



ASX ANNOUNCEMENT

TAG CONTINUES SIGNIFICANT GROWTH

Half Year Highlights

Tag Group strategy being refined

Net profit after tax up 108% to A\$7.1 million

Earnings per share of 10.7 cents

Net equity attributable to Tag shareholders up 41%

Sydney – 26 February 2007 – Tag Pacific Limited (ASX: TAG) (NZX: TPC)

The Tag Pacific Group has achieved an outstanding result for the first half of the 2006-2007 financial year recording an interim net profit after tax and minority interests of A\$7.1 million. The result pushes net equity attributable to Tag shareholders to A\$28.4 million, up 41% on the prior corresponding period and positions the Group well for the next phase of growth and expansion.

The table below summarises the Group's performance for the first half:

A\$'000	6 months to 31 Dec 2006	6 months to 31 Dec 2005	
Revenue	\$50,059	\$45,571	+ 10%
Profit before tax	\$7,792	\$4,391	+ 77%
Profit after tax before minority interests	\$7,521	\$3,931	+ 91%
Profit after tax and minority interests	\$7,138	\$3,429	+ 108%
Equity attributable to Tag shareholders	\$28,353	\$20,169	+ 41%
Total equity	\$32,833	\$24,484	+ 34%
Earnings per share (cents)	10.7¢	5.1¢	+ 110%
Net tangible assets per share (cents)	40.9¢	28.6¢	+ 43%

Outlook and Strategy

In recent months the Tag Group has been refining its business strategy in order to optimise assets and capital structure to build value for shareholders.

Tag currently holds a variety of listed and unlisted investments in a range of sectors and the results are blended when they are aggregated. A benefit of having a mix of investments is that it gives Tag



diversification and strength however, it does not necessarily provide Tag with the most efficient financial and organisational structure.

Each existing investment has different characteristics, operations and strategies and requires a different valuation methodology. Accordingly, rearranging Tag's investments has the potential to ultimately unlock inherent value.

In order to achieve this, Tag has been reviewing its investments on a sector by sector basis with a view to establishing a number of discrete sector vehicles, with each vehicle having its own investment mandate and strategy for growth. The value of each vehicle would be readily ascertainable as all the assets of the vehicle would be capable of valuation on a common basis. Further, there would likely be greater synergy within the vehicle as all assets would be complementary.

This strategy will enable Tag to create focused investment vehicles whilst at the same maintaining its diversification and balance sheet strength.

The vehicles are likely to evolve from Tag's existing investment portfolio and be tailored to the particular characteristics of both the existing investments and the sector being targeted. Additional investments will also be sought to broaden Tag's activities in parallel with the plan for the existing investments.

Overview of Results

The Tag Group's EBITDA for the half year before head office costs and minority interests was A\$8.93 million, comprised as follows:

Fair value movement in listed investments	A\$6.67 million
Power Products & Renewable Energy Sector	A\$1.21 million
Interior Building Products Sector	A\$0.91 million
Equity accounted investments	A\$0.14 million
Total Tag Group EBITDA	A\$8.93 million
Head office costs (net)	(A\$0.44 million)
Minority interests	(A\$0.59 million)
Tag EBITDA after head office costs and minority interests	A\$7.90 million



An overview of the performance of Tag's existing investment portfolio and asset base for the half year is set out below.

Listed Investments

The increase in value of the Group's listed investments was the key driver behind the profit growth for the half year. The major item in this category continues to be the Group's investment in **IBA Health Limited** which had a fair value of A\$15.8 million at 31 December 2006.

Tag disposed of 1 million IBA Health shares during the half year to crystallise a gain, thus reducing the investment in IBA Health to 12.3 million shares. At the 23 February 2007 closing market price of A\$1.485 per IBA share, the continuing investment in IBA had a market value of A\$18.3 million (which equates to A\$0.27 per Tag share), up A\$2.5 million since 31 December 2006.

The Tag Group has CGT tax losses of up to approximately A\$15 million available for use in the event that capital gains on investments are realised.

In line with Tag's accounting policies, all movements in listed investments (both positive and negative) are taken through the profit and loss account.

Power Products and Renewable Energy Sector

The continued performance of the **M+H Power Group** (57% owned) contributed significantly to Tag's earnings in the first half year, although the contribution was down slightly on the prior corresponding period as a result of an increasingly competitive market in some of its product categories.

The continued contribution of **Advanced Power** to the M+H Power Group further validates the strategic decision undertaken to acquire Advanced Power. The acquisition enables the M+H Power Group to offer specialised manufacturing and engineering resources to complement the distribution capability of the business. As with most major project businesses, the workload at Advanced Power is often lumpy which demands rigorous resource management.

Looking forward, the expansion of the Group's investment in the renewable energy area is an exciting opportunity for the Group and management is firmly of the view that the business is well placed to take advantage of significant future growth potential.

Interior Building Products Sector

Turning to the interior building products sector, **Potter Interior Systems** (wholly owned) and **Comprador Pacific** (51% owned) improved their contribution to Tag's result in the half year. The Potters result was most pleasing as the company has increased its sales revenues and volumes and maintained its margins in a softening and increasingly competitive New Zealand market.



Comprador Pacific has continued with its relatively high sales and volumes and has improved its margins compared to the prior corresponding period. Combined with advancements at **Charles Tims** in increasing market penetration and an improvement in manufacturing efficiency, Comprador has made an improved contribution towards the Group's result.

We continue to seek new ways to increase the profitability and market share of our industrial investments by forming strategic alliances with key industry players and the potential acquisition of targeted businesses which satisfy the Group's investment criteria.

Technology Investments

The investment in **Unique World** continues to deliver an equity accounted contribution to Tag. There was an increase in Tag's shareholding from 27% to 31% as a result of a buy-back undertaken by Unique World during the half year. The increase in shareholding did not require Tag to outlay any funds.

Tag continues to hold the rights over the **ShareCover** technology and will seek to commercialise the project when market conditions provide the most suitable outcome.

Dividends

The Group increased its dividend payment in October 2006 relative to prior years and expects to be able to maintain the current dividend level.

ENDS

For further information please contact:

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Please visit:

www.tagpac.com
www.sharecover.com.au
www.mhpower.com.au
www.apower.com.au
www.potters.co.nz
www.comprador.com.au
www.ctims.com.au
www.uniqueworld.net
www.uniqueworldsoftware.com
www.ibahealth.com

Appendix 4D

Half yearly report

Introduced

Name of Entity	TAG PACIFIC LIMITED
ACN	009 485 625
Financial Period Ended	31 DECEMBER 2006
Previous Corresponding Reporting Period	31 DECEMBER 2005

Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue	50,059	10%
Profit after tax attributable to members	7,138	108%
Net profit for the period attributable to members	7,138	108%
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividends (if any)	N/A	

The half-yearly report is to be read in conjunction with the most recent annual financial report.

Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	40.9¢	28.6¢

Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	N/A
Date control gained	
Consolidated profit from ordinary activities after tax and minority interests since the date in the current period on which control was acquired	
Profit / (loss) from ordinary activities after tax and minority interests of the controlled entity (or group of entities) for the whole of the previous corresponding period	

Loss of Control Over Entities Having Material Effect

Name of entity (or group of entities)	N/A
Date control lost	
Consolidated profit / (loss) from ordinary activities for the current period to the date of loss of control	
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	

Details of Associates and Joint Venture Entities


Name of Entity	Percentage Held (%)		Share of Net Profit (\$000)	
	Current Period	Previous Period	Current Period	Previous Period
Unique World Group Pty Ltd	31.2	26.8	131	166
Aggregate Share of Net Profits			131	166

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:			
N/A			
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 4D

Attachment #	Details
1	ASX Announcement
2	Interim Financial Report

Signed By the Chairman	
Print Name	Peter Wise
Date	26 February 2007

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2006.

Directors

The names of directors who held office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated:

Messrs PH Wise, GM Cohen, RT Constable, RB Moran, RD Peterson and Dr GH Weiss.

Review of Operations

The overall performance of the Group's investments has improved in the first half, with net profit after tax and minority interests attributable to members of \$7.1 million.

The Group continues to evaluate each of its investments and is focused on enhancing the value for shareholders in the medium term.

Dividends Paid or Recommended

A dividend of 0.75 cents per share (franked to 23%) was paid on 16 October 2006 (total A\$501,036).

The Group expects to be able to maintain its current dividend policy.

Rounding of Amounts

The economic entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded to the nearest \$1,000.

Auditors

We have received an independence declaration from our auditors, PKF, which is attached on page 6 of this report.

The report is signed in accordance with a resolution of the Board of Directors.



.....
Peter Wise
Chairman

Dated: 26 February 2007



Chartered Accountants
& Business Advisers

Auditor's Independence Declaration
To: The Directors
Tag Pacific Limited

As lead engagement partner for the review of Tag Pacific Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'J. Bresolin'.

PKF

A handwritten signature in black ink, appearing to read 'J. Bresolin'.

John Bresolin
Partner

Sydney, 26 February 2007

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**TAG PACIFIC LIMITED AND CONTROLLED
ENTITIES**

Income Statement

For the half year ended 31 December 2006

	Note	Consolidated	
		31 Dec 2006 \$'000	31 Dec 2005 \$'000
Continuing Operations			
Revenue	2	50,059	45,571
Expenses excluding finance costs	3	(42,106)	(41,133)
Finance costs		(292)	(213)
Share of profits from associate		131	166
Profit before income tax expense		7,792	4,391
Income tax expense		(271)	(460)
Profit after income tax expense		7,521	3,931
Net (profit) attributable to minority interests		(383)	(502)
Net profit for the period attributable to members of parent entity		7,138	3,429
Basic earnings per share (cents per share)		10.7	5.1
Diluted earnings per share (cents per share)		10.5	5.1
Dividends paid per share (cents per share)		0.75	0.50

The income statement should be read in conjunction with the attached notes.

**TAG PACIFIC LIMITED AND CONTROLLED
ENTITIES**
Balance Sheet
As at 31 December 2006

	Note	Consolidated	
		As at 31 Dec 2006 \$'000	As at 30 Jun 2006 \$'000
CURRENT ASSETS			
Cash and cash equivalents		4,408	3,857
Trade and other receivables		14,637	13,015
Inventories		13,598	13,603
Deferred tax assets		1,938	1,737
TOTAL CURRENT ASSETS		34,581	32,212
NON-CURRENT ASSETS			
Financial assets		16,050	10,217
Investment in associate		1,588	1,426
Property, plant and equipment		1,903	1,961
Intangible assets		2,086	2,277
TOTAL NON-CURRENT ASSETS		21,627	15,881
TOTAL ASSETS		56,208	48,093
CURRENT LIABILITIES			
Trade and other payables		14,514	16,250
Short-term borrowings		4,443	3,997
Current tax liabilities		120	88
Short-term provisions		1,881	1,300
TOTAL CURRENT LIABILITIES		20,958	21,635
NON-CURRENT LIABILITIES			
Long-term borrowings		2,342	730
Other long-term provisions		75	89
TOTAL NON-CURRENT LIABILITIES		2,417	819
TOTAL LIABILITIES		23,375	22,454
NET ASSETS		32,833	25,639
EQUITY			
Issued capital	5	15,741	15,741
Reserves		833	559
Retained earnings		11,779	5,166
TAG PARENT INTEREST		28,353	21,466
Minority interest		4,480	4,173
TOTAL EQUITY		32,833	25,639

The balance sheet should be read in conjunction with the attached notes.

TAG PACIFIC LIMITED AND CONTROLLED ENTITIES
Statement of Changes in Equity
For the half year ended 31 December 2006

	Consolidated				Minority interests	Total
	Attributable to equity holders of the parent					
	Issued Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	Total \$'000		
At 1 July 2006	15,741	5,166	559	21,466	4,173	25,639
Currency translation differences	-	-	274	274	(3)	271
Profit for period	-	7,138	-	7,138	383	7,521
Equity distributions	-	(501)	-	(501)	(52)	(553)
Allocation of deferred tax benefit	-	(24)	-	(24)	(21)	(45)
At 31 December 2006	15,741	11,779	833	28,353	4,480	32,833
At 1 July 2005	15,741	666	802	17,209	3,944	21,153
Adjustment on adoption of AASB 132 and AASB 139	-	(175)	-	(175)	-	(175)
Currency translation differences	-	-	40	40	5	45
Issue of shares	-	-	-	-	-	-
Profit for period	-	3,429	-	3,429	502	3,931
Equity distributions	-	(334)	-	(334)	(105)	(439)
Allocation of deferred tax benefit	-	-	-	-	(31)	(31)
At 31 December 2005	15,741	3,586	842	20,169	4,315	24,484

The statement of changes in equity should be read in conjunction with the attached notes.

**TAG PACIFIC LIMITED AND CONTROLLED
ENTITIES**
Statement of Cash Flows
For the half year ended 31 December 2006

	Consolidated	
	2006	2005
Note	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	46,609	49,012
Payments to suppliers and employees	(45,419)	(47,083)
Dividends received	123	67
Interest received	78	85
Interest and other costs of finance paid	(278)	(213)
Income taxes paid	(375)	(674)
Net cash provided by operating activities	<u>738</u>	<u>1,194</u>
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(73)	(364)
Payments for other financial assets	-	(139)
Acquisition of subsidiary	-	(1,114)
Proceeds from sale of financial assets	806	-
Net cash provided by/(used in) investing activities	<u>733</u>	<u>(1,617)</u>
Cash flows from financing activities		
Proceeds from loans from other entities	-	233
Proceeds from loans from associated companies	-	18
Dividends paid to members of parent entity	(501)	(334)
Payments to minority interests	(50)	(105)
Repayment of borrowings	(549)	(216)
Net cash used by financing activities	<u>(1,100)</u>	<u>(404)</u>
Net increase/(decrease) in cash	371	(827)
Cash at beginning of period	3,857	4,757
Exchange rate adjustments	180	13
Cash at end of period	<u>4,408</u>	<u>3,943</u>

The statement of cash flows should be read in conjunction with the attached notes.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 1. BASIS OF PREPARATION

The Financial Report of Tag Pacific Limited and controlled entities for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 23 February 2007.

Tag Pacific Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Tag Pacific Limited as at 30 June 2006, which was prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

It is also recommended that the half-year financial report be considered together with any public announcements made by Tag Pacific Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of accounting

The half-year financial 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. All amounts are presented in Australian dollars, unless otherwise stated.

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 2006 annual report.

(b) Statement of compliance

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated	
	2006	2005
	\$'000	\$'000
NOTE 2: REVENUE		
Revenue is comprised as follows:		
<i>Operating Activities</i>		
Revenue from sale of goods	43,136	42,682
Interest revenue	80	85
Dividends received	123	67
Other income	48	59
<i>Non operating activities</i>		
Fair value gain on financial assets classified as fair value through profit or loss	6,624	2,678
Realised gain on sale of financial assets	48	-
Total revenue	50,059	45,571

NOTE 3: EXPENSES

Expenses excluding finance costs is comprised as follows:

Cost of goods sold	30,507	29,804
Employee benefits expenses	7,196	6,985
Depreciation and amortisation excluding amortisation of intangibles	421	226
Rental expenses	892	840
Other expenses	3,090	3,278
Total expenses excluding finance costs	42,106	41,133

NOTE 4: DIVIDENDS PAID

Ordinary dividend franked to 23% (2005: 40%) at the tax rate of 30% paid on 16 October 2006 (2005: 30 September 2005)	501	334
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NOTES TO THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

Consolidated
2006 **2005**
\$'000 **\$'000**

NOTE 5: ISSUED CAPITAL

Issued and fully paid	15,741	15,741
66,804,745 (2005: 66,804,745) fully paid ordinary shares		

NOTE 6: SEGMENTAL INFORMATION

	REVENUE		RESULT	
	Current Half Year	Previous Corresponding Half Year	Current Half Year	Previous Corresponding Half Year
	A\$'000	A\$'000	A\$'000	A\$'000
(a) Business Segment				
Building products	23,195	23,654	562	231
Power Products	20,051	19,079	1,044	1,746
Investment	6,813	2,838	6,795	3,004
Unallocated Expenses	-	-	(609)	(590)
Total	50,059	45,571	7,792	4,391
(b) Geographic Segment				
Australia	36,376	31,867	7,639	4,243
New Zealand	13,683	13,704	607	738
Unallocated expenses	-	-	(454)	(590)
Total	50,059	45,571	7,792	4,391

NOTE 7: CONTINGENT LIABILITIES AND COMMITMENTS

There are no material changes from the contingent liabilities and commitments reported in the 2006 annual report.

NOTE 8: SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operation of the economic entity, the results of its operation, or the state of affairs of the economic entity in future financial periods.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Tag Pacific Limited, I state that:

In the opinion of the directors:

1. The accompanying interim financial statements and notes, as set out on pages 7 to 13:
 - (a) comply with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



.....
Peter Wise
Chairman

Date: 26 February 2007

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tag Pacific Limited

Chartered Accountants
& Business Advisers

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of Tag Pacific Limited, which comprises the balance sheet as at 31 December 2006, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies on page 11, other selected explanatory notes and the directors' declaration as set out on pages 12 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of Tag Pacific Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Tag Pacific's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tag Pacific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year consolidated financial report of Tag Pacific Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Tag Pacific's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PKF
Sydney, 26th February 2007



John Bresolin
Partner

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