

# Appendix 4E

## Preliminary final report

Name of entity

**PACIFICA GROUP LIMITED**

1.1 Reporting period

**Financial year ended 31 December 2005**

1.2 Previous corresponding period

**Financial year ended 31 December 2004**

**This document contains the financial year information given to ASX under listing rule 4.3A.**

**The item numbering used in this document is the same as that used in listing rule 4.3A.**

# Appendix 4E

## Preliminary final report

Name of entity

**PACIFICA GROUP LIMITED**

ABN

**69 006 530 641**

Financial year ended

**31 December 2005**

### 2.0 Results for announcement to the market

\$A'000

2.1 Total revenue	down	7.7% to	805,483
2.2 Profit attributable to members			
(a) before significant items	down	45.4% to	24,179
(b) after significant items	down	64.5% to	11,702
2.3 Net profit attributable to members	down	64.5% to	11,702
2.4 Final and interim dividends			
		Amount per security	Franked amount per security
Final dividend ( <i>reporting period</i> )		3.0 cents	1.02 cents
Interim dividend ( <i>reporting period</i> )		4.0 cents	2.20 cents
Final dividend ( <i>previous corresponding period</i> )		10.0 cents	8.50 cents
Interim dividend ( <i>previous corresponding period</i> )		10.5 cents	10.50 cents
Record date for determining entitlements to the dividend		<b>24 March 2006</b>	
A brief explanation of any of the figures reported above			
<p>Please refer to the Pacifica Group Limited Profit Report set out on pages 28 to 32 of this Appendix 4E.</p>			

**3.0 CONSOLIDATED INCOME STATEMENT**  
for the financial year ended 31 December 2005

	Note	2005 \$000	2004 \$000
Sale of goods		803,769	872,087
Finance income		1,604	741
Royalty income		110	283
<b>Revenue</b>		<b>805,483</b>	<b>873,111</b>
Cost of sales		(698,561)	(738,670)
<b>Gross profit</b>		<b>106,922</b>	<b>134,441</b>
Other income	3.1	14,088	12,994
Marketing and selling expenses		(15,394)	(17,557)
Warehouse and distribution expenses		(6,336)	(5,182)
Administration expenses		(26,175)	(22,105)
Research and development expenses		(16,833)	(14,456)
Call on guarantee	3.2	-	(7,288)
Impairment loss on trade receivables	3.2	(6,623)	-
Other expenses	3.3	(13,163)	(4,453)
<b>Profit before tax and finance costs</b>	3.4	<b>36,486</b>	<b>76,394</b>
Finance costs		(14,666)	(14,710)
Share of profit (loss) of associate	11.0	(1,594)	344
<b>Profit before income tax</b>		<b>20,226</b>	<b>62,028</b>
Income tax expense	3.5	(5,965)	(18,605)
<b>Profit for the period</b>		<b>14,261</b>	<b>43,423</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the parent	3.2	11,702	32,953
Minority interests		2,559	10,470
		14,261	43,423
		<b>cents</b>	<b>cents</b>
<b>Earnings per share</b>			
Basic earnings per share		8.6	24.2
Diluted earnings per share		8.3	23.6
<b>Dividends paid per share</b>		<b>14.0</b>	<b>22.0</b>

**NOTES TO THE CONSOLIDATED INCOME STATEMENT**

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
<b>3.1 Other income</b>		
Government grants	7,207	5,931
Net gain on disposal of property, plant and equipment	860	693
Sundry other income	6,021	6,370
	<b>14,088</b>	<b>12,994</b>
<b>3.2 Profit for the period attributable to equity holders of the parent includes the following individually significant items of income (expense)</b>		
Call on guarantee <sup>(1)</sup>	-	(7,288)
Impairment loss on investment in associate	(2,819)	-
Impairment loss on trade receivables <sup>(2)</sup>	(6,623)	-
Rationalisation costs included in other expenses <sup>(3)</sup>	(8,963)	(3,340)
Rationalisation costs included in share of profit of associate <sup>(3)</sup>	(915)	(1,679)
Significant items included in profit before income tax	(19,320)	(12,307)
Income tax expense attributable to significant items	5,011	892
Significant items included in profit for the period	(14,309)	(11,415)
Significant items attributable to minority interests	1,832	79
Significant items attributable to equity holders of the parent	(12,477)	(11,336)

<sup>(1)</sup> To assist in the management buyout of Lionweld Kennedy in 2002, Pacifica Group Limited provided a guarantee of up to £2.9 million of the monies provided by a UK-based bank to fund the buyout. Following a request for the appointment of a receiver to Lionweld Kennedy, the bank exercised its right to call on the guarantee.

<sup>(2)</sup> In October 2005, Delphi Corporation, a significant customer of the Group, voluntarily filed for re-organisation of its US operations under Chapter 11 of the US Bankruptcy Code. Delphi has stated that it expects to complete its restructuring and emerge from Chapter 11 in early to mid-2007. The Group has received payment within agreed terms for all supplies made to Delphi post Delphi's filing for Chapter 11 protection. An impairment loss has been recognised for partial non-recovery of the pre-petition debt equivalent to approximately 50% of the debt owed by Delphi at the time of Chapter 11 filing.

<sup>(3)</sup> Includes redundancy costs primarily associated with rationalisation of Australian automotive activities.

**NOTES TO THE CONSOLIDATED INCOME STATEMENT**

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
<b>3.3 Other expenses</b>		
Expense of share-based payments	(1,381)	(1,113)
Impairment loss on investment in associate (refer Note 3.2)	(2,819)	-
Rationalisation costs (refer Note 3.2)	(8,963)	(3,340)
	(13,163)	(4,453)
<b>3.4 Profit before tax and finance costs includes the following other relevant expenses</b>		
Amortisation of intangibles	(2,674)	(3,049)
Depreciation of buildings, plant and equipment	(52,915)	(47,463)
Employee benefits expense	(138,368)	(135,467)
<b>3.5 Numerical reconciliation between income tax expense and profit before income tax</b>		
Profit before income tax	20,226	62,028
Income tax using the Australian domestic corporation tax rate of 30% (2004: 30%)	6,068	18,608
<i>Increase in income tax expense due to:</i>		
Non-deductible depreciation and amortisation	98	104
Other non-deductible expenses	1,119	697
Offshore profits at higher tax rates	1,482	1,880
Share of associate's net loss	478	-
Tax effect of significant item - non-deductible payment resulting from call on guarantee	-	2,186
Tax effect of significant item - non-deductible impairment loss on investment in associate	846	-
<i>Decrease in income tax expense due to:</i>		
Research and investment allowances	(1,351)	(1,202)
Share of associate's net profit	-	(103)
Other tax exempt items	(2,356)	(2,747)
	6,384	19,423
Income tax under (over) provided in prior years	(419)	(818)
Income tax expense on pre-tax profit	5,965	18,605

**4.0 CONSOLIDATED BALANCE SHEET**  
as at 31 December 2005

	Note	2005 \$000	2004 \$000
<b>ASSETS</b>			
Cash and cash equivalents		81,669	87,026
Trade and other receivables		135,124	145,449
Inventories		61,951	53,023
Prepayments		4,104	3,587
<b>Total current assets</b>		<b>282,848</b>	<b>289,085</b>
Trade and other receivables		10,762	7,766
Investments accounted for using the equity method		21,970	26,383
Deferred tax assets		398	254
Property, plant and equipment		457,470	434,140
Intangible assets	4.1	40,614	41,005
<b>Total non-current assets</b>		<b>531,214</b>	<b>509,548</b>
<b>Total assets</b>		<b>814,062</b>	<b>798,633</b>
<b>LIABILITIES</b>			
Trade and other payables		127,213	127,853
Interest bearing borrowings		45,178	83,444
Current tax payable		4,964	5,656
Provisions		25,817	22,730
Deferred government grants		3,034	2,339
<b>Total current liabilities</b>		<b>206,206</b>	<b>242,022</b>
Interest bearing borrowings		258,486	202,916
Deferred tax liabilities		13,880	18,676
Provisions		6,610	5,934
Deferred government grants		15,608	13,932
<b>Total non-current liabilities</b>		<b>294,584</b>	<b>241,458</b>
<b>Total liabilities</b>		<b>500,790</b>	<b>483,480</b>
<b>Net assets</b>		<b>313,272</b>	<b>315,153</b>
<b>EQUITY</b>			
Issued capital		220,286	286,540
Reserves	4.2	7,825	5,534
Retained earnings		17,174	(40,465)
<b>Parent interests</b>		<b>245,285</b>	<b>251,609</b>
Minority interests		67,987	63,544
<b>Total equity</b>		<b>313,272</b>	<b>315,153</b>

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
<b>4.1 Intangible Assets</b>		
<i>Indefinite useful life intangible assets</i>		
Goodwill	19,684	21,541
Accumulated amortisation	(487)	(534)
	19,197	21,007
 <i>Finite useful life intangible assets</i>		
Development costs	13,510	8,529
Accumulated amortisation	(982)	(337)
	12,528	8,192
 Patents and trademarks at cost	 11,342	 12,413
Accumulated amortisation	(3,185)	(2,091)
	8,157	10,322
 Computer software at cost	 2,404	 2,433
Accumulated amortisation	(1,672)	(949)
	732	1,484
Total finite useful life intangible assets	21,417	19,998
Total intangible assets	40,614	41,005
 <b>4.2 Reserves</b>		
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the reporting period	4,021	-
Currency translation differences	910	4,021
Balance at the end of the reporting period	4,931	4,021
 <i>Employee equity benefits reserve</i>		
Balance at the beginning of the reporting period	1,513	400
Expense of share-based payments	1,381	1,113
Balance at the end of the reporting period	2,894	1,513
Total reserves	7,825	5,534

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The employee equity benefits reserve is used to record the value of equity benefits provided to executives as part of their remuneration.

**5.0 CONSOLIDATED CASH FLOW STATEMENT**  
for the financial year ended 31 December 2005

	Note	2005 \$000	2004 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		812,379	869,293
Cash payments to suppliers and employees		(712,240)	(742,870)
Cash generated from operations		100,139	126,423
Dividends received		-	573
Interest received		1,625	718
Interest paid and expensed in the income statement		(15,055)	(14,543)
Income taxes paid		(10,085)	(14,507)
<b>Net cash from operating activities</b>	5.1	76,624	98,664
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Development expenditure		(4,980)	(3,700)
Payment for call on guarantee		-	(7,288)
Proceeds from sale of property, plant and equipment		2,567	1,988
Proceeds from sale of subsidiaries net of cash disposed		-	1,070
Purchase of other intangibles		-	(1,386)
Purchase of property, plant and equipment		(71,127)	(68,692)
Interest paid and capitalised to property, plant and equipment		(1,257)	(506)
<b>Net cash provided by (used in) investing activities</b>		(74,797)	(78,514)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		564	1,513
Proceeds from borrowings		27,184	73,253
Repayment of borrowings		(15,185)	(2,559)
Dividends paid to equity holders of the parent		(18,989)	(29,982)
Dividends paid to minority interests		(2,638)	(12,778)
Share buy back		(1,174)	(1,965)
<b>Net cash provided by (used in) financing activities</b>		(10,238)	27,482
<b>Net increase (decrease) in cash and cash equivalents</b>		(8,411)	47,632
Cash and cash equivalents at the beginning of the period		87,026	34,273
Effects of exchange rate fluctuations on cash held		3,054	5,121
<b>Cash and cash equivalents at the end of the period</b>		81,669	87,026
		<b>cents</b>	<b>cents</b>
<b>Operating cash flow per share</b>		56.5	72.5

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
<b>5.1 Reconciliation of profit for the period to net cash from operating activities</b>		
Profit for the period	14,261	43,423
<i>Adjustments for:</i>		
Call on guarantee classified as investing activity	-	7,288
Depreciation, amortisation and impairment loss on associate	58,408	50,512
Expense of share-based payments	1,381	1,113
(Profit) loss on disposal of property, plant and equipment	(860)	(693)
Adjustment to carrying value of non-current assets	-	937
Profit on sale of subsidiaries	-	(532)
Deferred government grants	2,371	1,512
Share of associate's net (profit) loss	1,594	229
Increase (decrease) in current and deferred taxes payable	(4,120)	4,084
Net cash from operating activities before changes in working capital and provisions	73,035	107,873
(Increase) decrease in trade and other receivables	8,053	(16,038)
(Increase) decrease in inventories	(8,691)	(2,907)
Increase (decrease) in payables and provisions	4,227	9,736
<b>Net cash from operating activities</b>	<b>76,624</b>	<b>98,664</b>

**5.2 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the financial year ended 31 December 2005

	Parent interests			Total \$000	Minority interests \$000	Total equity \$000
	Issued capital \$000	Reserves \$000	Retained earnings \$000			
<b>Balance at 1 January 2004</b>	286,992	400	(43,436)	243,956	62,912	306,868
Currency translation differences	-	4,021	-	4,021	(2,228)	1,793
Total income (expense) recognised directly in equity	-	4,021	-	4,021	(2,228)	1,793
Profit for the period (Note 1)	-	-	32,953	32,953	15,638	48,591
Total income (expense)	-	4,021	32,953	36,974	13,410	50,384
Expense of share-based payments	-	1,113	-	1,113	-	1,113
Issue of share capital	1,120	-	-	1,120	-	1,120
Exercise of options	393	-	-	393	-	393
Share buy back	(1,965)	-	-	(1,965)	-	(1,965)
Equity dividends	-	-	(29,982)	(29,982)	(12,778)	(42,760)
<b>Balance at 31 December 2004</b>	286,540	5,534	(40,465)	251,609	63,544	315,153
Change in accounting policy (Note 2)	-	-	(718)	(718)	-	(718)
<b>Balance at 1 January 2005</b>	286,540	5,534	(41,183)	250,891	63,544	314,435
Currency translation differences	-	910	-	910	3,431	4,341
Total income (expense) recognised directly in equity	-	910	-	910	3,431	4,341
Profit for the period (Note 1)	-	-	11,702	11,702	3,650	15,352
Issued capital transfer to retained earnings (Note 3)	(65,644)	-	65,644	-	-	-
Total income (expense)	(65,644)	910	77,346	12,612	7,081	19,693
Expense of share-based payments	-	1,381	-	1,381	-	1,381
Issue of share capital	564	-	-	564	-	564
Exercise of options	-	-	-	-	-	-
Share buy back	(1,174)	-	-	(1,174)	-	(1,174)
Equity dividends	-	-	(18,989)	(18,989)	(2,638)	(21,627)
<b>Balance at 31 December 2005</b>	220,286	7,825	17,174	245,285	67,987	313,272

## 5.2 NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

- (1) Total profit for the period and profit attributable to minority interests shown in the consolidated statement of changes in equity differs from the amounts shown in the consolidated income statement. Income tax expense shown in the income statement includes the full amount of tax attributable to the earnings of a subsidiary that is a partnership, even though each partner is severally liable in accordance with respective ownership interests. The gross up of income tax expense in the income statement is matched with a concomitant decrease in profit attributable to minority interests. The adjustments to income tax expense and minority interests for income statement reporting purposes are not made to the equivalent balance sheet accounts.
- (2) Under an AIFRS transitional exemption, the Group applied AASB 139 Financial Instruments: Recognition and Measurement for the first time from 1 January 2005. The recognition of the fair value of derivative financial instruments resulted in an increase in fair value derivative liabilities of \$1,105,000 and an increase in deferred tax assets of \$387,000. The net effect was taken to retained earnings at 1 January 2005. Under AGAAP, the Group did not recognise any derivatives at fair value on the balance sheet. The impact on the income statement of the comparative period would have been to decrease finance costs and increase profit for the period.
- (3) Effective 31 December 2005, in accordance with section 258F of the Corporations Act 2001, the Company's issued capital was reduced by the amount of \$65,644,000, representing an amount of capital lost by the Company, and that reduction was effected by crediting the amount to the Company's accumulated losses account.

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
<b>6.0 DETAILS OF INDIVIDUAL AND TOTAL DIVIDENDS</b>		
<b>During the reporting period and previous corresponding period</b>		
Dividend of 10 cents per share, franked to 85% at 30% tax rate, paid 4 April 2005	13,562	-
Interim ordinary dividend of 4 cents per share, franked to 55% at 30% tax rate, paid 16 September 2005	5,427	-
Final ordinary dividend of 11.5 cents per share, fully franked at 30% tax rate, paid 2 April 2004	-	15,646
Interim ordinary dividend of 10.5 cents per share, fully franked at 30% tax rate, paid 17 September 2004	-	14,336

### Subsequent to the end of the reporting period

Since the end of the reporting period, the Directors have declared a final ordinary dividend of 3 cents per share, franked to 34% at the 30% tax rate, payable on 7 April 2006 and totalling \$4,070,474. The financial effect of this dividend has not been brought to account in the financial statements for the reporting period.

## 7.0 DETAILS OF DIVIDEND REINVESTMENT PLANS

No dividend reinvestment plans are in operation; the Pacifica Group Limited Dividend Reinvestment Plan was suspended with effect from the interim dividend paid 5 October 2001.

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
<b>8.0 STATEMENT OF RETAINED EARNINGS (ACCUMULATED LOSSES)</b>		
Accumulated losses at the beginning of the reporting period	(40,465)	(43,436)
Net effect of initial adoption of AASB 139 Financial Instruments:		
Recognition and Measurement	(718)	-
Profit for the period attributable to equity holders of the parent	11,702	32,953
Issued capital transfer to retained earnings in accordance with section 258F of the Corporations Act 2001	-	-
	65,644	-
Dividends	(18,989)	(29,982)
Retained earnings (accumulated losses) at the end of the reporting period	17,174	(40,465)

	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<b>9.0 NET TANGIBLE ASSETS PER SECURITY</b>		
Net tangible asset backing per ordinary security	\$1.51	\$1.55

## 10.0 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

**10.1** The Group did not gain control over any entities during the reporting period.

**10.2** The Group did not lose control over any entities during the reporting period.

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
<b>11.0 DETAILS OF ASSOCIATES</b>		
<b>Associate's contribution to profit for the period attributable to equity holders of the parent</b>		
Share of associate's profit (loss) as disclosed by associate	(1,937)	388
Adjustments arising from equity accounting	343	(44)
Share of profit (loss) of associate	(1,594)	344

The Group has a single associate company contributing to profit for the period. Pacifica Group Limited has a 49% ownership interest (2004: 49%) in FMP Group (Australia) Pty Ltd whose principle activity is the manufacture and sale of friction materials.

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.1 Segment Reporting

#### (a) Current reporting period - revenues, results, asset acquisitions and non-cash expenses

	Australia & New Zealand	United States of America	Europe	Asia	Eliminations	Consolidated
<b>Based on location of assets</b>	<b>2005 \$000</b>	<b>2005 \$000</b>	<b>2005 \$000</b>	<b>2005 \$000</b>	<b>2005 \$000</b>	<b>2005 \$000</b>
Sale of goods	241,548	432,576	99,422	30,223	-	803,769
Royalty income	58	-	52	-	-	110
Revenue from external customers	241,606	432,576	99,474	30,223	-	803,879
Inter-segment revenue	40,803	-	-	29,507	(70,310)	-
Segment revenue	282,409	432,576	99,474	59,730	(70,310)	803,879
Unallocated revenue						1,604
<b>Total revenue</b>						<b>805,483</b>

Operating segment result	33,967	8,066	13,787	2,785	-	58,605
Significant items	(8,490)	(6,703)	-	-	-	(15,193)
Segment result	25,477	1,363	13,787	2,785	-	43,412
Associate's profit (loss)	(1,594)	-	-	-	-	(1,594)
Impairment loss on investment in associate	(2,819)	-	-	-	-	(2,819)
Unallocated corporate expenses						(5,318)
Unallocated significant items						(393)
Finance costs net of finance income						(13,062)
<b>Profit before income tax</b>						<b>20,226</b>

#### **Based on location of customers**

Sales by asset location	241,548	432,576	99,422	30,223	-	803,769
(Export) import sales	(56,193)	52,454	-	3,739	-	-
Sales by customer location	185,355	485,030	99,422	33,962	-	803,769

#### **Based on location of assets**

					<b>Unallocated \$000</b>	
Segment assets acquired	33,259	2,162	7,214	31,924	14	74,573
Depreciation/amortisation	22,612	23,225	6,665	3,062	25	55,589
Other non-cash expenses	2,819	1	34	-	1,381	4,235

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.1 Segment Reporting

#### (a) Previous corresponding reporting period - revenues, results, asset acquisitions and non-cash expenses

	Australia & New Zealand	United States of America	Europe	Asia	Eliminations	Consolidated
Based on location of assets	2004 \$000	2004 \$000	2004 \$000	2004 \$000	2004 \$000	2004 \$000
Sale of goods	317,399	442,723	79,840	32,125	-	872,087
Royalty income	159	-	124	-	-	283
Revenue from external customers	317,558	442,723	79,964	32,125	-	872,370
Inter-segment revenue	23,655	-	-	-	(23,655)	-
Segment revenue	341,213	442,723	79,964	32,125	(23,655)	872,370
Unallocated revenue						741
<b>Total revenue</b>						<b>873,111</b>
Operating segment result	48,010	30,146	8,129	3,228	-	89,513
Significant items	(2,682)	(249)	-	(409)	-	(3,340)
Segment result	45,328	29,897	8,129	2,819	-	86,173
Associate's profit (loss)	344	-	-	-	-	344
Impairment loss on investment in associate	-	-	-	-	-	-
Unallocated corporate expenses						(3,232)
Unallocated significant items						(7,288)
Finance costs net of finance income						(13,969)
<b>Profit before income tax</b>						<b>62,028</b>

#### Based on location of customers

Sales by asset location	317,399	442,723	79,840	32,125	-	872,087
(Export) import sales	(126,616)	120,794	-	5,822	-	-
Sales by customer location	190,783	563,517	79,840	37,947	-	872,087

#### Based on location of assets

					Unallocated \$000	
Segment assets acquired	40,746	13,089	6,705	13,526	118	74,184
Depreciation/amortisation	21,873	21,638	5,539	1,436	26	50,512
Other non-cash expenses	-	26	8	416	1,113	1,563

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.1 Segment Reporting

#### (b) Segment assets and liabilities

	Australia & New Zealand 2005 \$000	United States of America 2005 \$000	Europe 2005 \$000	Asia 2005 \$000	Unallocated 2005 \$000	Consolidated 2005 \$000
Segment assets	246,843	276,561	103,190	82,717	714	710,025
Investment in associate	21,970	-	-	-	-	21,970
Operating assets	268,813	276,561	103,190	82,717	714	731,995
Cash assets						81,669
Income tax assets						398
<b>Total assets</b>						<b>814,062</b>

Segment liabilities	67,211	59,219	37,094	10,328	4,430	178,282
Interest bearing borrowings						303,664
Income tax liabilities						18,844
<b>Total liabilities</b>						<b>500,790</b>

	Australia & New Zealand 2004 \$000	United States of America 2004 \$000	Europe 2004 \$000	Asia 2004 \$000	Unallocated 2004 \$000	Consolidated 2004 \$000
Segment assets	269,059	270,734	107,614	36,651	912	684,970
Investment in associate	26,383	-	-	-	-	26,383
Operating assets	295,442	270,734	107,614	36,651	912	711,353
Cash assets						87,026
Income tax assets						254
<b>Total assets</b>						<b>798,633</b>

Segment liabilities	70,376	54,794	35,764	8,807	3,047	172,788
Interest bearing borrowings						286,360
Income tax liabilities						24,332
<b>Total liabilities</b>						<b>483,480</b>

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.2 Impact of Transition to AIFRS

A summary of the Group's accounting policies that are relevant to an understanding of the financial report is set out in the consolidated Half Year Financial Report of Pacifica Group Limited and its subsidiaries for the half year ended 30 June 2005.

Except for the exemptions noted below, these accounting policies have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004, and in the preparation of an opening AIFRS balance sheet at the Group's date of transition, 1 January 2004.

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, that is, business combinations that occurred before the date of transition to AIFRS.

#### *Share-based payment transactions*

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

#### *Financial instruments*

AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement have not been applied to the comparative information.

The impact of adopting AIFRS on the balance sheet, cash flow statement and income statement as reported under Australian Accounting Standards applicable before 1 January 2004 (AGAAP) is set out on the following pages.

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.2 Impact of Adoption of AIFRS

BALANCE SHEET RECONCILIATION		Previous AGAAP	Disclosure and presentation	Recognition and measurement	AIFRS
<b>AS AT THE DATE OF TRANSITION 1 JANUARY 2004</b>					
	Note	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
Cash and cash equivalents		36,948	-	-	36,948
Trade and other receivables	d,g	129,467	-	525	129,992
Inventories		50,200	-	-	50,200
Prepayments		4,552	-	-	4,552
<b>Total current assets</b>		<b>221,167</b>	<b>-</b>	<b>525</b>	<b>221,692</b>
Trade and other receivables	d	11,825	-	(4,733)	7,092
Equity accounted investments	g	27,992	-	(1,380)	26,612
Deferred tax assets	b,g,h	20,980	(24,481)	3,550	49
Property, plant and equipment	a,c,g,i	422,384	(679)	(2,083)	419,622
Intangible assets	a,c	30,647	5,508	222	36,377
Other non-current assets	a	5,575	(4,829)	-	746
<b>Total non-current assets</b>		<b>519,403</b>	<b>(24,481)</b>	<b>(4,424)</b>	<b>490,498</b>
<b>Total assets</b>		<b>740,570</b>	<b>(24,481)</b>	<b>(3,899)</b>	<b>712,190</b>
<b>LIABILITIES</b>					
Trade and other payables		122,957	-	-	122,957
Interest bearing borrowings		2,728	-	-	2,728
Current tax payable		4,719	-	-	4,719
Provisions		18,658	-	-	18,658
Deferred government grants	g	-	-	1,876	1,876
<b>Total current liabilities</b>		<b>149,062</b>	<b>-</b>	<b>1,876</b>	<b>150,938</b>
Interest bearing borrowings		216,132	-	-	216,132
Deferred tax liabilities	b,c,f,i	43,559	(24,481)	1,265	20,343
Provisions	h	5,220	-	(194)	5,026
Deferred government grants	g	-	-	12,883	12,883
<b>Total non-current liabilities</b>		<b>264,911</b>	<b>(24,481)</b>	<b>13,954</b>	<b>254,384</b>
<b>Total liabilities</b>		<b>413,973</b>	<b>(24,481)</b>	<b>15,830</b>	<b>405,322</b>
<b>Net assets</b>		<b>326,597</b>	<b>-</b>	<b>(19,729)</b>	<b>306,868</b>
<b>EQUITY</b>					
Issued capital	d	292,052	-	(5,060)	286,992
Reserves	d,g,j	(28,511)	-	28,911	400
Retained earnings	k	(1,313)	-	(42,123)	(43,436)
<b>Parent interests</b>		<b>262,228</b>	<b>-</b>	<b>(18,272)</b>	<b>243,956</b>
Minority interests	i	64,369	-	(1,457)	62,912
<b>Total equity</b>		<b>326,597</b>	<b>-</b>	<b>(19,729)</b>	<b>306,868</b>

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.2 Impact of Adoption of AIFRS

BALANCE SHEET RECONCILIATION		Previous AGAAP	Disclosure and presentation	Recognition and measurement	AIFRS
<b>AS AT 31 DECEMBER 2004</b>					
	Note	\$000	\$000	\$000	\$000
<b>ASSETS</b>					
Cash and cash equivalents		87,026	-	-	87,026
Trade and other receivables	d	145,723	-	(274)	145,449
Inventories		53,023	-	-	53,023
Prepayments		3,587	-	-	3,587
<b>Total current assets</b>		<b>289,359</b>	<b>-</b>	<b>(274)</b>	<b>289,085</b>
Trade and other receivables	d	11,558	-	(3,792)	7,766
Equity accounted investments	e,g	26,819	-	(436)	26,383
Deferred tax assets	b,g,h	19,202	(23,438)	4,490	254
Property, plant and equipment	a,c,g,i	436,893	(1,484)	(1,269)	434,140
Intangible assets	a,c,e	30,537	9,676	792	41,005
Other non-current assets	a	8,192	(8,192)	-	-
<b>Total non-current assets</b>		<b>533,201</b>	<b>(23,438)</b>	<b>(215)</b>	<b>509,548</b>
<b>Total assets</b>		<b>822,560</b>	<b>(23,438)</b>	<b>(489)</b>	<b>798,633</b>
<b>LIABILITIES</b>					
Trade and other payables		127,853	-	-	127,853
Interest bearing borrowings	a	6,444	77,000	-	83,444
Current tax payable		5,656	-	-	5,656
Provisions		22,730	-	-	22,730
Deferred government grants	g	-	-	2,339	2,339
<b>Total current liabilities</b>		<b>162,683</b>	<b>77,000</b>	<b>2,339</b>	<b>242,022</b>
Interest bearing borrowings	a	279,916	(77,000)	-	202,916
Deferred tax liabilities	b,c,f,i	40,584	(23,438)	1,530	18,676
Provisions	h	6,156	-	(222)	5,934
Deferred government grants	g	-	-	13,932	13,932
<b>Total non-current liabilities</b>		<b>326,656</b>	<b>(100,438)</b>	<b>15,240</b>	<b>241,458</b>
<b>Total liabilities</b>		<b>489,339</b>	<b>(23,438)</b>	<b>17,579</b>	<b>483,480</b>
<b>Net assets</b>		<b>333,221</b>	<b>-</b>	<b>(18,068)</b>	<b>315,153</b>
<b>EQUITY</b>					
Issued capital	d	290,649	-	(4,109)	286,540
Reserves	c,d,e,g,h,i,j	(24,468)	-	30,002	5,534
Retained earnings	k	2,386	-	(42,851)	(40,465)
<b>Parent interests</b>		<b>268,567</b>	<b>-</b>	<b>(16,958)</b>	<b>251,609</b>
Minority interests	i	64,654	-	(1,110)	63,544
<b>Total equity</b>		<b>333,221</b>	<b>-</b>	<b>(18,068)</b>	<b>315,153</b>

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.2 Impact of Adoption of AIFRS

#### *Notes to the balance sheet reconciliation*

(a) In accordance with the disclosure requirements of AASB 138 Intangible Assets, capitalised development costs have been included in the balance sheet against intangible assets. Under AGAAP, capitalised development costs were included in the balance sheet against other non-current assets. In addition, computer software previously included in property, plant and equipment is now included in the balance sheet against intangible assets.

		<b>1 Jan 04</b>	<b>31 Dec 04</b>
		<b>\$000</b>	<b>\$000</b>
Property, plant and equipment	(decrease)	(679)	(1,484)
Intangible assets	increase	5,508	9,676
Other non-current assets	(decrease)	(4,829)	(8,192)

In accordance with the classification requirements of AASB 101 Presentation of Financial Statements, where the refinancing of an interest bearing borrowing for a period of at least twelve months is neither expected nor at the discretion of the Company, the obligation is classified as current. Under AGAAP, an amount would be classified as a non-current liability where the Company was committed to an agreement to refinance prior to the completion of the financial report.

		<b>1 Jan 04</b>	<b>31 Dec 04</b>
		<b>\$000</b>	<b>\$000</b>
Current interest bearing borrowings	increase	-	77,000
Non-current interest bearing borrowings	(decrease)	-	(77,000)

(b) In accordance with the presentation requirements of AASB 112 Income Taxes, an entity is required to set-off a deferred tax asset against a deferred tax liability of the same taxable entity if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set-off current tax assets against current tax liabilities. AGAAP had no such requirement.

		<b>1 Jan 04</b>	<b>31 Dec 04</b>
		<b>\$000</b>	<b>\$000</b>
Deferred tax assets	(decrease)	(24,481)	(23,438)
Deferred tax liabilities	(decrease)	(24,481)	(23,438)

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.2 Impact of Adoption of AIFRS

#### *Notes to the balance sheet reconciliation*

(c) In accordance with AIFRS, any fair value adjustments arising on the acquisition of a foreign operation shall be expressed in the functional currency of the foreign operation and translated at the closing rate. Under AGAAP, the fair value adjustment was calculated at the rate of exchange ruling on the date of acquisition of the foreign operation. In addition, AIFRS requires that where the fair value adjustment gives rise to a taxable temporary difference, a deferred tax liability shall be recognised.

		1 Jan 04	31 Dec 04
		\$000	\$000
Property, plant and equipment	increase (decrease)	(226)	306
Intangible assets	increase (decrease)	222	(795)
Deferred tax liabilities	increase	1,792	1,891
Foreign currency translation reserve	(decrease)	-	(93)
Net profit for the period	(decrease)	-	(491)
Retained earnings	(decrease)	(1,796)	(1,796)

(d) The Group has applied AASB 2 Share-based Payment to its active option and performance right arrangements, except for equity instruments granted before 7 November 2002. An expense is recognised for all share-based remuneration determined with reference to the fair value of the equity instruments issued. Under AGAAP, the Group did not account for share-based remuneration. In addition, employee share plan loan arrangements are treated as an in-substance grant of options because of the limited recourse nature of the loans, resulting in the derecognition of the employee share plan loan receivable against issued capital.

		1 Jan 04	31 Dec 04
		\$000	\$000
Employee share plan loan receivable	(decrease)	(5,060)	(4,066)
Issued capital	(decrease)	(5,060)	(4,109)
Employee equity benefits reserve	increase	400	1,513
Net profit for the period	(decrease)	-	(1,070)
Retained earnings	(decrease)	(400)	(400)

(e) Consistent with AIFRS, from 1 January 2004 goodwill is no longer amortised but is tested annually for impairment. This change encompasses goodwill arising from business combinations as well as notional goodwill included in the carrying amount of an investment in an associate.

		1 Jan 04	31 Dec 04
		\$000	\$000
Equity accounted investments	increase	-	973
Intangible assets	increase	-	1,587
Foreign currency translation reserve	increase	-	69
Net profit for the period	increase	-	2,491

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.2 Impact of Adoption of AIFRS

#### *Notes to the balance sheet reconciliation*

(f) In accordance with AIFRS, a deferred tax liability shall be recognised for all taxable temporary differences associated with investments in subsidiaries and associates, subject to certain exceptions. In circumstances where the Company does not control the dividend policy of the subsidiary and it is probable that a dividend will flow in the foreseeable future, the Group has recognised a deferred tax liability for the potential withholding tax liability on undistributed earnings. Under AGAAP, no provision was made for withholding tax which may have become payable in the event of retained earnings of overseas subsidiaries being declared as dividends.

		1 Jan 04	31 Dec 04
		\$000	\$000
Deferred tax liabilities	increase	226	234
Net profit for the period	(decrease)	-	(8)
Retained earnings	(decrease)	(226)	(226)

(g) In accordance with AIFRS, where a government grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments. Under AGAAP, government grants were recognised in the income statement once the entity complied with the conditions attaching to the grant.

		1 Jan 04	31 Dec 04
		\$000	\$000
Other current receivables	increase	852	-
Equity accounted investments	(decrease)	(1,380)	(1,409)
Deferred tax assets	increase	3,616	4,563
Property, plant and equipment	increase	1,855	1,327
Deferred government grants	increase	14,759	16,271
Foreign currency translation reserve	(decrease)	(1)	(30)
Net profit for the period	(decrease)	-	(1,945)
Retained earnings	(decrease)	(9,815)	(9,815)

(h) Consistent with the requirements of AIFRS, the Group has used actuarial techniques to measure the value of benefits attributable to the current and prior periods in respect of a post-employment benefit plan.

		1 Jan 04	31 Dec 04
		\$000	\$000
Deferred tax assets	(decrease)	(66)	(73)
Non-current employee benefit provision	(decrease)	(194)	(222)
Foreign currency translation reserve	increase	-	8
Net profit for the period	increase	-	13
Retained earnings	increase	128	128

## 12.0 ANY OTHER SIGNIFICANT INFORMATION

### 12.2 Impact of Adoption of AIFRS

#### *Notes to the balance sheet reconciliation*

(i) Certain amounts included in the cost of property, plant and equipment under AGAAP are not recognised as an asset under AIFRS.

		<b>1 Jan 04</b>	<b>31 Dec 04</b>
		<b>\$000</b>	<b>\$000</b>
Property, plant and equipment	(decrease)	(3,712)	(2,902)
Deferred tax liabilities	(decrease)	(753)	(595)
Foreign currency translation reserve	increase	-	23
Net profit for the period	increase	-	282
Retained earnings	(decrease)	(1,502)	(1,502)
Minority interests	(decrease)	(1,457)	(1,110)

(j) In accordance with an exemption provided under AASB 1, the Group has deemed that the cumulative translation differences for all foreign subsidiaries at the date of transition to AIFRS be reset to zero.

		<b>1 Jan 04</b>	<b>31 Dec 04</b>
		<b>\$000</b>	<b>\$000</b>
Foreign currency translation reserve	increase	28,512	28,512
Retained earnings	(decrease)	(28,512)	(28,512)

(k) A summary of the increases (decreases) in retained earnings from the adoption of AIFRS is shown below.

		<b>1 Jan 04</b>	<b>31 Dec 04</b>
		<b>\$000</b>	<b>\$000</b>
Fair value adjustments and goodwill amortisation		(1,796)	204
Share-based payments		(400)	(1,470)
Taxable temporary differences associated with investments		(226)	(234)
Government grants		(9,815)	(11,760)
Post-employment benefits		128	141
Cost of property, plant and equipment		(1,502)	(1,220)
Translation difference on foreign subsidiaries		(28,512)	(28,512)
Decrease in retained earnings		(42,123)	(42,851)

**12.0 ANY OTHER SIGNIFICANT INFORMATION****12.2 Impact of Adoption of AIFRS****INCOME STATEMENT RECONCILIATION**

The notes to the balance sheet reconciliation also provide a reference for the income statement reconciliation for the year ended 31 December 2004 shown on the following page.

The disclosure and presentation effects of AIFRS on the income statement are primarily concerned with the reclassification of other revenue, other income and other expenses.

Under AGAAP, gross proceeds from the sale of property, plant and equipment was included in other revenue and the written down value of property, plant and equipment disposed was included in cost of sales. Under AIFRS, only the net gain or loss on disposal is included in the income statement and forms part of other income.

Consistent with the Group's accounting practices, other expenses under AGAAP was limited to amortisation of intangibles and certain significant items. Under AIFRS reporting, other expenses includes significant items not otherwise disclosed on the face of the income statement and expense of share-based payments.

**CASH FLOW STATEMENT RECONCILIATION**

The derecognition of employee share plan loan receivable (refer Note (d) to the balance sheet reconciliation) creates a difference between the cash flow statements presented under AIFRS and those presented under AGAAP. Amounts previously treated as a reduction in working capital under AGAAP are treated as proceeds from issue of share capital under AIFRS.

		<b>31 Dec 04</b>
		<b>\$000</b>
Net cash from operating activities	(decrease)	(951)
Net cash provided by financing activities - issue of share capital	increase	951

**12.0 ANY OTHER SIGNIFICANT INFORMATION**

**12.2 Impact of Adoption of AIFRS**

<b>INCOME STATEMENT RECONCILIATION</b>		<b>Previous AGAAP</b>	<b>Disclosure and presentation</b>	<b>Recognition and measurement</b>	<b>AIFRS</b>
<b>FOR THE YEAR ENDED 31 DECEMBER 2004</b>					
	<b>Note</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Sale of goods		872,087	-	-	872,087
Finance income		741	-	-	741
Royalty income		283	-	-	283
Other revenue		17,134	(17,134)	-	-
<b>Revenue</b>		890,245	(17,134)	-	873,111
Cost of sales	c,h,i	(741,572)	2,147	755	(738,670)
<b>Gross profit</b>		148,673	(14,987)	755	134,441
Other income	g	-	15,839	(2,845)	12,994
Marketing and selling		(16,208)	(1,349)	-	(17,557)
Warehouse and distribution		(5,182)	-	-	(5,182)
Administration	d	(22,148)	-	43	(22,105)
Research and development		(14,456)	-	-	(14,456)
Call on guarantee		-	(7,288)	-	(7,288)
Other expenses	d,e	(12,152)	7,785	(86)	(4,453)
<b>Profit before tax and finance costs</b>		78,527	-	(2,133)	76,394
Finance costs		(14,710)	-	-	(14,710)
Share of profit of associate	e,g	(600)	-	944	344
<b>Profit before income tax</b>		63,217	-	(1,189)	62,028
Income tax expense		(19,268)	-	663	(18,605)
<b>Profit for the period</b>		43,949	-	(526)	43,423
<b>Profit for the period attributable to:</b>					
Equity holders of the parent		33,681	-	(728)	32,953
Minority interests		10,268	-	202	10,470
		43,949	-	(526)	43,423
		<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>cents</b>
<b>Earnings per share</b>					
Basic earnings per share		24.7	-	(0.5)	24.2
Diluted earnings per share		24.1	-	(0.5)	23.6

**13.0 ACCOUNTING STANDARDS USED IN COMPILING THE REPORT**

Under Listing Rule 4.3A, this item is to be completed by foreign entities only.

		<b>2005</b>	<b>2004</b>
		<b>cents</b>	<b>cents</b>
<b>14.0 COMMENTARY ON THE RESULTS AND OTHER SIGNIFICANT INVESTOR INFORMATION</b>			
<b>14.1 Earnings per Share and the Nature of any Dilution Aspects</b>			
<b>Earnings per Share (EPS)</b>			
Basic EPS	including significant items	8.6	24.2
	excluding significant items	17.8	32.5
Diluted EPS	including significant items	8.3	23.6
	excluding significant items	17.2	31.7

	<b>\$000</b>	<b>\$000</b>
<b>Profit used in the calculation of basic and diluted EPS</b>		
Profit attributable to equity holders of the parent used in the calculation of EPS including significant items	11,702	32,953
Add back significant loss items attributable to equity holders of the parent	12,477	11,336
Profit used in the calculation of EPS excluding significant items	24,179	44,289

	<b>Number</b>	<b>Number</b>
<b>Weighted average number of ordinary shares</b>		
Number used as the denominator in calculating basic EPS	135,693,297	136,111,491
Effect of executive share options on issue	4,152,600	3,317,796
Effect of executive share options expired during the period	370,500	289,376
Number used as the denominator in calculating diluted EPS	140,216,397	139,718,663

The following executive share options have not been included in the calculation of diluted EPS as they are not dilutive

Issue date 9 June 1995	30,000	-
Issue date 31 May 1999	780,000	780,000
Issue date 16 June 2000	840,000	840,000
Issue date 12 June 2001	325,000	-
Issue date 17 June 2002	312,000	312,000
Issue date 21 June 2004	59,000	59,000
Issue date 1 January 2005	119,000	-

**14.0 COMMENTARY ON THE RESULTS AND OTHER SIGNIFICANT INVESTOR INFORMATION**

	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>
<b>14.2 Returns to Shareholders including Distributions and Buy Backs</b>		
<b>Issued capital</b>		
Ordinary shares issued 135,682,481 (31 December 2004: 136,006,176)	220,286	286,540

	<b>2005</b>	<b>2005</b>
	<b>Number</b>	<b>\$000</b>
<b>Movements in issued ordinary shares for the reporting period</b>		
Opening balance of shares issued	136,006,176	286,540
Issued pursuant to Non-Executive Directors' Share Plan	50,305	121
Issued pursuant to Executive Option Plan	26,000	-
Buy back pursuant to on-market program <sup>(1)</sup>	(400,000)	(1,174)
Receipt pursuant to employee share plan	-	443
Issued capital transfer to retained earnings <sup>(2)</sup>	-	(65,644)
Closing balance of shares issued	135,682,481	220,286

<sup>(1)</sup> On 12 August 2004, the Company announced an on-market share buy back program to purchase a maximum of 6,819,425 ordinary shares, representing 5% of the shares on issue on that date. For the reporting period, the share buy back occurred between 27 January 2005 and 10 March 2005 at an average price of \$2.94.

<sup>(2)</sup> Effective 31 December 2005, in accordance with section 258F of the Corporations Act 2001, the Company's issued capital was reduced by the amount of \$65,644,000, representing an amount of capital lost by the Company, and that reduction was effected by crediting the amount to the Company's accumulated losses account.

**14.3 Significant Features of Operating Performance**

**14.4 Results of Segments**

**14.5 Discussion of Trends**

**14.6 Any Other Factors which Affected the Results or  
may Affect the Results in the Future**

**Commentary included in the  
Pacifica Group Limited Profit  
Report on pages 28 to 32**

## **ANNUAL MEETING**

The Pacifica Group Limited Annual General Meeting will be held at 11.00 am on Friday, 5 May 2006 at the Arthur Streeton Auditorium, Sofitel Melbourne, 25 Collins Street, Melbourne.

## **COMPLIANCE STATEMENT**

- 1 This report has been prepared in accordance with applicable Australian Accounting Standards, including Urgent Issues Group Interpretations, adopted by the Australian Accounting Standards Board.
- 2 This report and the accounts upon which the report is based use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is based on accounts which are in the process of being audited.
- 5 Pacifica Group Limited has a formally constituted audit committee.

R S Joblin  
Company Secretary

Dated 23 February 2006

**PACIFICA GROUP LIMITED PROFIT REPORT DATED 23 FEBRUARY 2006**

<b>Financial Summary</b>	<b>2005</b>	<b>2004</b>	<b>% change</b>
<b>Financial Year ended 31 December 2005</b>	<b>\$000</b>	<b>\$000</b>	<b>fav/-unfav</b>
<b>Sales revenue</b>	<b>803,769</b>	<b>872,087</b>	<b>-8%</b>
<b>Cash EBIT (EBITDA)</b>	<b>109,578</b>	<b>139,929</b>	<b>-22%</b>
Depreciation and amortisation	(55,589)	(50,512)	
Non-cash executive option expense	(1,381)	(1,113)	
<b>EBIT</b>	<b>52,608</b>	<b>88,304</b>	<b>-40%</b>
Net interest	(13,062)	(13,969)	6%
Tax	(10,976)	(19,497)	44%
Minority interests	(4,391)	(10,549)	58%
<b>Net operating profit</b>	<b>24,179</b>	<b>44,289</b>	<b>-45%</b>
<b>EPS (cents)</b>	<b>17.8</b>	<b>32.5</b>	<b>-45%</b>
Return on equity	9.8%	17.7%	
Significant items after tax	(12,477)	(11,336)	
<b>Net profit</b>	<b>11,702</b>	<b>32,953</b>	<b>-64%</b>
<b>EPS (cents)</b>	<b>8.6</b>	<b>24.2</b>	
<i>Other Financial Items:</i>			
Interim and final dividend per share	7.0c	20.5c	
Operating cash flow	76,624	98,664	
Net debt	221,995	199,334	
Gearing (net debt / equity)	70.9%	63.2%	
Interest cover (EBITDA / interest)	8.4	10.0	
Average exchange rate A\$/US\$	76.5	74.0	

**REVIEW OF OPERATIONS**

Group earnings were down on the prior year as a result of lower sales volumes and higher material input costs. Net profit before significant items decreased 45% to \$24 million and net profit after significant items decreased 64% to \$12 million.

The trading environment in the automotive sector, especially in the North American market, was very difficult. The difficult climate was evidenced by a number of bankruptcies within both the supplier and customer base.

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Pacifica's major cast iron supplier in North America filed for bankruptcy protection in late 2004 which, in conjunction with higher scrap steel prices, resulted in higher input costs, particularly in the first half of 2005. Delphi Corporation, a major customer of PBR and a supplier to GM, filed for bankruptcy in late 2005.

The Group responded to severe cost pressures and the continuing emergence of the automotive market in the Asian region by significantly increasing its presence in China and Thailand.

### Financial Highlights

- Sales revenue decreased 8% to \$804 million.
- EBIT decreased 40% to \$53 million.
- Net profit before significant items decreased 45% to \$24 million.
- Net profit after significant items decreased 64% to \$12 million.
- Earnings per share excluding significant items decreased 45% to 17.8 cents and, including significant items, decreased 64% to 8.6 cents.
- Gearing (net debt to equity) was 71% at year end.
- Final dividend of 3 cps, franked to 34%.

### Business Highlights

- Production of Banksia park brake for the North American market was successfully relocated from Australia to a new facility in Thailand.
- A new machining centre was commissioned in Dalian, China, to supply components to Pacifica's global operations and to also supply disc brakes to DaimlerChrysler and calipers, rotors and park brakes to GM in China.
- Construction of an iron foundry alongside the Dalian machining centre has progressed on time and on budget. Start of production is planned for late 2006.

- AP Italia commenced supply to Toyota and Renault / Nissan. Sales increased by 25% to \$99 million.
- A satellite plant was established in Adelaide to supply disc brakes to Holden and Mitsubishi.

### Corporate Development

Pacifica considers it prudent to obtain a clearer picture of the direction of the underlying automotive industry, particularly in North America, before pursuing acquisition activity.

### Outlook for 2006

Earnings are forecast to grow from a combination of:

- Higher sales arising from the commencement of previously announced new contracts in Australia and Europe, as well as the volume pick-up from the release of the new GM light truck platform (GMT900) in North America.
- Lower cost base from the full year benefits of newly established operations in Thailand and China.

## REVIEW OF FINANCIAL PERFORMANCE

### Sales Revenue

Sales decreased by \$68 million, or 8%, to \$804 million.

Contributing factors to the decrease in sales were:

- Lower disc brake and park brake sales to GM for the North American light truck market.
- GM light truck sales suffered a loss of market share to the newer product offerings from competing car manufacturers, particularly to the Japanese manufacturers with assembly operations in the United States.

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- Lower park brake sales into the North American market partially offset by higher drum brake sales in Europe which is serviced from the Group's Italian operation, AP Italia.

There was no significant change in the level of sales to Australian vehicle manufacturers.

### Earnings before Interest and Tax (EBIT)

EBIT decreased by \$35 million, or 40%, to \$53 million.

In addition to the impact of lower sales volumes, contributing factors to the decrease in EBIT were:

- Impact of the sharp increase in the cost of steel. Steel scrap prices escalated through 2004, resulting in the imposition of a steel surcharge from January 2005.
- Start-up costs associated with the commissioning of a new plant in China to machine cast iron components and the relocation of park brake production from Australia to a new facility in Thailand.

### Finance Costs

- Despite higher average debt levels, finance costs decreased by \$0.9 million, or 6%, as a result of net gains on the fair value of derivatives.
- The average level of net debt increased from \$192 million in 2004 to \$217 million for the reporting period due to lower earnings and to capital expenditure on major projects in China and Australia.

### Tax

- Tax expense was \$11 million (excluding the impact of significant items) with an effective tax rate of 28%. The 2004 effective tax rate was 26%.

- The higher effective tax rate reflected the increased proportion of earnings sourced from the Italian operation, which is in a relatively high tax jurisdiction.

### Minority Interests and Associate Profits

- Minority interests represents Pacifica's joint venture partners' share of profits in the Knoxville, Tennessee disc brake plant and in the friction material plants in Thailand and Malaysia.
- The reduction in minority interests from \$11 million to \$4 million is mainly a reflection of the impact on Knoxville earnings of lower brake sales for light trucks in North America.
- Pacifica holds a 49% interest in its associate company, the Australian friction material producer FMP Australia. This business traded at a loss in 2005. On an equity accounted basis, Pacifica's share of FMP Australia's result after tax and before significant items decreased from a profit of \$2 million in 2004 to a loss of \$0.7 million in 2005.

### Net Profit

- Net profit before significant items decreased by \$20 million, or 45%, to \$24 million.
- Net profit after significant items decreased by \$21 million, or 64%, to \$12 million.

### Significant Items

Significant items after tax were a loss of \$12 million. Significant items for the reporting period comprised: *Delphi allowance for impairment loss of \$2.5 million.*

- In October 2005 a major US customer, Delphi, declared itself insolvent and filed for Chapter 11 protection. At the time, Delphi owed Pacifica Group approximately US\$11 million.

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- Most of this outstanding debt was owed to the joint venture company PBR Knoxville in which Delphi has a 49% shareholding.
- The amount of the debt recoverable from Delphi is unlikely to be known prior to Delphi emerging from Chapter 11 which is not expected to occur until 2007.
- On current indications, the amount recoverable is not likely to be less than 50 cents in the dollar.
- In the 2005 financial statements, an allowance for impairment loss was created equivalent to approximately 50% of the debt owed by Delphi at the time of the Chapter 11 filing.

*FMP Australia impairment loss of \$2.8 million.*

- In light of the deterioration of FMP Australia's earnings, the carrying value of the investment has been reduced by \$2.8 million.

*Rationalisation costs of \$7.2 million after tax.*

- Costs primarily associated with the relocation of Banksia park brake production from Australia to Thailand.

**Dividend**

- Directors have declared a final dividend of 3 cps franked to 34% (2004: 10 cps).
- The lower payout reflects a relatively high full year dividend payout ratio of 81%.
- Franking of future dividends is not expected to exceed 50% as the Group will increasingly source a higher percentage of its earnings from offshore.

**Balance Sheet**

- The net asset value of the Group did not change substantially over the course of the reporting period.
- Working capital increased by \$3 million, or 6%, as a result of higher inventory levels associated with the manufacture of components at the new China facility for sale in the United States.
- Property, plant and equipment increased by \$23 million over the course of the reporting period due to capital expenditure in Australia in support of new contracts with certain domestic vehicle manufacturers as well as capital expenditure on the new facility in China.
- Interest bearing liabilities increased by \$17 million; however, the current liability component decreased by \$38 million following the renewal of domestic credit facilities.
- Retained earnings moved from an accumulated loss of \$40 million at the end of 2004 to a surplus of \$17 million at the end of 2005. This is as a result of a \$65.6 million transfer of issued capital to retained earnings made in accordance with section 258F of the Corporations Act 2001, representing prior period capital losses incurred on disposal of discontinued plastics and construction products operations.
- Gearing of 71% (net debt to equity) was above the long term targeted range of 60% to 65% but below earlier expectations of 75% due largely to timing differences associated with capital expenditure.

**PACIFICA GROUP LIMITED PROFIT REPORT DATED 23 FEBRUARY 2006****Cash Flow**

- Net operating cash flows, including cash outgoings associated with rationalisation costs treated as a significant item, decreased from \$99 million to \$77 million.
- Capital expenditure on major projects included:  
Dalian, China - \$31 million for machine shop and iron foundry; and  
Australia - \$28 million primarily for equipment for new business with Australian vehicle manufacturers.
- In total, net payments for property, plant and equipment of \$75 million was at similar levels to 2004.

**REVIEW OF GEOGRAPHIC SEGMENT PERFORMANCE**

The following comments on geographic segment earnings are based on results before significant items.

- United States of America. EBIT margin decreased from 7% to 2% as a result of lower sales and higher steel costs.
- Australia. EBIT margin decreased slightly from 15% to 14% due substantially to the mid-year relocation to Thailand of park brake production for the export market.
- Europe. EBIT margin increased from 10% to 14% due to the volume impact of a 25% increase in sales.
- Asia. EBIT margin decreased from 10% to 9% due to non-recurring costs associated with the start-up of the new facilities in China and Thailand.