TAG PACIFIC LIMITED

ABN 73 009 485 625

Annual Report 2006

Notice of Annual General Meeting

The Annual General Meeting of Tag Pacific Limited will be held at Sheraton on the Park, 161 Elizabeth Street, Sydney, Australia on Friday 10 November 2006 at 10.00am.

Agenda

1 | Financial statements and reports
To consider the Financial Statements and the Directors' Report together with the Auditor's Report for the year ended 30 June 2006.

2 | Remuneration report
To adopt the Remuneration Report for the year ended 30 June 2006.

The vote on this resolution is advisory and does not bind the directors or the company.

3 | Re-election of directors
In accordance with the company's constitution:
(a) Robert Constable retires, and being eligible, offers himself for re-election as a director; and
(b) Peter Wise retires, and being eligible, offers himself for re-election as a director.

By order of the Board

Nathan Wise
Company Secretary

29 September 2006

Eligibility to vote
For the purposes of voting at the meeting, persons holding shares in the company at 10.00am Sydney time on 8 November 2006 will be treated as shareholders of the company.

Proxy votes
A shareholder entitled to attend and vote at the meeting is entitled to appoint no more than 2 proxies to attend and vote on behalf of the shareholder. Where two proxies are appointed, each proxy must be appointed to represent a specified number of votes or proportion of the shareholder's voting rights. If no number or proportion is specified, each proxy may exercise half of the votes. A proxy need not be a shareholder of the company.

A proxy form accompanies this notice. To be effective, a proxy form must be received at the registered office of the company not less than 48 hours before the time for holding the meeting.

Corporate representatives
If your holding is registered in a company name and you would like to attend the meeting (and you do not intend to return a completed proxy form), please bring with you to the meeting a duly completed Certificate of Appointment of Corporate Representative. A form of the certificate may be obtained from the company's share registry.

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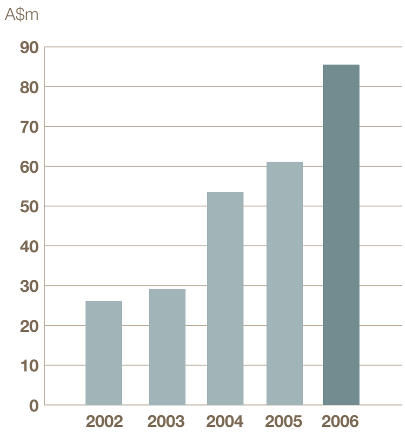
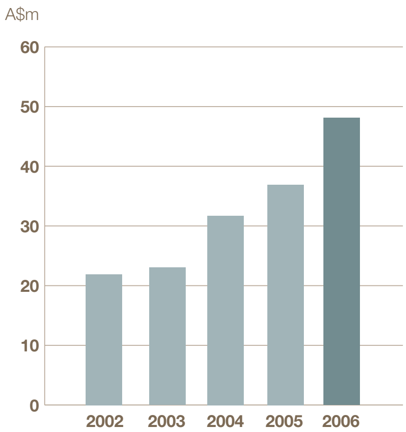
Over the last five years, the number of shares on issue has remained relatively constant, yet group revenue, gross assets and total equity have all increased progressively…

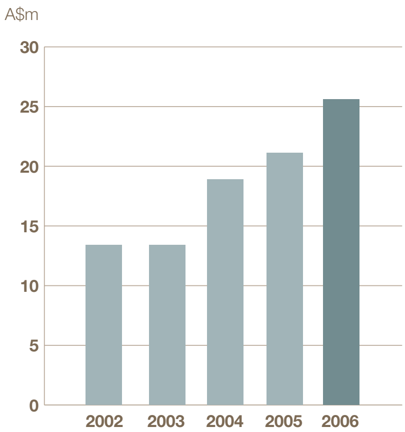
Revenue



Gross assets



Total equity



Chairman's report

The Tag Pacific Group recorded a net profit after tax and minority interests of A$5.1 million for the 2005-2006 financial year. This is a very good result and reflects the progressively changing nature of Tag's activities as we move to a more focused investment strategy.

The earnings of 7.7 cents per share were well ahead of the previous year and total group equity now stands at A$25.6 million.

Overview

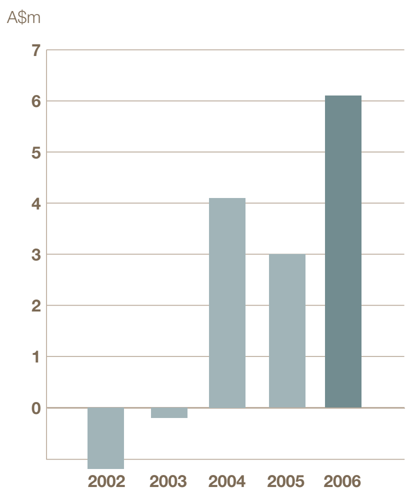
In recent years the Tag Pacific Group has been actively increasing the scope and scale of the businesses in which it is invested. Over the last five years, the number of shares on issue has remained relatively constant, yet group revenue, gross assets and total equity have all increased progressively, as illustrated by the accompanying graphs.

The strategy of increasing the scope and scale of businesses in which we are invested has not come quickly or easily; nor has it come without attendant cost. By this I am not specifically referring to the actual outlay for new investments, but rather to the hidden costs in transforming relatively small investments with limited resources into businesses which ultimately have a far greater inherent value.

As a consequence of this, investment activity at the parent company level has been subdued in recent years as attention has been focused on activity within each investee business. Transactions such as the acquisition of Advanced Power by M+H Power Systems and the acquisition of Charles Tims by Comprador Pacific were driven at a parent company level although the purchaser was a partly owned subsidiary company in each case.

As the graph below shows, Group earnings in recent years have at times been inconsistent, both as a result of this activity and because of the large proportion of our invested funds which are employed in holding shares in IBA Health.

Group profit before income tax



With the introduction of AIFRS, Tag now accounts for fair value movements of listed company investments through the income statement – a more appropriate methodology for an investment company such as ours, but one which brings with it new idiosyncrasies. Whilst the last year has brought with it positive movements, the state of international markets is such that one cannot predict the future with any degree of certainty.

With the Group's industrial investments now increasing in size, we anticipate that increased effort will now be applied to investment activity at the parent company level.

Whilst on one hand the Group is invested in listed and industrial investments, there remains scope for the Group to be involved in new ventures which have the potential to create exponential gains. Innovation and creativity are actively encouraged throughout the Group. This was, in fact, the reason for the original fledgling investment in the health IT sector in the 1990's; and is the reason for the more recent involvement in the Unique World Group and the ShareCover® initiative.

To assist shareholders' understanding of Tag's investment spread net of outside equity interests and liabilities, an informal analysis of the net asset position is shown in the chart below.

Review of investments

Listed investments

The major item in this category during the year was the parcel of 13.3 million shares held in IBA Health. The market value of this holding was approximately A$10 million at 30 June 2006 (based on an IBA share price of A$0.75) representing around 46% of the equity attributable to Tag shareholders. Total profit before tax from listed investments was approximately $4.6 million primarily attributable to the Group's holding in IBA Health.

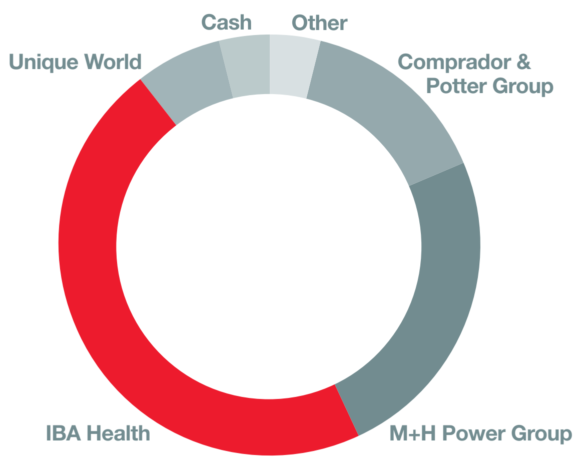
Since balance date the investment in IBA has been slightly re-weighted. Tag has reduced its holding to 12.3 million shares, realising approximately A$0.8 million in cash and crystallising a profit in the process.

The IBA Health share price has continued to strengthen since balance date.

M+H Power Systems continues to hold around 4% of Ice Corporation Ltd.

Informal analysis of Tag's investment spread net of outside equity interests and liabilities

- IBA Health A$10,004k
- M+H Power Group A$5,244k
- Comprador & Potter Group A$3,134k
- Unique World A$1,426k
- Cash A$866k
- Other A$792k



Industrial investments

M+H Power Systems (57.7% owned) continued its strong performance in the first half to contribute significantly to Tag's full year earnings. Virtually all divisions fared well, with renewable energy products showing early promise as an area of potential growth. The Advanced Power business acquired by M+H Power Systems during 2005 has performed above expectation and integration of the two businesses is a work in progress. The Advanced Power brand is well recognised in the market segments it services being portable generators, project-based generators and specialised generators designed for defence force purposes.

Potter Interior Systems (wholly owned) also contributed to Tag's result for the year and demonstrated solid cash flows in a softening and more competitive New Zealand market. Several years ago a decision was made to diversify the product range offered by Potters and this has successfully reduced the trading volatility of the business.

Comprador Pacific (51% owned) recorded a loss for the year against a backdrop of relatively high sales and product volumes but unacceptably tight margins. Whilst Tag itself ultimately only accounts for 51% of this loss, it is nevertheless a drain on the Group in both human resources and financial terms and we are actively looking at ways to generate improved value from this investment. The Charles Tims business acquired by Comprador in January 2005 has enjoyed buoyant sales in recent months after a troubled period of internal disruptions and we look forward to its improved contribution to Group profitability in the period ahead. Tims branded products are highly recognised in their market and frequently the subject of preferred architectural specification.

Venture investments

ShareCover (wholly owned) was launched in late 2005 and is the first of what are intended to be a number of initiatives in the financial services sector. The search for strategic alliance partners has taken a number of twists and turns and discussions are continuing slowly with a number of parties. The majority of costs associated with this initiative have been expensed in the year to 30 June 2006 with only technology and intellectual property related costs being capitalised in the accounts.

The fortunes of Unique World (27% owned) have improved markedly over the prior period with significant advances in virtually all of its divisions. The Tag results were supplemented by a healthy equity accounted contribution from Unique World, a trend which is expected to continue.

Dividend

A full year dividend of 0.75 cents per share franked to 23% was declared on 7 September 2006 with a payment date of 16 October 2005. The increased dividend reflects the Group's strengthening position and it is expected that the dividend will be maintained or possibly increased in future years.

Outlook

The outlook for the Group is very positive. The strategy continues to be maximising the value of each investment whilst simultaneously looking for new investment opportunities both within the current spheres of activity and beyond.

For and on behalf of the Board

Peter Wise
Chairman

29 September 2006

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 2006. The Chairman's Report (pages 3 to 5) 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.

Principal activities

The Tag Group is a strategic investor.

Operating results

The operating result of the Tag Group for the financial year ended 30 June 2006 after eliminating minority equity interests and providing for income tax was a profit of A$5,124,308.

Significant changes in the state of affairs

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

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Tag Group, the results of those operations, or the state of affairs of the Tag Group in future financial years other than the following:

(a) Those matters referred to in the Chairman's Report.

(b) The disposal of 1,000,000 shares held in IBA Health Ltd between 5 July 2006 and 10 July 2006 for a net consideration of $797,592.

(c) The payment of $2.4 million by M+H Power Systems Pty Limited to the vendor of Advanced Power Pty Ltd on 14 September 2006, being the full amount of the deferred consideration for the acquisition of Advanced Power Pty Ltd.

Future developments, prospects and business strategies

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

Dividends

A dividend of 0.75 cents per share (totaling A$501,036) franked to 23% was declared on 7 September 2006 with a payment date of 16 October 2006.

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 willful breach of duty in relation to the company. The amount of the premium was A$6,125 for each director.

Non-audit services

The directors, in accordance with advice from the Audit Committee, are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth). The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

Fees totaling A$84,628 for non-audit services were paid to the external auditors during the year ended 30 June 2006 for advice in relation to taxation compliance and due diligence.

Proceedings on behalf of the 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 on issue

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

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

During the year ended 30 June 2006 no ordinary shares in Tag Pacific Limited were issued on the exercise of options granted under the Tag Pacific Limited Executive Share Option Plan. No shares have been issued under the Executive Share Option Plan to the date of this report. No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

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.

Auditors' independence declaration

To: The Directors
Tag Pacific Limited

As lead engagement partner for the audit of Tag Pacific Limited for year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

John Bresolin
Partner
PKF

Sydney, 29 September 2006

Information on directors

The names of directors in office at any time during or since the end of the year are Peter Wise, Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary Weiss.

Peter Wise

	Chairman (executive)
Qualifications	Dip ID
Experience	Appointed Chairman and board member in 1986. Chairman of subsidiaries within the Tag Group and non-executive director of IBA Health Limited and Unique World Group Pty Limited.
Interest in shares	Through family interests has a controlling interest in Anthony Australia Pty Limited which controls 30,216,300 ordinary shares in Tag Pacific Limited and 400,000 options over unissued ordinary shares in Tag Pacific Limited.
Directorships held in other listed entities in the previous 3 years	IBA Health Limited (since 30 September 1999).

Gary Cohen

	Director (non-executive)
Qualifications	B Comm, LLB, LLM (Hons)
Experience	Director since 1999. Chairman of IBA Health Limited. Formerly a principal of Allco Finance Group and was a senior legal practitioner.
Interest in shares	Holds a relevant interest in 5,314,198 ordinary shares in Tag Pacific Limited.
Special responsibilities	Member of the Remuneration Committee.
Directorships held in other listed entities in the previous 3 years	IBA Health Limited (since 30 September 1999).

Robert Constable

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

Robert Moran

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

Richard Peterson

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

Gary Weiss

	Director (non-executive)
Qualifications	LLM (NZ), JSD (Cornell)
Experience	Director since 1988. Chairman of Coats plc, Ariadne Australia Limited and MEM Group Limited, executive director of Guinness Peat Group plc and a director of several other public companies.
Interest in shares	250,000 ordinary shares in Tag Pacific Limited held non-beneficially.
Special responsibilities	Member of the Audit Committee.
Directorships held in other listed entities in the previous 3 years	Ariadne Australia Limited (since 28 November 1989) Canberra Investment Corporation Limited (since 27 September 1995) Capral Aluminium Limited (since 25 November 2003) Coats plc (since 4 February 2003) Guinness Peat Group plc (UK) (since 30 November 1990) Premier Investments Limited (since 11 March 1994) Tower Limited (NZ) (since 27 March 2003) Westfield Holdings Limited (since 25 July 2004) Westfield Management Limited (since 29 May 2002) Westfield America Management Limited (since 29 May 2002) Australian Wealth Management Limited (15 February 2005 to 29 May 2006).

Nathan Wise

	Company secretary
Qualifications	BCom, LLM (UNSW)
Experience	Company secretary since 29 June 2006. Head of Corporate Development at Tag Pacific Limited and a director of a number of subsidiaries within the Tag Group. Practiced as a corporate and commercial lawyer before joining the Tag Group.

David John Henderson acted as company secretary during the year until 29 June 2006.

Directors' meetings

Attendances by directors at meetings of the board or committees of the board during the year were as follows:

	Board meetings		Committee meetings	
	Held	**Attended**	**Held**	**Attended**
Peter Wise	10	10	–	–
Gary Cohen	10	8	2	2
Robert Constable	10	9	4	4
Robert Moran	10	10	–	–
Richard Peterson	10	9	–	–
Gary Weiss	10	8	2	2

Remuneration report

This report details the emoluments paid or payable to each director of Tag Pacific Limited and for the executives (also known as key management personnel) receiving the highest remuneration.

Remuneration policy

The remuneration policy details set out below are relevant to the Tag Parent only.

The board of each operating subsidiary in the Tag Group determines the remuneration policy for the executives of that subsidiary, the majority of which are not wholly owned by the Tag Parent. Accordingly, the remuneration policy of the Tag Parent does not extend to executives of subsidiaries. Details of the remuneration of subsidiary executives have been included in this report for compliance reasons.

The remuneration policy of the Tag Parent has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and, where applicable, offering specific incentives based on key performance areas affecting the economic entity's financial results.

The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for executive board members and senior executives of the Tag Parent is as follows:

- The remuneration policy, setting the terms and conditions for executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants where necessary.
- Executives may receive base remuneration (which is based on factors such as length of service and experience), superannuation, fringe benefits, options or performance incentives.
- The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors.

The performance of Tag Parent executives is measured against criteria agreed regularly with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholder value. Bonuses and incentives, where applicable, are linked to predetermined performance criteria where possible. The board may exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also eligible to participate in the Executive Share Option Plan.

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

The board policy is to remunerate non-executive directors for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors based on market practice, duties and accountability. Independent external advice may be sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to performance of the economic entity. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the company.

Performance based remuneration

A Tag Parent executive remuneration package may contain a performance-based component, consisting of key performance indicators (KPIs). The intention is to facilitate goal congruence between executives with that of the business and shareholders. Where applicable, the KPIs are set annually, with a certain level of consultation with executives to ensure buy-in. The measures are specifically tailored to the areas each executive is involved in and has a level of control over.

Where applicable, performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

The only Tag Parent executive who was awarded a performance based bonus in respect of the year to 30 June 2006 was Nathan Wise (Head of Corporate Development) who was awarded $22,500. The total bonus that was available (subject to the satisfactory achievement of pre-determined KPIs) was in the range of 0% to 20% of his base remuneration of $150,000 ($0 to $30,000). The KPIs which determined the bonus that was payable were:

- Contribution to the profitability, future profitability or potential profitability of the Tag Group.
- Contribution to the enhancement of shareholder value, future shareholder value or potential shareholder value.
- Contribution to the strategic direction of the Tag Group.

Of the specified executives named in this report, the only Tag subsidiary executive who was awarded a performance based bonus in respect of the year to 30 June 2006 was Anthony Csillag (Managing Director, Advanced Power Pty Ltd) who was awarded $26,888. The total bonus that was available (subject to the satisfactory achievement of pre-determined KPIs) was in the range of 0% to 16% of his base wage of $173,250 ($0 to $27,720). The KPI which determined whether the bonus was payable was performance against budgeted EBIT for the year ended 30 June 2006.

Company performance, shareholder wealth and director and executive remuneration

The Tag Parent remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The main method applied in achieving this aim has been the issue of options to select executives to encourage the alignment of personal and shareholder interests.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years.

	2002	2003	2004	2005	2006
Revenue (A$'000)	$26,091	$29,210	$53,552	$61,127	$85,502
Net profit (A$'000)	($1,091)	$30	$3,568	$2,306	$5,665
Dividends (A$'000)	Nil	Nil	Nil	$327	$334
Share price at year end (cents per share)	7.1	8.6	20.0	23.0	26.5

Analysis of the figures in the table above shows a general trend of increasing profits over the 5 year period as well as an increase in dividends paid to shareholders over the last two years. The improvement in the company's performance over the last five years has been reflected in the company's share price. The board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that this continued improvement has lead to increased shareholder wealth over the past four years.

Details of remuneration

The remuneration for each director and five specified executives of the Tag Group receiving the highest remuneration in respect of the year to 30 June 2006 was as follows:

2006	Salary, fees and commissions	Superannuation contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %
Directors							
Peter Wise Chairman	$300,000	–	–	–	–	$300,000	–
Gary Cohen Non-executive director	$12,000	–	–	–	–	$12,000	–
Robert Constable Non-executive director	$12,000	–	–	–	–	$12,000	–
Robert Moran Non-executive director	$12,000	–	–	–	–	$12,000	–
Richard Peterson Non-executive director	$12,000	–	–	–	–	$12,000	–
Gary Weiss Non-executive director	$12,000	–	–	–	–	$12,000	–
Total directors	**$360,000**	**–**	**–**	**–**	**–**	**$360,000**	**–**
Tag Parent executives							
John Henderson Group Secretary	$192,500	–	–	–	–	$192,500	–
Nathan Wise Head of Corporate Development	$150,000	–	$22,500	–	–	$172,500	13%
Tag Subsidiary executives							
Paul Sharp Managing Director M+H Power Systems Pty Ltd	$235,185	$20,484	–	$2,120	–	$257,789	–
Anthony Csillag Managing Director Advanced Power Pty Ltd	$157,013	$31,830	$26,888	$21,531	–	$237,262	11%
Brian Bamforth General Manager Building Group	$176,280	–	–	$22,321	–	$198,601	–
Total executives	**$910,978**	**$52,314**	**$49,388**	**$45,972**	**–**	**$1,058,652**	**–**

All directors and executives held their positions for the whole year other than John Henderson who held the position of Group Secretary from 1 July 2005 to 29 June 2006.

The remuneration for each director and four specified executives of the Tag Group receiving the highest remuneration in respect of the year to 30 June 2005 was as follows:

2005	Salary, fees and commissions	Superannuation contributions	Cash bonus	Non-cash benefits	Options	Total	Performance related %
Directors							
Peter Wise	$300,000	–	–	–	$28,000	$328,000	–
Gary Cohen	$12,000	–	–	–	–	$12,000	–
Robert Constable	$12,000	–	–	–	–	$12,000	–
Robert Moran	$12,000	–	–	–	–	$12,000	–
Richard Peterson	$12,000	–	–	–	–	$12,000	–
Gary Weiss	$12,000	–	–	–	–	$12,000	–
Total directors	**$360,000**	**–**	**–**	**–**	**$28,000**	**$388,000**	**–**
Tag Parent executives							
John Henderson	$176,606	$15,894	–	–	–	$192,500	–
Nathan Wise	$119,266	$10,734	–	–	$17,500	$147,500	–
Tag Subsidiary executives							
Paul Sharp	$227,868	$22,114	–	$3,618	$8,750	$262,350	–
Brian Bamforth	$167,025	–	–	$20,190	$12,250	$199,465	–
Total executives	**$690,765**	**$48,742**	**–**	**$23,808**	**$38,500**	**$801,815**	**–**

Contract details

There were no written contracts in place with directors or specified executives other than the following:

> A written contract is in place in respect of the services provided by Nathan Wise to Tag Pacific Limited. The contract has no specified duration and requires 3 months notice of termination (equating to a termination payment of $37,500).

> A written contract is in place in respect of the services provided by Anthony Csillag to Advanced Power Pty Ltd. The contract has no specified duration and requires 3 months notice of termination (equating to a termination payment of $43,313).

Performance income as a proportion of total remuneration

In some circumstances executives are paid performance based bonuses based on set monetary figures and not as a proportion of their salary. These bonuses have been set to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the economic entity.

Options issued as part of remuneration

There were no options issued to directors or executives during the year ended 30 June 2006.

Remuneration options

	Vested No.	Granted No.	Grant date	Value per option at grant date A$	Exercise price A$	First exercise date	Last exercise date
Directors							
Peter Wise	400,000	–	–	–	0.33	14.4.05	14.4.10
Gary Cohen	–	–	–	–	–	–	–
Robert Constable	–	–	–	–	–	–	–
Robert Moran	–	–	–	–	–	–	–
Richard Peterson	–	–	–	–	–	–	–
Gary Weiss	–	–	–	–	–	–	–
Specified executives							
Brian Bamforth	175,000	–	–	–	0.33	14.4.05	14.4.10
Paul Sharp	125,000	–	–	–	0.33	14.4.05	14.4.10
Nathan Wise	250,000	–	–	–	0.33	14.4.05	14.4.10
	950,000	**–**					

Options holdings

	Balance 1.7.05	Granted as remuneration	Options exercised	Balance 30.6.06	Total vested 30.6.06	Total exercisable 30.6.06	Total unexercisable 30.6.06
Parent entity directors							
Peter Wise	400,000	–	–	400,000	400,000	400,000	–
Gary Cohen	–	–	–	–	–	–	–
Robert Constable	–	–	–	–	–	–	–
Robert Moran	–	–	–	–	–	–	–
Richard Peterson	–	–	–	–	–	–	–
Gary Weiss	–	–	–	–	–	–	–
Specified executives							
Brian Bamforth	175,000	–	–	175,000	175,000	175,000	–
Paul Sharp	125,000	–	–	125,000	125,000	125,000	–
Nathan Wise	250,000	–	–	250,000	250,000	250,000	–
	950,000	**–**	**–**	**950,000**	**950,000**	**950,000**	**–**

Signed in accordance with a resolution of the directors.

Peter Wise
Chairman

29 September 2006

Income statement

	Note	Tag Group 2006 A$'000	Tag Group 2005 A$'000	Tag Parent 2006 A$'000	Tag Parent 2005 A$'000
Revenues from ordinary activities	3	85,502	61,127	2,089	1,542
Cost of sales		(56,108)	(41,322)	–	–
Employee benefits expense		(12,860)	(9,509)	(787)	(740)
Depreciation and amortisation expense	4	(932)	(357)	(42)	(14)
Finance costs	4	(466)	(313)	–	(1)
Occupancy expense		(1,768)	(1,381)	(102)	(95)
Other expenses		(7,519)	(5,390)	(471)	(433)
Share of net profits of associates	12	236	72	–	–
Profit before income tax	4	6,085	2,927	687	259
Income tax (expense)/benefit	5	(420)	(621)	86	151
Profit after income tax		5,665	2,306	773	410
Net profit attributable to minority equity interest		(540)	(665)	–	–
Net profit attributable to members of the parent entity		5,125	1,641	773	410
Continuing operations					
Basic earnings per share	28	7.7 cents	2.5 cents		
Diluted earnings per share	28	7.7 cents	2.5 cents		
Dividends per share		0.5 cents	0.5 cents		

The accompanying notes form part of these financial statements.

Balance sheet

	Note	Tag Group 2006 A$'000	Tag Group 2005 A$'000	Tag Parent 2006 A$'000	Tag Parent 2005 A$'000
Current assets					
Cash and cash equivalents	7	3,857	4,757	766	1,988
Trade and other receivables	8	13,015	11,372	9,413	7,619
Inventories	9	13,603	10,542	–	–
Deferred tax assets	10	1,737	1,087	885	768
Total current assets		32,212	27,758	11,064	10,375
Non-current assets					
Financial assets	11	10,217	5,839	3,276	3,276
Equity accounted investments	12	1,426	1,190	–	–
Property, plant & equipment	13	1,961	1,689	38	53
Intangible assets	14	2,277	426	10	–
Total non-current assets		15,881	9,144	3,324	3,329
Total assets		48,093	36,902	14,388	13,704
Current liabilities					
Trade and other payables	15	16,250	9,453	520	275
Short-term borrowings	16	3,997	4,056	–	–
Current tax liabilities	17	88	364	–	–
Short-term provisions	18	1,300	935	–	–
Total current liabilities		21,635	14,808	520	275
Non-current liabilities					
Long-term borrowings	16	730	770	–	–
Other long-term provisions	18	89	171	–	–
Total non-current liabilities		819	941	–	–
Total liabilities		22,454	15,749	520	275
Net assets		25,639	21,153	13,868	13,429
Equity					
Issued capital	19	15,741	15,741	15,741	15,741
Reserves	20	559	874	72	72
Retained earnings/(accumulated losses)		5,166	525	(1,945)	(2,384)
Tag Parent interest		21,466	17,140	13,868	13,429
Minority interest	21	4,173	4,013	–	–
Total equity		25,639	21,153	13,868	13,429

The accompanying notes form part of these financial statements.

Statement of changes in equity

Tag Group

	Attributable to equity holders of the parent				Minority interests	Total
	Issued capital $'000	**Retained earnings $'000**	**Other reserves $'000**	**Total $'000**	**$'000**	**$'000**
At 1 July 2005	15,741	525	874	17,140	4,013	21,153
Adjustment on adoption of AASB 132 and AASB 139	–	(101)	–	(101)	(74)	(175)
Currency translation differences	–	–	(315)	(315)	–	(315)
Profit for year	–	5,125	–	5,125	540	5,665
Equity distributions	–	(334)	–	(334)	(306)	(640)
Allocation of deferred tax benefit	–	(49)	–	(49)	–	(49)
At 30 June 2006	**15,741**	**5,166**	**559**	**21,466**	**4,173**	**25,639**
At 1 July 2004	15,404	(789)	790	15,405	3,448	18,853
Currency translation differences	–	–	12	12	14	26
Issue of shares	337	–	–	337	–	337
Share based payments	–	–	72	72	–	72
Profit for year	–	1,641	–	1,641	665	2,306
Equity distributions	–	(327)	–	(327)	(114)	(441)
Allocation of deferred tax benefit	–	–	–	–	–	–
At 30 June 2005	**15,741**	**525**	**874**	**17,140**	**4,013**	**21,153**

Tag Parent

	Issued capital $'000	**Retained earnings $'000**	**Other reserves $'000**	**Total $'000**
At 1 July 2005	15,741	(2,384)	72	13,429
Profit for year	–	773	–	773
Equity distributions	–	(334)	–	(334)
At 30 June 2006	**15,741**	**(1,945)**	**72**	**13,868**
At 1 July 2004	15,404	(2,467)	–	12,937
Issue of shares	337	–	–	337
Share based payments	–	–	72	72
Profit for year	–	410	–	410
Equity distributions	–	(327)	–	(327)
At 30 June 2005	**15,741**	**(2,384)**	**72**	**13,429**

The accompanying notes form part of these financial statements.

Statement of cash flows

	Note	Tag Group 2006 A$'000	Tag Group 2005 A$'000	Tag Parent 2006 A$'000	Tag Parent 2005 A$'000
Cash flows from operating activities					
Receipts from customers		88,402	66,408	235	526
Payments to suppliers & employees		(85,680)	(65,612)	(1,145)	(1,351)
Dividends received		152	66	–	–
Interest received		150	213	59	112
Income tax paid		(1,028)	(972)	–	–
Finance costs		(435)	(313)	–	(1)
Net cash (used in)/provided by operating activities	30	1,561	(210)	(851)	(714)
Cash flows from investing activities					
Payment for development costs		–	–	(10)	–
Proceeds from sale of plant & equipment		6	17	–	–
Proceeds from sale of investments		139	–	–	–
Payment for investments acquired		(160)	(88)	–	–
Payments for new businesses – net of cash acquired	11	(1,114)	(1,688)	–	–
Payment for property, plant & equipment		(669)	(611)	(27)	(5)
Net cash (used in) by investing activities		(1,798)	(2,370)	(37)	(5)
Cash flows from financing activities					
Proceeds from loan repayment		–	282	–	–
Repayment of borrowings		(162)	(193)	–	(15)
Payments to minority interests		(113)	(113)	–	–
Proceeds from borrowings		31	1,932	–	–
Dividend paid		(334)	(327)	(334)	(327)
Proceeds from issue of shares		–	337	–	337
Net cash provided by/(used in) financing activities		(578)	1,918	(334)	(5)
Net (decrease)/increase in cash held		(815)	(662)	(1,222)	(724)
Cash at beginning of year		4,757	5,419	1,988	2,712
Effects of exchange rate on cash holdings in foreign currencies		(85)	–	–	–
Cash at end of year	7	3,857	4,757	766	1,988

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations 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 of Tag Pacific Limited and controlled entities, and Tag Pacific Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Tag Pacific Limited is also the ultimate parent of the Tag Group.

The Tag Group is a strategic investor.

The financial report was authorised for issue on 29 September 2006 by the board of directors.

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.

BASIS OF PREPARATION

First-time adoption of Australian equivalents to International Financial Reporting Standards

Tag Pacific Limited and controlled entities, and Tag Pacific Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2006 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Tag Pacific Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

ACCOUNTING POLICIES

(a) Principles of consolidation

A controlled entity is any entity Tag Pacific Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in note 11 to the financial statements. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

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

(b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 economic entity 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. Each entity in the group recognises its own deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2002. 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.

(c) Inventories

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

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of 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 that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity 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:

Class of fixed asset	Depreciation rate
Leasehold improvements	10-20%
Plant and equipment	9-40%
Leased plant and equipment	9-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. 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. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. When these contractual rights or obligations expire or are transferred or are discharged or cancelled, the financial instruments are derecognised. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Investments in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post acquisition reserves of its associates.

(i) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 10 to 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project, which is no longer than 5 years.

(j) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the yearend exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the groups foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

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.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Provision for warranties

Provision is made in respect of the economic entity'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 the economic entity's history of warranty claims.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(o) 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.

Revenue from investment properties is recognised on an accruals basis or straight line basis in accordance with leases agreements.

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) Goods and 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 the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Comparative figures

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

(s) Rounding of amounts

The parent entity 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 $1,000.

(t) New Australian Accounting Standards

As at the date of this report there are a number of new Australian Accounting Standards that have been used but are not yet effected. The Company has assessed the impact of these new Australian Accounting Standards and has concluded that they will have no impact on the accounting policies detailed above.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates – impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Should the projected turnover figures differ significantly from the budgeted figures incorporated in value-in-use calculation then an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2006.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2006.

2 First-time Adoption of Australian equivalents to International Financial Reporting Standards

(i) Tag Group – Reconciliation of total equity as presented under AGAAP to that under AIFRS

		Consolidated	
		30 June 2005 A$'000	**01 July 2004 A$'000**
Total equity under AGAAP		21,142	18,853
Write back of goodwill amortisation	(a)	11	–
Total equity under AIFRS		**21,153**	**18,853**

The tax effect of the adjustments above have not led to an increase in deferred tax liability due to the availability of capital losses that have not been capitalised in the accounts.

(a) Goodwill is not amortised under AASB 3 "Business Combinations", but was amortised under AGAAP.

(i) Tag Parent – Reconciliation of total equity as presented under AGAAP to that under AIFRS

		Consolidated	
		30 June 2005 A$'000	**01 July 2004 A$'000**
Total equity under AGAAP		13,429	12,937
Write back of goodwill amortisation	(a)	–	–
Total equity under AIFRS		**13,429**	**12,937**

The tax effect of the adjustments above have not led to an increase in deferred tax liability due to the availability of capital losses that have not been capitalised in the accounts.

(a) Goodwill is not amortised under AASB 3 "Business Combinations", but was amortised under AGAAP.

(ii) Tag Group – Reconciliation of profit after tax under AGAAP to that under AIFRS

		Year ended 30 June 2005 A$'000
Profit after tax as previously reported		2,367
Share based payment expense	(a)	(72)
Write back of goodwill amortisation	(b)	11
Profit after tax under AIFRS		2,306

(a) Share-based payment costs are charged to the income statement under AASB 2 "Share-based Payment", but not under AGAAP.
(b) Goodwill is not amortised under AASB 3 "Business Combinations", but was amortised under AGAAP.

(ii) Tag Parent – Reconciliation of profit after tax under AGAAP to that under AIFRS

		Year ended 30 June 2005 A$'000
Profit after tax as previously reported		482
Share based payment expense	(a)	(72)
Write back of goodwill amortisation	(b)	–
Profit after tax under AIFRS		410

(a) Share-based payment costs are charged to the income statement under AASB 2 "Share-based Payment", but not under AGAAP.
(b) Goodwill is not amortised under AASB 3 "Business Combinations", but was amortised under AGAAP.

Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005

(a) Goodwill amounting to $11,000 previously amortised in the 2005 financial year has been reversed in the income statement for 30 June 2005.

The adjustment to employee benefits expense is made up as follows:

Tag Group		
Expensing of employee share options	(i)	$72,000
Tag Parent		
Expensing of employee share options	(i)	$72,000

(i) An expense was recognised under Australian equivalents to IFRS relating to the bonus element of options issued to directors and employees of the economic entity amounting to $72,000 for the year ended 30 June 2005.

	30 June 2005 A$
Adjustment to reserves comprise:	
Tag Group	
Option reserve of valuation of employee share options	72,000
Total	72,000
Tag Parent	
Option reserve of valuation of employee share options	72,000
Total	72,000
Adjustments to retained earnings comprise:	
Tag Group	
Reversal of goodwill previously amortised	(11,000)
Expensing of employee share options	72,000
	61,000
Tag Parent	
Expensing of employee share options	72,000
	72,000

Cash flow statement
There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

3 Revenue

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000
Operating activities				
– sale of goods & services	80,453	59,892	530	554
– interest from other corporations	150	202	59	113
– interest from associated entities	–	11	–	–
– dividends received	133	67	1,500	875
– other revenue	80	248	–	–
	80,816	60,420	2,089	1,542
Non-operating activities				
– gains in the fair value of financial assets through profit or loss	4,614	690	–	–
– gains on disposal of other financial assets	72	17	–	–
	4,686	707	–	–
	85,502	61,127	2,089	1,542

4 Profit for the year

The profit before income tax has been determined after:

	Tag Group 2006 A$'000	Tag Group 2005 A$'000	Tag Parent 2006 A$'000	Tag Parent 2005 A$'000
Expenses				
Finance costs				
– other persons	449	291	–	1
– finance lease charges	17	22	–	–
	466	313	–	1
Depreciation of non-current assets				
– plant & equipment	463	234	42	14
– capitalised leased assets	87	78	–	–
	550	312	42	14
Amortisation of non-current assets				
– leasehold improvements	7	45	–	–
– other	375	–	–	–
	382	45	–	–
Bad and doubtful debts				
– movement in provision	98	33	–	–
– bad debts written off	156	179	–	–
Net bad and doubtful debt expense	254	212	–	–
Operating lease rentals	1,664	1,489	102	96
Share based payments expense	–	72	–	72
Foreign exchange differences	41	(20)	–	–
Write-down of inventory to realisable values	(80)	(67)	–	–

5 Income tax

	Tag Group 2006 A$'000	Tag Group 2005 A$'000	Tag Parent 2006 A$'000	Tag Parent 2005 A$'000
(a) The components of tax expense comprise:				
Current tax	1,070	956	–	–
Deferred tax (refer note 10)	(650)	(346)	(117)	(145)
Underprovision in respect of prior years	–	11	–	11
Overprovision in respect of prior years	–	–	31	(17)
	420	621	(86)	(151)
(b) The prima facie tax on profit before income tax is reconciled to income tax as follows				
Prima facie tax expense/(benefit) on profit/(loss) before income tax at 30% (2005: 30%)				
– Tag Group	1,826	878	–	–
– Tag Parent	–	–	206	77
– other members of the income tax consolidated group net of intercompany transactions	–	–	–	(7)
	1,826	878	206	70

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000
Add tax effect of				
– non-allowable items	339	131	158	23
– non-deductible diminution & amortisation	6	3	–	–
– under provision in prior year	–	11	–	11
– difference in overseas tax rates	6	23	–	–
Less tax effect of				
– non-assessable items	(1,425)	(227)	(379)	(227)
– deductible items not claimed	(261)	(177)	–	(72)
– share of net profits of associates	(71)	(21)	(71)	(21)
– income tax benefit/(expense) to wholly-owned subsidiaries under the tax sharing agreement	–	–	–	65
Income tax expense/(benefit) attributable to profit/(loss) before income tax	420	621	(86)	(151)

6 Dividends paid

Declared partially franked dividend of 0.50 (2005: 0.50) cents per share franked to 40% (2005: 60%)	334	327	334	327
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from payment of proposed dividends	23	38	23	38

A dividend of 0.75 cents per share (total A$501,036) franked to 23% was declared after balance date but has not been recognised as a liability at year end.

7 Cash & cash equivalents

Cash at bank and on hand	3,178	2,793	241	175
Short-term deposits	679	1,964	525	1,813
	3,857	4,757	766	1,988
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 balance sheet	3,857	4,757	766	1,988

8 Trade & other receivables

Trade debtors	12,792	10,711	–	–
Provision for doubtful debts	(206)	(108)	–	–
	12,586	10,603	–	–
Other debtors and prepayments	429	769	83	61
Amounts receivable from				
– partly owned subsidiaries	–	–	122	148
– wholly owned subsidiaries	–	–	10,715	8,917
– provision for non-recoverability	–	–	(1,507)	(1,507)
	–	–	9,330	7,558
	13,015	11,372	9,413	7,619

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000

9 Inventories

At cost:				
Raw materials	3,661	986	–	–
Work in progress	117	65	–	–
Finished stock	9,825	9,491	–	–
	13,603	10,542	–	–

10 Deferred tax assets

Future income tax benefit	1,737	1,087	885	768
The future income tax benefit is made up of the following estimated tax benefits				
– tax losses	1,098	954	885	768
– temporary differences – provisions	639	133	–	–
	1,737	1,087	885	768
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	122	–	80	–
– capital losses	4,557	4,194	4,557	4,194

The movement in deferred tax assets for each temporary difference during the year is debited/credited to the income statement.

11 Financial assets

Shares in controlled entities at cost	–	–	3,276	3,276
Shares in listed corporations (b)	10,176	5,804	–	–
Other unlisted investments at cost (a)	41	35	–	–
	10,217	5,839	3,276	3,276

(a) Financial assets classified as available for sale.
(b) Financial assets designated at fair value through profit or loss. The fair value of shares in listed corporations was determined by reference to quoted market values.

Shares and units in controlled entities comprise

Entity	Place of incorporation	Class of share	% Owned 2006	% Owned 2005
Electro Securities Pty Limited	AUS	Ord	100	100
Fibumi Pty Ltd	AUS	Ord	100	100
ShareCover Pty Limited	AUS	Ord	100	100
ShareCover Services Pty Limited	AUS	Ord	100	100
Tagpac Financial Services Pty Limited	AUS	Ord	100	100
Tagpac Securities Ltd	AUS	Ord	100	100
Techno Holdings Pty Limited	AUS	Ord/Pref	100/100	100/100
Comprador Pacific Pty Limited	AUS	Ord	51	51
Comprador Pacific Unit Trust	AUS	Units	51	51
M+H Power Systems Pty Ltd	AUS	Ord	58	55
M+H Power Systems Ltd	NZ	Ord	58	55
Nikko Business Equipment Pty Limited	AUS	Ord	58	55
Advanced Power Pty Ltd	AUS	Ord	58	–
Advanced Power Southern Pty Limited	AUS	Ord	58	–
Flatbat Ltd	NZ	Ord	100	100
Potter Interior Systems Ltd	NZ	Ord	100	100
Spedding Ltd	NZ	Ord	100	100

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

Business Combination – Acquisition of Advanced Power Pty Limited

With effect from 1 July 2005 Tag Pacific Limited's 57.7% owned subsidiary, M+H Power Systems Pty Ltd, acquired 100% of Advanced Power Pty Ltd, a private company based in Australia specialising in electrical power generation products.

From the date of acquisition, Advanced Power Pty Ltd has contributed $595,755 to the net profit after tax and minority interests of the Tag Group.

Tag Pacific Limited increased its shareholding from 54.6% to 57.7% in M+H Power Systems Pty Ltd during the year.

	Advanced Power Fair value recognised on acquisition $'000
Property, plant & equipment	461
Cash and cash equivalents	128
Trade and other receivables	2,444
Inventories	2,854
	5,887
Trade and other payables	(2,682)
Financial liabilities	(252)
Provisions	(261)
Contract deposits	(550)
	(3,745)
Fair value of net assets	2,141
Goodwill arising on acquisition	1,501
	3,642
Consideration:	
Cash on settlement	1,100
Deferred payment	2,400
Acquisition costs	142
Total consideration	3,642
The cash outflow on acquisition is as follows:	
Net cash acquired with subsidiary	128
Cash paid	(1,242)
Net cash outflow	(1,114)

12 Equity accounted investments

Tagpac Securities Ltd holds a 27% (2005: 27%) interest in Unique World Group Pty Ltd. Unique World Group Pty Ltd is incorporated in Australia and its principal activity is the provision of services as a web based technology solution provider.

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000
Movements during the year in equity accounted investment in associated company				
Balance at beginning of financial year	1,190	1,118	–	–
Share of associate's profit from ordinary activities after income tax	236	72	–	–
	1,426	1,190	–	–
Share of associate's profit from ordinary activities before income tax	236	72	–	–
Share of associates' income tax	–	–	–	–
Share of associates' profit from ordinary activities after income tax	236	72	–	–
Share of retained profits at beginning of the financial year	–	–	–	–
Dividends received	–	–	–	–
Share of retained profits at end of the financial year	236	72	–	–
Summarised presentation of aggregate assets, liabilities and performance of associates				
Assets	3,960	2,353	–	–
Liabilities	1,819	1,091	–	–
Net assets	2,141	1,262	–	–
Revenues	7,397	4,805	–	–
Profit after income tax	880	270	–	–

13 Property, plant & equipment

Plant & equipment				
– at cost	3,653	2,364	152	174
– accumulated depreciation	(2,361)	(1,301)	(114)	(121)
	1,292	1,063	38	53
Leasehold improvements				
– at cost	602	437	–	–
– accumulated amortisation	(285)	(124)	–	–
	317	313	–	–
Capitalised leased assets				
– at cost	620	594	–	–
– accumulated amortisation	(268)	(281)	–	–
	352	313	–	–
	1,961	1,689	38	53

Movements in carrying amounts

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

	Plant and equipment A$000	Leasehold improvements A$000	Leased plant and equipment A$000	Total A$000
Tag Group				
Balance at beginning of year	1,063	313	313	1,689
Additions	355	26	120	501
Additions through acquisition	333	62	66	461
Disposals	(28)	–	(56)	(84)
Depreciation expense	(411)	(52)	(87)	(550)
Effect of exchange rate differences between the beginning and end of year	(20)	(32)	(4)	(56)
Carrying amount at end of year	1,292	317	352	1,961
Tag Parent				
Balance at beginning of year	53	–	–	53
Additions	27	–	–	27
Depreciation expense	(42)	–	–	(42)
Carrying amount at end of year	38	–	–	38

14 Intangible assets

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000
Capitalised development costs	314	–	–	–
Goodwill	1,712	250	–	–
Trademarks				
– cost	286	218	–	–
– amortisation	(45)	(42)	–	–
	241	176	–	–
Other	10	–	10	–
	2,277	426	10	–

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000
Reconciliation of capitalised development costs				
Balance at the beginning of the year	–	–	–	–
Additions	689	–	–	–
Disposals	–	–	–	
Amortisation charge	(375)	–	–	–
Closing carrying value at 30 June 2006	314	–	–	–
Reconciliation of goodwill				
Balance at the beginning of the year	250	34	–	–
Additions	593	220	–	–
Acquisitions through business combinations	869	–	–	–
Disposals	–	–	–	–
Amortisation charge	–	(4)	–	–
Closing carrying value at 30 June 2006	1,712	250	–	–
Reconciliation of trademarks				
Balance at the beginning of the year	176	136	–	–
Additions	68	71	–	–
Disposals	–	–	–	–
Amortisation charge	(3)	(31)	–	–
Closing carrying value at 30 June 2006	241	176	–	–
Reconciliation of other				
Balance at the beginning of the year	–	–	–	–
Additions	10	–	10	–
Disposals	–	–	–	–
Amortisation charge	–	–	–	–
Closing carrying value at 30 June 2006	10	–	10	–

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using weighted average cost of capital disclosed below.

The following assumptions were used in the value-in-use calculations:

	Growth rate	Discount rate
M+H Power Group	3%	20%

Management has based the value-in-use calculations on budgets for the M+H Power Group. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with the M+H Power Group.

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000

15 Trade & other payables

Current unsecured liabilities				
– trade creditors	11,878	7,840	136	–
– sundry creditors and accrued expenses	4,372	1,613	384	275
	16,250	9,453	520	275

Sundry creditors includes an amount of $2.4 million payable by M+H Power Systems Pty Ltd for the deferred consideration of the acquisition of Advanced Power Pty Ltd. This amount was paid on 14 September 2006.

Foreign currency liabilities				
Current liabilities not effectively hedged				
– AUD	241	59	–	–
– Euros	143	91	–	–
– JPY	84	–	–	–
– NZD	21	30	–	–
– SGD	154	–	–	–
– USD	191	37	–	–
	834	217	–	–

16 Borrowings

Short-term				
– bank loans (secured)	3,804	3,931	–	–
– lease liabilities (secured)	193	125	–	–
	3,997	4,056	–	–
Long-term				
– bank loans (secured)	387	522	–	–
– lease liabilities (secured)	343	248	–	–
	730	770	–	–

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

The lease liabilities are secured by the leased assets as disclosed in note 13.

The bank loan for $387,000 is a rolling facility and the applicable interest rate is 11.15% per annum.

17 Current tax liabilities

Income tax	88	364	–	–

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000

18 Provisions

Current				
Short-term employee benefits				
– Opening balance at beginning of year	877	696	–	–
– Provisions assumed on acquisition	221	–	–	–
– Additional provisions raised during year	929	673	–	–
– Amounts used	(809)	(492)	–	–
– Balance at end of year	1,218	877	–	–
Warranties				
– Opening balance at beginning of year	58	49	–	–
– Provisions assumed on acquisition	40	–	–	–
– Additional provisions raised during year	(28)	50	–	–
– Amounts used	12	(41)	–	–
– Balance at end of year	82	58	–	–
Non current				
Long-term employee benefits				
– Opening balance at beginning of year	171	12	–	–
– Additional provisions raised during year	–	–	–	–
– Amounts used	(82)	159	–	–
– Balance at end of year	89	171	–	–
Number of personnel at year end (No.)	205	162	4	4

19 Issued capital

66,804,745 (2005: 66,804,745) fully paid ordinary shares	15,741	15,741	15,741	15,741
Ordinary shares				
At the beginning of the reporting period	15,741	15,404	15,741	15,404
Shares issued during the year	–	337	–	337
Shares bought back during the year	–	–	–	–
At reporting date	15,741	15,741	15,741	15,741

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value in respect of the issued shares.

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000

20 Reserves

Capital reserve	659	659	–	–
Share option reserve	72	72	72	72
Foreign currency translation reserve	(172)	143	–	–
	559	874	72	72
Movements during year				
Capital reserve				
Opening balance	659	659	–	–
Closing balance	659	659	–	–
The capital reserve records a capital profit from the realisation of a non-current asset				
Foreign currency translation reserve				
Opening balance	143	131	–	–
Adjustment arising from the translation of self-sustaining foreign controlled entities' financial statements	(315)	12	–	–
Closing balance	(172)	143	–	–

The foreign currency translation reserve records exchange differences arising on translation of self-sustaining foreign controlled entities.
The share option reserve records items recognised as expenses on valuation of employee share options.

21 Minority interests in controlled entities

Minority interests comprise				
– capital	1,466	1,501	–	–
– profits	2,707	2,512	–	–
	4,173	4,013	–	–

22 Capital and leasing commitments

Capital expenditure commitments	–	–	–	–
Operating lease commitments				
Operating leases are non-cancellable property leases with varying terms up to 6 years, with variable renewable options and contingent rental provisions.				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
– not later than one year	1,202	1,214	86	91
– later than one year but not later than five years	1,317	662	344	7
– later than five years	249	155	–	–
	2,768	2,031	430	98
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	187	155	–	–
– later than one year but not later than five years	390	266	–	–
Minimum lease payments	577	421	–	–
Less: future finance charges	(41)	(48)	–	–
Provided for in accounts	536	373	–	–

23 Segmental information

	BUILDING PRODUCTS		POWER PRODUCTS		INVESTMENT		TAG GROUP	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
PRIMARY REPORTING – BUSINESS SEGMENTS								
Revenue								
External revenue	44,293	38,491	36,306	21,723	4,903	913	85,502	61,127
Share of net profits of equity accounted associates	–	–	–	–	236	72	236	72
Total revenue from ordinary activities	44,293	38,491	36,306	21,723	5,139	985	85,738	61,199
Result								
Segment result	(415)	978	3,238	2,247	5,139	913	7,962	4,138
Unallocated expenses	–	–	–	–	–	–	(1,877)	(1,211)
Profit from ordinary activities before income tax	(415)	978	3,238	2,247	5,139	913	6,085	2,927
Income tax	–	–	–	–	–	–	(420)	(621)
Profit from ordinary activities after income tax	(415)	978	3,238	2,247	5,139	913	5,665	2,306
Assets								
Segment assets	17,452	16,995	14,438	9,778	16,203	10,129	48,093	36,902
Liabilities								
Segment liabilities	14,199	12,794	7,694	2,679	561	276	22,454	15,749
Other								
Acquisitions of non-current segment assets	174	575	313	288	27	280	514	1,143
Depreciation and amortisation of segment assets	311	274	205	69	416	14	932	357
Investments accounted for using the equity method	–	–	–	–	1,426	1,190	1,426	1,190

	AUSTRALIA		NEW ZEALAND		TAG GROUP	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
SECONDARY REPORTING – GEOGRAPHIC SEGMENTS						
Segment revenues	61,111	37,198	24,627	24,001	85,738	61,199
Segment assets	39,288	27,976	8,805	8,926	48,093	36,902
Acquisition of non-current assets	1,585	981	86	162	1,671	1,143

24 Financial instruments

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

	Weighted average effective interest rate %		Floating interest rate A$000		Fixed interest rate maturing 1-5 years A$000		Non-interest bearing A$000		Total A$000	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Financial assets										
Cash & deposits	4.59	4.67	2,448	3,943	–	–	1,409	814	3,857	4,757
Receivables	–	–	–	–	–	–	13,015	11,372	13,015	11,372
Investments	–	–	–	–	–	–	11,643	7,029	11,643	7,029
			2,448	3,943	–	–	26,067	19,215	28,515	23,158
Financial liabilities										
Bank loans	7.95	7.20	4,191	4,453	–	–	–	–	4,191	4,453
Accounts payable	–	–	–	–	–	–	16,250	9,453	16,250	9,453
Lease liabilities	8.01	7.85	–	–	536	373	–	–	536	373
			4,191	4,453	536	373	16,250	9,453	20,977	14,279

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 assessed from the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. Subsequent to balance date the quoted market bid prices have altered to more closely align, in total, with the carrying value disclosed in these accounts. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying assets of the investment.

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

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

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

	2006		2005	
	Carrying amount A$000	**Net fair value A$000**	Carrying amount A$000	Net fair value A$000
Listed investments	10,176	10,176	5,804	5,629
Unlisted investments	41	41	35	35
	10,217	10,217	5,839	5,664

	Tag Group		Tag Parent	
	2006 A$	2005 A$	**2006 A$**	2005 A$

25 Auditors' remuneration

Remuneration of the auditor of Tag Parent for				
Auditing or reviewing the accounts	142,104	105,000	53,780	43,000
Tax compliance and other services	84,628	35,000	30,174	20,000
	226,732	140,000	83,954	63,000

26 Employee benefits

Employee share option arrangement
No share options were granted, forfeited or exercised under the Tag Pacific Limited Executive Share Option Plan in the year to 30 June 2006 (2005: 1,025,000).

Movement in the number of share options held by employees are as follows				
Opening balance	1,025,000	–	1,025,000	–
Granted during the year	–	1,025,000	–	1,025,000
Closing balance	1,025,000	1,025,000	1,025,000	1,025,000

Grant date – 14 April 2005
Expiry and exercise date – 14 April 2010
Exercise price – A$0.33

All options vested immediately on grant date and are exercisable.

27 Related parties

Controlled entities
Information relating to controlled entities is set out in note 11. Transactions occur between certain of these entities during the year, all of which are conducted on normal commercial rates and conditions no more favourable than those available to other parties with no security unless otherwise stated.

Director related entities
Peter Wise has a controlling interest in Anthony Australia Pty Limited through family interests. Anthony Australia Pty Limited effected a net increase of 174,986 (2005: nil) 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 the Directors' Report.

Directors
The names of the directors of the Tag Group during the year under review are Peter Wise, Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary Weiss. Information on the remuneration of directors and their respective periods of service is set out in the Directors' Report. Information on directors' interests in shares is detailed in the Directors' Report.

Richard Peterson is a partner of Harkness & Peterson. Harkness & Peterson has received fees of A$5,354 (2005: nil) as the Tag Group's solicitor in New Zealand.

Share transactions of directors	**2006**	2005
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following interests in Tag Pacific Limited	37,629,443	37,378,695

Transactions with related parties:

(a) Unique World Group Pty Ltd provided web-based consulting services to ShareCover Services Pty Limited during the year in the amount of A$119,803 (2005: A$186,325).
(b) There were sales of power related products between related entities in the amount of A$1,299,047 during the year (2005: A$450,340).
(c) Management fees were provided between related entities in the amount of A$790,842 during the year (2005: A$684,705).

Key Management Personnel Compensation
The company has taken advantage of relief provided by Class Order CO 06/50 and information required to be disclosed by AASB 124 in respect of the remuneration of key management personnel is presented in the Directors' Report.

	Tag Group	
	2006 A$'000	2005 A$'000

28 Earnings per share

Reconciliation of earnings to net profit Net profit after income tax	5,665	2,306
Net profit attributable to minority interests	(540)	(665)
Earnings used in the calculation of basic and diluted earnings per share	5,125	1,641
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	66,804,745	66,516,407
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	66,804,745	66,804,745

The weighted average number of options outstanding of 1,025,000 has not been included in determining diluted EPS as they are antidilutive.

29 Events subsequent to reporting date

Between 5 July 2006 and 10 July 2006 the Group disposed of 1,000,000 shares held in IBA Health Ltd for a net consideration of $797,592. The sale of this parcel of shares has not been brought to account in the 30 June 2006 year as it occurred subsequent to year end.

On 14 September 2006 M+H Power Systems Pty Ltd made a cash payment of $2.4 million to the vendor of Advanced Power Pty Ltd, being the full amount of the deferred consideration for the acquisition of Advanced Power Pty Ltd.

30 Cash flow information

	Tag Group		Tag Parent	
	2006 A$'000	2005 A$'000	**2006 A$'000**	2005 A$'000
Reconciliation of cash flow from operating activities with profit after income tax				
Profit after income tax	5,665	2,306	773	410
Non-cash flows				
– amortisation	382	45	–	–
– depreciation	550	312	42	14
– charges to provisions	21	213	–	(1,504)
– share of associated companies operating profit after income tax	(236)	(72)	–	–
Gain on sale of property, plant and equipment	(3)	(3)	–	–
Fair value gains on financial assets	(4,685)	(690)	–	–
Changes in assets and liabilities				
– (increase)/decrease in receivables	(1,061)	(1,586)	(1,794)	413
– (increase) in inventories	(207)	(871)	–	–
– increase/(decrease) in trade creditors & accruals	1,411	487	128	(47)
– income tax payable	(276)	(351)	–	–
Cash flow (used in)/provided by operating activities	1,561	(210)	(851)	(714)
Payments for new businesses				
Additions to assets and liabilities				
Fixed assets	461	160	–	–
Stock	2,854	677	–	–
Debtors and prepayments	2,444	1,044	–	–
Goodwill	1,501	257	–	–
Creditors	(3,524)	(300)	–	–
Employee entitlements	(221)	(150)	–	–
Cash consideration	3,515	1,688	–	–

	Tag Group		Tag Parent	
	2006 No.	2005 No.	**2006 No.**	2005 No.
Credit facilities				
Credit facilities	8,838	5,212	–	–
Amounts utilised	4,191	4,454	–	–
Unused credit facilities	4,647	758	–	–

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$120,439 (2005: A$51,721) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

31 Contingent liabilities

There are no contingent liabilities or contingent assets at balance date.

32 Company details

The registered office and principal place of business of the company is:

Tag Pacific Limited
Level 30, Piccadilly Tower
133 Castlereagh Street
Sydney NSW 2000
Australia

Directors' declaration

In the opinion of the directors:

(a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) the consolidated financial statements and notes are in accordance with the Corporations Act 2001 (Cth), including section 296 (compliance with accounting standards) and section 297 (true and fair view).

The directors have been given the declarations required by section 295A of the Corporations Act 2001 (Cth).

Signed in accordance with a resolution of the directors.

Peter Wise
Chairman

29 September 2006

PKF

Chartered Accountants
& Business Advisers

Independent audit report

To the members of Tag Pacific Limited

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Tag Pacific Limited (the company) and consolidated entity, for the year ended 30 June 2006. 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.

Disclosure of information about director and executive remuneration

In accordance with the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 124 Related Party Transactions, under the heading "remuneration report" in pages 9 to 13 of the director's report. The directors of the company are responsible for the information contained in the remuneration disclosures.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporation Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

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

> examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, remuneration disclosures, 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 have complied with the independence requirements of Australian professional ethical pronouncement and the Corporations Act 2001.

Audit opinion

In our opinion:

(1) The financial report of Tag Pacific Limited 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 2006 and of their performance for the year ended on that date, and
    (ii) complying with Accounting Standards in Australia and the Corporation Regulations 2001; and
  (b) Other mandatory professional reporting requirements in Australia.
(2) the remuneration disclosures that are contained in pages 9 to 13 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

PKF

John Bresolin
Partner

Dated 29 September 2006

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New South Wales Partnership | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

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.

This Statement outlines the company's main corporate governance practices as at 30 June 2006. All these practices, unless otherwise stated, were in place for the entire year.

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

Board responsibilities and objectives

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

The powers reserved to the board include the following:

- establishment and maintenance of appropriate governance structures;
- the review and oversight of the company's strategic plan, setting goals and long term objectives with a view to maximising shareholder value;
- adopting an annual budget and reviewing financial performance;
- establishment of the control environment to provide for meaningful and timely information;
- providing the basis for the review of the performance of the board and its members and the senior management and their remuneration;
- the provision of a communication capability and the relevant procedures with all stakeholders in accordance with the continuous disclosure provisions and to comply with the relevant legal requirements;
- reviewing and ratifying systems of risk management;
- establishing a basis for approvals of capital expenditure, acquisitions and divestment;
- setting the highest standard for ethical and corporate behaviour.

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

Board composition

The board of directors of Tag Pacific Limited comprises the Chairman (executive) Peter Wise, and five non-executive directors being Gary Cohen, Robert Constable, Robert Moran, Richard Peterson and Gary Weiss.

Experience relevant to the position of each director in office at the date of this report is set out on pages 8 and 9.

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

Gary Cohen and Robert Moran are not considered "independent" directors in terms of the ASX Recommendations because interests associated with them are "substantial shareholders" of the company and their appointment as directors of the company is reflective of the underlying capital structure of the company.

Robert Constable, Richard Peterson and Gary Weiss are considered "independent" in terms of the ASX Recommendations, each holding nominal numbers of shares as set out on pages 8 and 9.

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 are 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 Robert Constable and Gary Cohen. Remuneration for non-executive directors is determined by the full board and is subject to shareholder approval.

The company's constitution specifies that:

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

Audit committee

The Audit Committee comprises Robert Constable and Gary Cohen. Peter Wise attends by invitation.

The Audit Committee operates under a Charter which is reviewed annually by the board.

The role of this committee is to:

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

Risk assessment and management

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

Code of conduct

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

- conflicts of interest;
- employment practices;
- fair trading;
- health and safety; and
- relations with customers and suppliers.

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

Continuous disclosure

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

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

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

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

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

New Zealand Stock Exchange corporate governance

Fully paid ordinary shares issued by Tag Pacific Limited are quoted on the Australian Stock Exchange (under the code TAG) and on the New Zealand Stock Exchange (under the code TPC). The corporate governance rules and principles of the Australian Stock Exchange may materially differ from the New Zealand Stock Exchange's corporate governance rules and the principles of the New Zealand Corporate Governance Best Practice Code. Further information about the corporate governance and principles of the Australian Stock Exchange may be found on the Australian Stock Exchange website (www.asx.com.au).

Shareholder information

The following information is current as at 19 September 2006

Spread of shareholders

Range	Number of shareholders	Number of shares
1 - 1,000	567	281,619
1,001 - 5,000	660	1,832,733
5,001 - 10,000	237	1,879,534
10,001 - 100,000	315	9,227,277
100,001 - and over	54	53,583,582
	1,833	**66,804,745**

693 shareholders held less than a marketable parcel

Substantial shareholders

Name	Number of shares	Percentage
Anthony Australia Pty Ltd	30,041,314	44.97
Allco Finance Group Ltd and associates	7,538,035	11.28
RJL Investments Pty Ltd and associates	5,238,436	7.84

Twenty largest shareholders

Name	Number of shares	Percentage
Anthony Australia Pty Ltd	30,216,300	45.23
AIB Investments Pty Ltd	5,741,902	8.60
RJL Investments Pty Ltd	5,160,936	7.73
Mr George Chien Hsun Lu and Mrs Jenny Chin Pao Lu	2,408,001	3.60
Lu's International Limited	731,139	1.09
Brides Pty Limited	700,000	1.05
Noonbah Pty Ltd <Noonbah A/C>	550,000	0.82
RHC Management Pty Limited	492,195	0.74
Excalibur Nominees Limited	474,995	0.71
Mrs Sophie Gelski	400,000	0.60
Mr Johnny Hsu	355,000	0.53
Alistair Woodside Cunningham	340,000	0.51
Richard Dale Peterson	337,732	0.51
Mr Edward James Stephen Dally	336,623	0.50
Mr Ron Irish <Pension Fund A/C>	280,000	0.42
Castle Partners Pty Ltd	250,500	0.37
Mr Harvey Wu	223,510	0.33
Keith Richard Frankum	220,105	0.33
Selkirk Holdings Ltd	210,800	0.32
Alan Christopher Galbreath	200,000	0.30
	49,629,738	**74.29**

Voting rights

At meetings of members each member may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands every person present who is a member or a representative of a member has one vote and on a poll every member present in person or by proxy or attorney has one vote for each fully paid ordinary share held.

On-market buy-back

Tag Pacific Limited is not currently undertaking an on-market buy-back.

Stock Exchange listings

Fully paid ordinary shares issued by Tag Pacific Limited are quoted on the Australian Stock Exchange (under the code TAG) and on the New Zealand Stock Exchange (under the code TPC).

Corporate directory

Directors
Peter Wise (Chairman)
Gary Cohen
Robert Constable
Robert Moran
Richard Peterson
Gary Weiss

Company secretary
Nathan Wise

Registered office
Level 30 Piccadilly Tower
133 Castlereagh Street
Sydney NSW 2000
Australia

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Facsimile: +61 2 8275 6060

Auditors
PKF
Level 10
1 Margaret Street
Sydney NSW 2000
Australia

Share registry
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Computershare Investor Services
Pty Limited
Level 3
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Sydney NSW 2000

Telephone: 1300 85 05 05

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