



ASX ANNOUNCEMENT

TAG FULL YEAR EARNINGS UP 212%

Dividend increases by 50%

Sydney – 7 September 2006 – Tag Pacific Limited (ASX: TAG) (NZX: TPC)

The Tag Pacific Group recorded a net profit after tax and minority interests of A\$5.1 million for the 2005-2006 financial year. The result reflects the changing nature of the Group's activities and the ability of the Group to produce substantial gains relative to assets employed.

The earnings of 7.7 cents per share were very pleasing and lifted the equity attributable to Tag shareholders to A\$21.4 million at 30 June 2006. A number of factors contributed to the strong result.

The table below summarises the performance for the year:

A\$'000	12 months to 30 June 2006	12 months to 30 June 2005	Change
Revenue from ordinary activities	85,502	61,127	+40%
Profit before tax	6,085	2,927	+108%
Profit after tax before minority interests	5,665	2,306	+146%
Profit after tax and minority interests	5,125	1,641	+212%
Equity attributable to Tag shareholders	21,466	17,140	+25%
Total equity	25,639	21,153	+21%
Earnings per share (cents)	7.7	2.5	+208%
Net tangible assets per share (cents)	30.4	25.3	+20%

Refer to the Preliminary Financial Report for details including the impact of AIFRS on 2005 comparatives.



Listed Investments

The major item in this category 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). Total profit before tax from listed investments was approximately \$4.6 million primarily attributable to the Group's holding in IBA Health. Under AIFRS, Tag accounts for fair value movements of listed company investments through the income statement.

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 and crystallising a profit in the process.

At the 7 September 2006 closing market price of A\$0.92 per IBA share, the investment in IBA has a market value of A\$11.3 million (which equates to A\$0.17 per Tag share).

Industrial Investments

Tag continued to enhance the value of its investments in both the power sector and the interior building components sector during the year.

Tag currently holds 57.7% of **M+H Power Systems**, up from 54.6% in the previous year. M+H Power was again a substantial contributor to Tag's earnings, a result that was supplemented with effect from 1 July 2005 by the acquisition of **Advanced Power** which has performed above expectation.

Potter Interior Systems (wholly owned) also contributed to Tag's result for the year and demonstrated solid cash flows against a softening New Zealand market. The performance of its sister company in Australia **Comprador Pacific** (51% owned) continued to disappoint.

The effort and energy expended on the Group's industrial assets is enhancing investment values.

Venture Investments

A number of enhancements have been made to the innovative **ShareCover** platform following its launch towards the end of 2005. Although these developments took longer than originally anticipated, they have recently led to a new round of encouraging discussions with potential alliance partners.



The 27% investment in the **Unique World Group** is shaping up to be most worthwhile. Unique World had a very successful year in which all aspects of its services and software offerings made significant progress.

Dividend

The Directors have declared a 0.75 cents per share dividend which represents a 50% increase on the prior period. The dividend will be franked to 23% and paid on 16 October 2006. The record date for determining entitlements to the dividend is 29 September 2006.

Outlook

As reported at half year, the Group continues to evaluate each of its investments and is actively pursuing a number of paths with the aim of extracting increasing value for shareholders in the near term. The result for the year supports the strategy that has been adopted by the Group of maximising the value of each investment whilst simultaneously looking for new investment opportunities both within the current spheres of activity and beyond.

ENDS

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www.potters.co.nz
www.ctims.com.au
www.uniqueworld.net
www.uniqueworldsoftware.com
www.ibahealth.com

Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

Name of Entity	TAG PACIFIC LIMITED
ACN	009 485 625
Financial Year Ended	30 JUNE 2006
Previous Corresponding Reporting Period	30 JUNE 2005

Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	\$85,502	40%
Profit from ordinary activities after tax attributable to members	\$5,125	212%
Net profit for the period attributable to members	\$5,125	212%
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	0.75 cents	0.17 cents
Previous corresponding period	0.50 cents	0.20 cents
Record date for determining entitlements to the dividends (if any)	29 September 2006	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Revenue from core operating activities increased by 40% to A\$85.502m in 2006. Most sectors in which the Group traded increased their level of sales, both in Australia and New Zealand.

Profit from operating activities has increased and movements in the value of listed investments have risen substantially.

Refer to the attached release for further detail.

Dividends

A dividend of 0.5 cents per share, franked to 40%, was paid to members of Tag Pacific Limited on 30 September 2005.

A dividend of 0.75 cents per share, franked to 23%, is now declared. This dividend has not been provided for in the balance sheet at 30 June 2006.

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	30.4¢	25.3¢

Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

Refer attached release.

Commentary on the Results for the Period

The earnings per security and the nature of any dilution aspects :

Basic earnings per share were 7.7 cents per share.
Diluted earnings per share were 7.7 cents per share.

Significant features of operating performance :

Refer attached release

The results of segments that are significant to an understanding of the business as a whole are detailed in Note 7 in the financial statements which are enclosed as Attachment 1.

Discussion of trends in performance :

Refer attached release

Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:


Refer attached release

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:			
No			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:			
N/A			

Attachments Forming Part of Appendix 4E

Attachment #	Details
1.	Financial statements

Signed By Chairman	
Print Name	Peter Wise
Date	7 September 2006

**TAG PACIFIC LIMITED AND CONTROLLED
ENTITIES**
Income Statement
For the year ended 30 June 2006

	Note	Consolidated	
		Jun 2006	Jun 2005
		\$'000	\$'000
Revenue from ordinary activities	2	85,502	61,127
Cost of sales		(56,108)	(41,322)
Employee benefits expense		(12,199)	(9,509)
Depreciation and amortisation	3	(543)	(357)
Finance costs	3	(466)	(313)
Occupancy expense		(1,768)	(1,381)
Other expenses from operating activities		(8,569)	(5,390)
Share of net profits of associates accounted for using the equity method		236	72
Profit from ordinary activities before income tax	3	6,085	2,927
Income tax relating to ordinary activities		(420)	(621)
Profit from ordinary activities after income tax		5,665	2,306
Net profit attributable to outside equity interest		(540)	(665)
Net profit attributable to members of the parent entity		5,125	1,641
Basic earnings per share (cents per share)	6	7.7	2.5
Diluted earnings per share (cents per share)	6	7.7	2.5
Dividends per share (cents per share)	4	0.50	0.50

This Income Statement is to be read in conjunction with the attached notes.

**TAG PACIFIC LIMITED AND CONTROLLED
ENTITIES**
Balance Sheet
As at 30 June 2006

	Note	Consolidated Jun 2006 \$'000	Jun 2005 \$'000
CURRENT ASSETS			
Cash and cash equivalents	5	3,857	4,757
Trade and other receivables		13,015	11,372
Inventories		13,603	10,542
Deferred tax assets		1,737	1,087
TOTAL CURRENT ASSETS		32,212	27,758
NON-CURRENT ASSETS			
Other financial assets		10,217	5,839
Investments in associates		1,426	1,190
Property, plant and equipment		2,276	1,689
Intangible assets		1,962	426
TOTAL NON-CURRENT ASSETS		15,881	9,144
TOTAL ASSETS		48,093	36,902
CURRENT LIABILITIES			
Trade and other payables		16,250	9,453
Short term borrowings		3,997	4,056
Tax liabilities		88	364
Provisions		1,300	935
TOTAL CURRENT LIABILITIES		21,635	14,808
NON-CURRENT LIABILITIES			
Long term borrowings		730	770
Provisions		89	171
TOTAL NON-CURRENT LIABILITIES		819	941
TOTAL LIABILITIES		22,454	15,749
NET ASSETS		25,639	21,153
EQUITY			
Share capital		15,741	15,741
Reserves		559	874
Retained earnings		5,166	525
Parent Interest		21,466	17,140
Minority interest		4,173	4,013
TOTAL EQUITY		25,639	21,153

This Balance Sheet is to be read in conjunction with the attached notes.

**TAG PACIFIC LIMITED AND CONTROLLED
ENTITIES**
Statement of Cash Flows
For the year ended 30 June 2006

	Note	Consolidated Jun 2006 \$'000	Jun 2005 \$'000
Cash flows from operating activities			
Receipts from customers		88,402	66,408
Payments to suppliers and employees		(85,680)	(65,612)
Dividends received		152	66
Interest received		150	213
Income tax paid		(1,028)	(972)
Interest paid		(435)	(313)
Net operating cash flows		1,561	(210)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6	17
Proceeds from sale of investments		139	-
Payments for investments acquired		(160)	(88)
Payments for new businesses – net of cash acquired	9	(1,114)	(1,688)
Payments for property, plant and equipment		(669)	(611)
Net investing cash flows		(1,798)	(2,370)
Cash flows from financing activities			
Repayment of borrowings		(162)	(193)
Proceeds from loan repayment		-	282
Payments to minority interests		(113)	(113)
Proceeds from borrowings		31	1,932
Dividend paid		(334)	(327)
Proceeds from issue of shares		-	337
Net financing cash flows		(578)	1,918
Net (decrease)/increase in cash		(815)	(662)
Cash at beginning of year		4,757	5,419
Effect of exchange rates on cash holdings in foreign currencies		(85)	-
Cash at end of year	5	3,857	4,757

This Statement of Cash Flows is to be read in conjunction with the attached notes.

TAG PACIFIC LIMITED AND CONTROLLED ENTITIES

**Statement of Changes in Equity
For the year ended 30 June 2006**

	Consolidated				Minority interests	Total
	Attributable to equity holders of the parent					
	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	0	(101)	0	(101)	(74)	(175)
Currency translation differences	0	0	(315)	(315)	0	(315)
Profit for year	0	5,125	0	5,125	540	5,665
Equity distributions	0	(334)	0	(334)	(306)	(640)
Allocation of deferred tax benefit	0	(49)	0	(49)	0	(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	0	0	12	12	14	26
Issue of shares	337	0	0	337	0	337
Share based payments	0	0	72	72	0	72
Profit for year	0	1,641	0	1,641	665	2,306
Equity distributions	0	(327)	0	(327)	(114)	(441)
Allocation of deferred tax benefit	0	0	0	0	0	0
At 30 June 2005	15,741	525	874	17,140	4,013	21,153

This Statement of Changes in Equity is to be read in conjunction with the attached notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1. BASIS OF PREPARATION

(a) Basis of accounting

This preliminary final report has been prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(b) below.

This preliminary final report has been prepared on a historical cost basis, except for derivative financial instruments, financial assets at fair value through profit and loss, and available-for-sale financial assets that have been measured at fair value.

Unless otherwise detailed in this note accounting policies have been consistently applied by the entities in the Group and are consistent with those applied in the 30 June 2005 annual report.

(b) Summary of revised significant accounting policies

(i) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
NOTE 1. BASIS OF PREPARATION (CONT'D)**

(ii) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'other expenses' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(iii) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, but adjusted if subsequent events have, in the opinion of the directors, reduced the fair value.

For investments where there is not a quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net assets base of the investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

NOTE 1. BASIS OF PREPARATION (CONT'D)

(iv) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions').

There is currently one plan in place to provide these benefits being the Executive Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measure by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Tag Pacific Limited ('market conditions').

The cost of equity-settled transactions is recognised on the date on which the relevant employees become fully entitled to the award ('vesting date').

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(v) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

NOTE 1. BASIS OF PREPARATION (CONT'D)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(c) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Designation of previously recognised financial instruments

Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at the date of transition to AIFRS.

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has elected to adopt this exemption and has therefore not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 "Financial Instruments: Recognition and Measurement" to its comparative information.

(d) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") are illustrated below.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

NOTE 1. BASIS OF PREPARATION (CONT'D)

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

	Consolidated	
	30 June 2005 \$'000	01 July 2004 \$'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.

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

	Year ended 30 June 2005 \$'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.

(iii) Explanation of material adjustments to the cash flow statements

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

	Consolidated	
	Jun	Jun
	2006	2005
	\$'000	\$'000
NOTE 2: REVENUE FROM ORDINARY ACTIVITIES		
Operating activities:		
- sale of goods & services	80,453	59,892
- interest from other corporations	150	202
- interest from associated entities	-	11
- other revenue	213	315
	80,816	60,420
Non-operating activities:		
Gains in the fair value of financial assets	4,614	690
Proceeds on disposal of other financial assets	72	17
Total other revenues	4,686	707
	85,502	61,127

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

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

Expenses

Finance costs		
- other persons	449	291
- finance lease charges	17	22
	466	313

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

	Consolidated	
	Jun	Jun
	2006	2005
	\$'000	\$'000
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (CONT'D)		
Depreciation of non-current assets		
- plant & equipment	444	234
- capitalised leased assets	87	78
Total depreciation	531	312
Amortisation of non-current assets		
- leasehold improvements	12	45
- trademarks	-	7
Total Amortisation	12	52
Bad and doubtful debts		
- movement in provision	132	33
- bad debts written off	147	179
Net bad and doubtful debt expense	279	212
Operating lease rentals	1,664	1,489
Gain on sale of property, plant and equipment	3	3
NOTE 4: DIVIDENDS PAID		
Final dividend of 0.5 cents per share franked to 40%	334	327
Balance of franking account at year end	23	38
NOTE 5: CASH		
Cash at bank and on hand	3,179	2,793
Short-term deposits	678	1,964
	3,857	4,757
Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash	3,857	4,757
	3,857	4,757

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

	Consolidated	
	Jun	Jun
	2006	2005
	\$'000	\$'000

NOTE 6: EARNINGS PER SHARE

Reconciliation of earnings to net profit

Net profit	5,665	2,306
Net profit attributable to outside equity interest	(540)	(665)

Earnings used in the calculation of basic and diluted earnings per share

5,125	1,641
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Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share: 66,804,745 (2005: 66,804,745) for diluted earnings per share.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

Note: 7 SEGMENTAL INFORMATION

	BUILDING PRODUCTS		POWER PRODUCTS		INVESTMENT		TAG GROUP	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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		0		0	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	2,236	5,139	924	7,962	4,138
Unallocated expenses							(1,877)	(1,211)
Profit from ordinary activities before income tax	(415)	978	3,238	2,236	5,139	924	6,085	2,927
Income tax							(420)	(621)
Profit from ordinary activities after income tax	(415)	978	3,238	2,236	5,139	924	5,665	2,306

	AUSTRALIA		NEW ZEALAND		TAG GROUP	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	1,143

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

	Consolidated	
	Jun	Jun
	2006	2005
	\$'000	\$'000
NOTE 8: CASH FLOW INFORMATION		
Reconciliation of cash flow from the operating activities with profit after income tax		
Profit from operating activities after income tax	5,665	2,306
Non-cash flows		
- amortisation	12	45
- depreciation	531	312
- charges to provisions	21	213
- 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) in receivables	(1,061)	(1,586)
- (increase) in inventories	(207)	(871)
- increase in trade creditors & accruals	1,800	487
- income tax payable	(276)	(351)
Cash flow provided by operating activities	1,561	(210)
Unused credit facilities		
Arrangements with banks to provide stand-by funds and/or support facilities	8,838	5,212
Amounts utilised at year end	4,191	4,454
Net available at year end	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 \$120,439 (2005:\$51,721) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

NOTE 9: 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 Limited, acquired 100% of Advanced Power Pty Limited, a private company based in Australia specialising in electrical power generation products.

From the date of acquisition, Advanced Power Pty Limited 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 Limited during the year.

	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)
	(1,114)
Net cash outflow	(1,114)

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

NOTE 10: EVENTS AFTER THE BALANCE SHEET 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.