant and equipment	181
Creditors	(2,582)
Interest bearing liabilities	<u>(265)</u>
	4,194
Goodwill on consolidation	32
Outside equity interests in acquisition	<u>(1,859)</u>
	<u>2,367</u>

31 company details

The registered office of the company is:

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

directors' declaration

for the year ended 30 June 2003

The Directors of the company declare that:

- (a) the financial statements and notes, as set out on pages 15 to 35, are in accordance with the Corporations Act 2001:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 30 June, 2003 and of the performance for the year ended on that date of the company and the group;
- (b) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



PH Wise
Chairman

Dated this 30th day of September 2003

INDEPENDENT AUDIT REPORT to the members of Tag Pacific Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Tag Pacific Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit Approach

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

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

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

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

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

Independence

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

Audit Opinion

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

(a) The Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date, and

(ii) complying with Accounting Standards in Australia and the Corporation Regulations 2001; and

(b) Other mandatory professional reporting requirements in Australia.



PKF
Chartered Accountants
A New South Wales Partnership



G HARRIS
Partner

Dated: 30 September 2003

shareholder information

as at 30 September 2003

shareholder information

Distribution of shareholders

Range	Holders	Shares
1-1,000	818	417,691
1,001 - 5,000	834	2,218,536
5,001 - 10,000	264	2,065,296
10,001 - 100,000	303	8,340,480
100,001 - and over	43	52,617,791
	<u>2,262</u>	<u>65,659,794</u>

The number of shareholdings held in less than marketable parcels is 1,535.

The names of the substantial shareholders listed in Tag Pacific Limited's register as at 30 September, 2003 are:

Anthony Australia Pty Limited.	28,245,180
Allco Finance Group Limited & others.	14,442,803

Twenty largest shareholders	No. of Shares	% of Shares
Anthony Australia Pty Limited	28,245,180	43.0
AIB Investments Limited	6,404,402	9.8
Amco Trading Pty Limited	4,446,133	6.8
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	767,718	1.2
RHC Management Pty Limited	492,195	0.8
Excalibur Nominees Limited	474,995	0.7
Sophie Gelski	400,000	0.6
Alistair Woodside Cunningham	340,000	0.5
Richard Dale Peterson	337,732	0.5
Monetti Pty Limited	331,260	0.5
Keith Richard Frankum	326,371	0.5
Locope Pty Limited	275,000	0.4
Basil Courtney McGirr	271,819	0.4
Regans Express Pty Limited	253,700	0.4
Harvey Wu	223,510	0.3
Lockley Management Services Pty Limited	200,000	0.3
	<u>49,508,382</u>	<u>75.4</u>

Voting Rights

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

shareholder information

as at 30 September 2003

registers of securities are held at the following addresses

Australia:

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

New Zealand:

Computershare Investor Services Limited
Level 3
277 Broadway
Newmarket
AUCKLAND

registered office

The address of the principal registered office in Australia is: Level 26 Piccadilly Tower, 133 Castlereagh Street, Sydney NSW 2000. Telephone (02) 9283-9377. Fax (02) 9283-9566. 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 (code: TAG) and the New Zealand Exchange (code: TPC).

company secretary

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

c o r p o r a t e d i r e c t o r y

Tag Pacific Limited

ACN 009 485 625

d i r e c t o r s

PH Wise (Chairman)

GM Cohen

RT Constable

RB Moran

RD Peterson

GH Weiss

s e c r e t a r y

DJ Henderson

Level 26, Piccadilly Tower

133 Castlereagh Street

Sydney NSW 2000

djh@tagpac.com

a u d i t o r s

PKF

Level 10, 1 Margaret Street

Sydney NSW 2000

s h a r e r e g i s t r a r s

Computershare

Investor Services Pty Limited

Sydney NSW 2000 Australia

Computershare

Investor Services Pty Limited

Auckland New Zealand