

# Appendix 4D

## Half year report

Name of entity

**PACIFICA GROUP LIMITED**

Reporting period

**Half year ended 30 June 2004**

Previous corresponding period

**Half year ended 30 June 2003**

**This document contains the half year information given to ASX under listing rule 4.2A.**

**The information should be read in conjunction with the 2003 Annual Financial Report.**

# Appendix 4D

## Half year report

Name of entity

**PACIFICA GROUP LIMITED**

ABN

69 006 530 641

Half year ended

30 June 2004

### Results for announcement to the market

\$A'000

Revenue from ordinary activities	down	10.1% to	472,392
Profit from ordinary activities after tax attributable to members	down	28.2% to	20,573
Net profit for the period attributable to members	down	28.2% to	20,573
Dividends		Amount per security	Franked amount per security
Interim dividend ( <i>reporting period</i> )		10.5 cents	10.5 cents
Interim dividend ( <i>previous corresponding period</i> )		10.0 cents	10.0 cents
Record date for determining entitlements to the dividend		3 September 2004	
A brief explanation of any of the figures reported above			
<p>Net profit for the reporting period includes \$2 million restructuring costs, while net profit for the previous corresponding period is after a \$4.6 million gain on sale of discontinued operations. In addition, the strength of the AUD relative to the USD resulted in a \$2 million unfavourable translation impact on net profit. Excluding these items, net profit increased by 2.3%, underpinned by Pacifica's expansion into Europe through the acquisition of AP Italia in the second half of last year and strong sales of new vehicles in Australia.</p>			

## **Pacifica Group Limited and its controlled entities**

### **Directors' Report**

The Directors present their report together with the consolidated Half Year Financial Report of Pacifica Group Limited (the "Company") and its controlled entities (together being the "consolidated entity") for the half year ended 30 June 2004 and the independent review report thereon.

### **Directors**

The following persons were Directors of Pacifica Group Limited during the whole of the half year and up to the date of this Directors' Report:

Jeremy K Ellis MA	Non-Executive Director since August 1999 and Non-Executive Chairman since July 2002
Anthony J Clarke FCPA, B Comm	Finance Director since June 2002
G Douglas W Curlewis BA, MBA	Non-Executive Director since March 1998
Peter A F Hay LLB	Non-Executive Director since September 1989
John R MacKenzie BSc	Managing Director since July 2001
Richard H Stone B Mech Eng	Non-Executive Director since December 1994

Mr Kenneth H Spencer AM was a Non-Executive Director from October 1995 until his death on 31 March 2004.

Mr Peter G Thomas AM, B Comm was appointed a Director on 25 June 2004 and Mr Patrick Burroughs BSSc (Hons), FCA, FAICD was appointed a Director on 3 August 2004. Both continue in office at the date of this Directors' Report.

### **Review of Operations**

A review of the operations of the consolidated entity during the half year ended 30 June 2004 is set out in the News Release dated 5 August 2004 which forms part of this Directors' Report. The News Release is included as Attachment 1 to this Appendix 4D.

**Directors' Report (continued)**

**Rounding Off**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed on this 5th day of August 2004 in accordance with a resolution of the Directors:

**J K Ellis**  
Director

**J R MacKenzie**  
Director

**Statement of Financial Performance**  
**for the half year ended 30 June 2004**

	<b>Note</b>	<b>2004</b> <b>\$000</b>	<b>2003</b> <b>\$000</b>
Revenue from sale of goods		464,720	469,015
Proceeds from sale of controlled entities		-	52,020
Other revenue from ordinary activities	2	7,672	4,651
<b>Total revenue from ordinary activities</b>		<b>472,392</b>	<b>525,686</b>
Cost of goods sold		(395,235)	(393,687)
Marketing and selling expenses		(8,041)	(5,130)
Warehouse and distribution expenses		(2,479)	(2,042)
Administration expenses		(11,070)	(13,879)
Research and development expenses		(8,554)	(7,242)
Borrowing costs		(7,351)	(6,242)
Net assets of controlled entities sold		-	(47,369)
Other expenses from ordinary activities		(1,382)	-
<b>Total expenses</b>		<b>(434,112)</b>	<b>(475,591)</b>
Share of net profit (loss) of associates		(315)	826
<b>Profit from ordinary activities before income tax</b>	3	<b>37,965</b>	<b>50,921</b>
Income tax attributable to ordinary activities	4	(10,401)	(12,732)
Profit from ordinary activities after income tax		27,564	38,189
Profit from ordinary activities after income tax attributable to outside equity interests		(6,991)	(9,552)
<b>Profit from ordinary activities after income tax attributable to members of Pacifica Group Limited</b>		<b>20,573</b>	<b>28,637</b>
<b>Non-owner transaction changes in equity</b>			
Net decrease in retained profits on initial adoption of revised AASB 1028 Employee Benefits		-	(137)
Net exchange difference on translation of financial statements of self-sustaining foreign operations		9,200	(20,378)
<b>Total changes in equity from non-owner related transactions attributable to members of Pacifica Group Limited</b>		<b>29,773</b>	<b>8,122</b>
		<b>cents</b>	<b>cents</b>
<b>Earnings per share</b>	5		
Basic earnings per share		15.1	20.7
Diluted earnings per share		14.7	20.2

The statement of financial performance is to be read in conjunction with the accompanying notes.

**Statement of Financial Position**  
**as at 30 June 2004**

	Note	30 June 2004 \$000	31 December 2003 \$000
<b>Current assets</b>			
Cash assets		78,957	36,948
Receivables		152,433	129,467
Inventories		46,113	50,200
Prepayments		3,669	4,552
<b>Total current assets</b>		<b>281,172</b>	<b>221,167</b>
<b>Non-current assets</b>			
Receivables		13,385	11,825
Investments accounted for using the equity method		27,104	27,992
Property, plant and equipment		447,181	422,384
Intangible assets		31,250	30,647
Deferred tax assets		20,644	20,980
Other non-current assets		6,796	5,575
<b>Total non-current assets</b>		<b>546,360</b>	<b>519,403</b>
<b>Total assets</b>		<b>827,532</b>	<b>740,570</b>
<b>Current liabilities</b>			
Payables		142,993	122,957
Interest bearing liabilities		1,356	2,728
Current tax liabilities		2,955	4,719
Provisions		22,500	18,658
<b>Total current liabilities</b>		<b>169,804</b>	<b>149,062</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities		255,654	216,132
Deferred tax liabilities		43,195	43,559
Provisions		6,246	5,220
<b>Total non-current liabilities</b>		<b>305,095</b>	<b>264,911</b>
<b>Total liabilities</b>		<b>474,899</b>	<b>413,973</b>
<b>Net assets</b>		<b>352,633</b>	<b>326,597</b>
<b>Equity</b>			
Contributed equity	7	292,404	292,052
Reserves		(19,311)	(28,511)
Retained profits (accumulated losses)	8	3,614	(1,313)
<b>Total parent entity interest</b>		<b>276,707</b>	<b>262,228</b>
Outside equity interests		75,926	64,369
<b>Total equity</b>		<b>352,633</b>	<b>326,597</b>

The statement of financial position is to be read in conjunction with the accompanying notes.

**Statement of Cash Flows**  
**for the half year ended 30 June 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	449,996	461,146
Payments to suppliers and employees	(370,743)	(398,520)
Dividends received	573	-
Interest received	285	434
Borrowing costs paid	(7,320)	(5,099)
Income taxes paid	(9,378)	(10,361)
<b>Net cash from operating activities</b>	<b>63,413</b>	<b>47,600</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(34,699)	(36,817)
Proceeds from sale of controlled entities net of cash disposed	1,070	48,130
Proceeds from sale of property, plant and equipment	1,302	2,865
<b>Net cash provided by (used in) investing activities</b>	<b>(32,327)</b>	<b>14,178</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	352	67
Dividends paid to members of Pacifica Group Limited	(15,646)	(15,234)
Dividends paid to outside equity interests	(4,567)	(9,530)
Payments for share buy back	-	(16,690)
Proceeds from borrowings	29,353	-
Repayment of borrowings	-	(34,280)
<b>Net cash provided by (used in) financing activities</b>	<b>9,492</b>	<b>(75,667)</b>
<b>Net increase (decrease) in cash held</b>	<b>40,578</b>	<b>(13,889)</b>
Cash at the beginning of the financial period	34,273	87,706
Effects of exchange rate changes on cash held in foreign currencies	2,795	(8,264)
Cash at the end of the financial period	77,646	65,553
	<b>cents</b>	<b>cents</b>
<b>Operating cash flow per share</b>	<b>46.6</b>	<b>34.4</b>

The statement of cash flows is to be read in conjunction with the accompanying notes.

**Notes to the Financial Statements**  
**for the half year ended 30 June 2004**

**Note 1. Statement of Significant Accounting Policies**

**(a) Basis of preparation of Half Year Financial Report**

The consolidated Half Year Financial Report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This Half Year Financial Report is to be read in conjunction with the 31 December 2003 Annual Financial Report and any public announcements by Pacifica Group Limited and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 31 December 2003 Annual Financial Report.

The Half Year Financial Report does not include full note disclosures of the type normally included in an Annual Financial Report.

**(b) Transition to International Financial Reporting Standards**

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

To achieve transition to IFRS reporting, beginning with the half year ended 30 June 2005, a formal project has been established, monitored by the Audit Committee. The three phases of the project are described below.

*First Phase: Assessment and Planning*

This phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes and staff. This phase includes:

- (a) high level identification of key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;

## **Notes to the Financial Statements**

### **Note 1(b) Transition to International Financial Reporting Standards (continued)**

- (b) assessment of new information requirements affecting management information systems;
- (c) evaluation of staff training requirements; and
- (d) preparation of a detailed plan covering the design and implementation phases.

The Company is progressing with the first module of the assessment and planning phase.

#### *Second Phase: Design*

This phase aims to formulate the changes required to existing accounting policies and procedures and systems in order to transition to IFRS. This phase includes:

- (a) formulating revised accounting policies and procedures;
- (b) identifying potential financial impacts as at the transition date and for subsequent periods;
- (c) developing revised disclosures and designing accounting processes to support the revised reporting obligations; and
- (d) developing training programs for staff.

#### *Third Phase: Implementation*

This phase includes implementation of identified changes to accounting procedures, processes and systems and training for staff.

#### *Key Potential Differences in Accounting Policies on Adoption of IFRS*

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- (a) financial instruments must be recognised in the statement of financial position and most financial instruments must be carried at fair value;
- (b) income tax will be calculated based on the balance sheet approach, which may result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity;
- (c) goodwill with an indefinite useful life will be tested for impairment annually and will not be amortised;
- (d) equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides the related services; and
- (e) government grants in respect of property, plant and equipment will be deferred and recognised over the period the relevant assets are depreciated.

This summary should not be taken as an exhaustive list of all differences between Australian GAAP and IFRS - no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented. In addition, the consolidated entity has not quantified the differences disclosed above.

**Notes to the Financial Statements**

**Note 2. Other Revenue from Ordinary Activities**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
Interest revenue	299	434
Proceeds from sale of property, plant and equipment	1,302	65
Other revenue from operating activities	6,071	4,152
<b>Total other revenue from ordinary activities</b>	<b>7,672</b>	<b>4,651</b>

**Note 3. Individually Significant Items**

Profit from ordinary activities includes the following items of revenue (expense), together with related income tax and outside equity interests, for which disclosure is relevant in explaining the financial performance of the consolidated entity

Profit on sale of construction products business	-	4,651
Rationalisation costs <sup>(1)</sup>	(2,666)	-
Individually significant items before income tax	(2,666)	4,651
Income tax attributable to individually significant items	625	-
Individually significant items attributable to outside equity interests	79	-
<b>Individually significant items attributable to members of Pacifica Group Limited</b>	<b>(1,962)</b>	<b>4,651</b>

<sup>(1)</sup> Includes redundancies and associated costs resulting from rationalisation of activities.

**Notes to the Financial Statements**

**Note 4. Income Tax**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
Prima facie income tax calculated at 30% (2003: 30%) on profit from ordinary activities	11,390	15,276
<i>Add increased income tax arising from</i>		
Non-allowable depreciation and amortisation	244	51
Offshore profits at higher tax rates	1,169	795
Share of associate's net loss	94	-
Other non-allowable items	108	352
<i>Less reduced income tax arising from</i>		
Research and investment allowances	(944)	-
Share of associate's net profit	-	(248)
Other non-assessable items	(989)	(1,314)
Individually significant item - non-taxable profit on sale of construction products business	-	(1,395)
Income tax on operating profit	11,072	13,517
Income tax under (over) provided in prior year	(671)	(785)
Income tax attributable to ordinary activities	10,401	12,732

**Note 5. Earnings per Share (EPS)**

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares		
Number used as the denominator in calculating basic EPS	136,088,541	138,466,129
Effect of executive share options on issue	4,068,611	3,228,554
Effect of executive share options expired during the period	107,034	231,387
Number used as the denominator in calculating diluted EPS	140,264,186	141,926,070

Executive share options include both options and performance rights. Executive share options outstanding and lapsed under the Executive Share Plan have been classified as potential ordinary shares and included in the calculation of diluted earnings per share.

**Notes to the Financial Statements**

**Note 6. Segment Reporting - Geographical Segments**

**(a) Segment revenue and segment result based on location of assets**

<b>2004 (\$'000)</b>	<b>Australia &amp; New Zealand</b>	<b>United States of America</b>	<b>Europe</b>	<b>Asia</b>	<b>Eliminations</b>	<b>Consolidated</b>
Sales revenue	172,118	236,152	40,338	16,112	-	464,720
Other revenue	8,659	912	2,039	97	(4,866)	6,841
Segment revenue	180,777	237,064	42,377	16,209	(4,866)	471,561
Unallocated revenue						831
<b>Total revenue</b>						<b>472,392</b>

EBITA segment result	21,678	21,317	4,321	1,760	-	49,076
Amortisation of intangibles	-	-	(1,173)	-	-	(1,173)
Significant items	(1,795)	(248)	-	-	-	(2,043)
Segment result	19,883	21,069	3,148	1,760	-	45,860
Associate's profit (loss)	(315)	-	-	-	-	(315)
Unallocated corporate expenses						(528)
Unallocated profit on sale of controlled entities						-
Borrowing costs net of interest revenue						(7,052)
<b>Profit from ordinary activities before income tax</b>						<b>37,965</b>

<b>2003 (\$'000)</b>	<b>Australia &amp; New Zealand</b>	<b>United States of America</b>	<b>Europe</b>	<b>Asia</b>	<b>Eliminations</b>	<b>Consolidated</b>
Sales revenue	174,962	274,997	-	19,056	-	469,015
Other revenue	8,381	891	-	233	(5,023)	4,482
Segment revenue	183,343	275,888	-	19,289	(5,023)	473,497
Unallocated revenue						52,189
<b>Total revenue</b>						<b>525,686</b>

EBITA segment result	21,814	27,881	-	2,797	-	52,492
Amortisation of intangibles	-	-	-	-	-	-
Significant items	-	-	-	-	-	-
Segment result	21,814	27,881	-	2,797	-	52,492
Associate's profit (loss)	826	-	-	-	-	826
Unallocated corporate expenses						(1,240)
Unallocated profit on sale of controlled entities						4,651
Borrowing costs net of interest revenue						(5,808)
<b>Profit from ordinary activities before income tax</b>						<b>50,921</b>

**Notes to the Financial Statements**

**Note 6. Segment Reporting - Geographical Segments (continued)**

**(b) Segment sales revenue based on location of customers**

<b>2004 (\$000)</b>	<b>Australia &amp; New Zealand</b>	<b>United States of America</b>	<b>Europe</b>	<b>Asia</b>	<b>Consolidated</b>
Sales by asset location	172,118	236,152	40,338	16,112	464,720
(Export) import sales	(77,722)	74,155	-	3,567	-
Sales by customer location	94,396	310,307	40,338	19,679	464,720

<b>2003 (\$000)</b>	<b>Australia &amp; New Zealand</b>	<b>United States of America</b>	<b>Europe</b>	<b>Asia</b>	<b>Consolidated</b>
Sales by asset location	174,962	274,997	-	19,056	469,015
(Export) import sales	(83,589)	81,185	-	2,404	-
Sales by customer location	91,373	356,182	-	21,460	469,015

**Note 7. Contributed Equity**

	<b>30 Jun 2004 \$000</b>	<b>31 Dec 2003 \$000</b>
Ordinary shares issued and fully paid 136,132,777 (31 December 2003: 136,042,760)	292,404	292,052

Movements in issued ordinary shares during the financial period is set out below.

	<b>Number of shares</b>	<b>Average Price</b>	<b>\$000</b>
Balance at the beginning of the financial period	136,042,760		292,052
Issued pursuant to Non-Executive Directors' Share Plan	20,017	\$4.31	86
Issued pursuant to Executive Option and Performance Right Plan	70,000	\$3.80	266
Balance at the end of the financial period	136,132,777		292,404

The Company has one class of shares on issue, being ordinary shares. Holders of ordinary shares are entitled to receive dividends as declared from time to time and, on a poll at shareholders' meetings, are entitled to one vote per share. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any net proceeds remaining on liquidation.

**Notes to the Financial Statements**

**Note 7. Contributed Equity (continued)**

During the financial period, the following options and performance rights were issued pursuant to the Pacifica Group Limited Executive Option and Performance Right Plan.

<b>Issue Date</b>	<b>Number</b>	<b>Exercise Price (cents)</b>	<b>Expiry Date</b>
21 June 2004 (options)	59,000	412	20 June 2014
21 June 2004 (rights)	1,159,400	-	20 June 2014

The options and performance rights cannot be exercised until a minimum of three years has passed from issue date and then only if the performance hurdles have been met. Exercise is subject to the satisfaction of a progressive performance hurdle based on the relative total shareholder return against a peer group of companies.

**Note 8. Retained Profits (Accumulated Losses)**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
(Accumulated losses) at the beginning of the reporting period	(1,313)	(17,783)
Profit from ordinary activities after income tax attributable to members of Pacifica Group Limited	20,573	28,637
Net effect of initial adoption of revised AASB 1028 Employee Benefits	-	(137)
Transfer from foreign currency translation reserve	-	(4,851)
Dividends	(15,646)	(15,234)
<b>Retained profits (accumulated losses) at the end of the half year</b>	<b>3,614</b>	<b>(9,368)</b>

**Note 9. Dividends**

During the reporting period, Pacifica Group Limited has paid or provided for dividends not previously recognised in retained profits as follows. Final dividend on ordinary shares in respect of the 2003 financial year paid on 2 April 2004 (2003: 4 April)

15,646	15,234
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**Subsequent to reporting date**

Since 30 June 2004, the Directors have declared an interim dividend on ordinary shares payable on 17 September 2004

14,295
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The financial effect of this dividend has not been brought to account in the consolidated entity financial statements for the period ended 30 June 2004.

**Notes to the Financial Statements**

**Note 10. Acquisition and Disposal of Controlled Entities**

**Acquisition**

The consolidated entity did not gain control over any entities during the current or previous corresponding half year.

**Disposal**

The consolidated entity did not lose control over any entities during the current half year.

During the previous corresponding half year, the consolidated entity sold for cash its 100% interest in the ordinary shares of Pacific BBA Gratings Pty Ltd and Webforge (Thailand) Ltd, which together comprise the Webforge operations. The sales had effect 2 January 2003 and the impact on the financial statements of the previous corresponding half year are disclosed below.

	<b>2003</b>
	<b>\$000</b>
Consideration	52,020
Contribution to net profit for the current period from sale of interest leading to loss of control	4,651
Consolidated profit (loss) from ordinary activities after tax for the current period to the date of loss of control	(42)

**Note 11. Contingent Liabilities and Contingent Assets**

	<b>30 June</b>	<b>31 December</b>
	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
To assist in the divestment of the Lionweld Kennedy group of companies in 2002, Pacifica Group Limited has provided a guarantee to an unrelated party in respect of banking facilities provided to the previously controlled entities	7,509	6,835
In the event that the Pacifica Group Employee Share Plan ceases to operate, at the prevailing market share price the Company would be liable to meet employee loan balances	253	217

Other than these, there were no changes in contingent liabilities or contingent assets since 31 December 2003.

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**Directors' Declaration**

In the opinion of the Directors of Pacifica Group Limited:

- 1 the financial statements and notes set out on pages 5 to 15 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2004 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
  
- 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.

Signed on this 5th day of August 2004 in accordance with a resolution of the Directors.

**J K Ellis**  
Director

**J R MacKenzie**  
Director

## **Independent review report to the members of Pacifica Group Limited**

### **Scope**

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements set out on pages 5 to 15, and the directors' declaration set out on page 16 for the Pacifica Group Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 30 June 2004. The Consolidated Entity comprises Pacifica Group Limited ("the Company") and the entities it controlled during that half-year.

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

#### *Review approach*

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
  
- analytical procedures applied to the financial data.

**Independent review report to the members of Pacifica Group Limited (continued)**

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

***Independence***

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

***Statement***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Pacifica Group Limited is not in accordance with:

- a) the Corporations Act 2001, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2004 and of its performance for the half-year ended on that date; and
  - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

Paul J McDonald  
*Partner*

Dated at Melbourne this 5th day of August 2004

**Additional Information Required under ASX Listing Rule 4.2A.3**

**Net Tangible Assets per Security**

	<b>30 June</b>	<b>31 December</b>
	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Net tangible asset backing per ordinary security	1.80	1.70

**Dividends**

Date the dividend is payable	17 September 2004
Record date to determine entitlements to the dividend	3 September 2004

	<b>2004</b>	<b>2003</b>
Amount per security (cents)	10.5 c	10.0 c
Franked amount per security at 30% tax rate (cents)	10.5 c	10.0 c
Amount per security of foreign source dividend (cents)	-	-
Interim dividend on ordinary securities (\$000)	14,295	13,604

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

**Details of Investment in Associate**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Results of associate and contribution to net profit</b>		
Share of associate's profit from ordinary activities before tax	246	1,876
Share of associate's income tax attributable to ordinary activities	(74)	(563)
Share of associate's net profit as disclosed by associates	172	1,313
Amortisation of goodwill arising from investment	(487)	(487)
Share of net profit (loss) of associate	(315)	826

**Details of associate**

The consolidated entity has a single associate company contributing to net profit. Pacifica Group Limited has a 49% ownership interest (2003: 49%) in FMP Group (Australia) Pty Ltd whose principle activity is the manufacture and sale of friction materials.

**Additional Information Required under ASX Listing Rule 4.2A.3**

**Audit dispute or qualification statement**

The accounts are not subject to an audit dispute or qualification.

R S Joblin  
Company Secretary

Dated 5 August 2004

**Attachment 1 - News Release dated 5 August 2004**

**PACIFICA FIRST HALF PROFIT IN LINE WITH EXPECTATIONS**

Pacifica Group Limited today announced its results for the six months to 30 June 2004.

**First Half in Summary**

Pacifica's results for the half year were in line with expectations. Highlights were a near record level of operating cash flow and the maintenance of the strong levels of margin and return achieved in recent reporting periods.

<b>Financial Results</b>	<b>2004</b>	<b>2003</b>	<b>%</b>
<b>Half Year ended 30 June 2004</b>	<b>\$000</b>	<b>\$000</b>	<b>change</b>
Sales revenue	464,720	469,015	-0.9%
EBIT	47,683	52,078	-8.4%
<b>Net profit before significant items</b>	<b>22,535</b>	<b>23,986</b>	<b>-6.0%</b>
<b>Earnings per share (cents)</b>	<b>16.6</b>	<b>17.3</b>	<b>-4.0%</b>
Significant items after tax	(1,962)	4,651 <sup>(1)</sup>	
<b>Net profit after significant items</b>	<b>20,573</b>	<b>28,637</b>	
Operating cash flow	63,413	47,600	33.2%
Return on equity (%)	16.9%	17.1%	
Interim dividend (cents)	10.5	10.0	

<sup>(1)</sup> Profit from sale of Webforge

- Net profit after tax before significant items declined by \$1.5 million from the corresponding period to \$22.5 million.
- Negative FX impact on net profit of \$2 million compared to prior corresponding period.
- Operating cash flow increased from \$47.6 million to \$63.4 million, a near record.
- Restructuring costs of \$2 million identified as significant items.
- Fully franked interim dividend of 10.5 cents per share, an increase of 5%.
- AP Italia, acquired July 2003, performed in line with expectations.
- Success in securing new contracts - \$117 million per annum, commencing over the course of 2005 and 2006; average life of new contracts is 5 years.
- Establishment of joint venture in China announced.

**Attachment 1 - News Release dated 5 August 2004 (continued)**

This pleasing performance was achieved in a highly competitive environment, including continuing price-down pressures, and against an unfavourable exchange rate movement impacting the translation of earnings. An average exchange rate of 74 cents for the first half of 2004, versus 62 cents for the prior comparable period, served to reduce total group sales by \$49 million, EBIT by \$5.5 million and NPAT by \$2 million.

**Dividend**

The Directors have declared a fully franked interim dividend of 10.5 cents per share to be paid on 17 September 2004 to shareholders registered on 3 September 2004. This dividend compares with 10 cents per share fully franked, for the prior corresponding period.

**Significant Items**

The \$2 million in significant items relates to restructuring costs of \$1.4 million after tax for PBR Australia and \$0.6 million for FMP Australia, the friction materials joint venture with Honeywell.

**REVIEW OF OPERATIONS**

**PBR Automotive**

"I am pleased that in the challenging environment in which PBR was operating, we managed to broadly maintain our overall EBIT margin and to deliver very satisfactory returns," said Pacifica's Managing Director, Mr John MacKenzie. "The strength of our operating cash flow, which was at a near record level, was particularly pleasing."

The North American new vehicle market continued to be characterised by variable monthly demand. In spite of this, the expectation is that the total North American market will approach 16.8 million vehicles for the year, with light truck and SUV sales still accounting for over 50% of all registrations. PBR's North American operations performed particularly well in the opening half of 2004, with the Columbia facility successfully ramping up new orders for DaimlerChrysler.

The Australian new vehicle market remained strong following an excellent 2003, with PBR Australia's sales for the half up slightly on the corresponding period of last year. Supply of disc rotors for the new Ford Territory vehicle commenced during the half.

Aftermarket sales were steady and new products, such as high performance calipers, were well received by the market.

**Attachment 1 - News Release dated 5 August 2004 (continued)**

"AP Italia, the Italian business acquired in July 2003, had a strong first half and performed in line with expectations. It commenced supply of drum brakes to existing customers for new model ranges and also won business from new customers. AP has integrated well into the Pacifica group and has proven to be an excellent acquisition. In a period of flat earnings, the performance of AP underscores the virtue of our strategy to strive for geographical diversification," Mr MacKenzie said.

PBR's Asian sales were weaker in total despite a marginally improved performance by the Thailand business. Overall earnings were lower than for the first half of 2003 mainly due to declining sales in Malaysia. The company is presently examining future options for the small Malaysian operations.

**Friction Materials**

The recovery in FMP, the joint venture friction materials business, was slower than expected but signs of improvement were evident towards the end of the half. Earnings were affected by unfavourable exchange rates which not only impacted exports but also made imported products to Australia more cost competitive. The business will benefit in the second half from the restructuring undertaken during the reporting period.

**Melwire**

Melwire had a solid first half. Sales were slightly down but earnings were maintained.

"Melwire is developing a history of consistent performance and makes a useful contribution. Whilst this business remains non-core, there are currently no sale negotiations being pursued," said Mr MacKenzie.

**China Joint Venture**

Pacifica announced in May 2004, plans to establish joint venture manufacturing operations in the People's Republic of China. Two facilities are to be built there, a cast iron foundry with a capacity of 50,000 metric tonnes per annum and a machining, plating and sub-assembly operation. The product range will cover safety critical products for the global automotive markets. These will include braking, steering and suspension components for PBR for final assembly in close proximity to the end customer.

**Attachment 1 - News Release dated 5 August 2004 (continued)**

"Initial production is scheduled to commence in the second quarter of 2005 and will be directed internally, replacing cast iron brake components presently sourced from outside suppliers. External sales are expected to commence in the third quarter of 2005. Pacifica's joint venture partner has considerable experience in manufacturing cast iron automotive components in China. A total investment of US\$38 million will be made by the two parties to this joint venture and Pacifica will take a 60% equity interest," said Mr MacKenzie.

**Acquisitions**

The search for potential acquisitions is continuing with the focus being on smaller enterprises aligned to the automotive sector and which have a high degree of intellectual property.

"It is important that any acquisitions meet the company's demanding return guidelines," said Mr MacKenzie.

**OUTLOOK**

**2004 Forecast**

Pacifica expects a full year net profit of approximately \$48 million. This is before significant restructuring costs which are expected to total approximately \$3 million after tax for the full year.

"In part, these restructuring costs are a reflection of General Motors' recent announcement that it will introduce a drum brake for the lighter weight SUV's using the GMT800 platform. This decision will impact sales volumes at Knoxville and in Australia in the second half of 2004, but will be offset partially by the introduction of the new Ford business at Columbia and new business in Italy."

"The Australian market is expected to remain healthy and the second half will benefit from the restructuring initiatives undertaken in the opening six months. Earnings from the European operations should continue to grow as production of new models increases. We also expect a modest recovery by FMP with the full year contribution to Pacifica, before significant items, expected to be in the order of \$1.8 million," said Mr MacKenzie.

**Medium/Longer Term Outlook**

Pacifica expects another challenging year in 2005, followed by a period of strong growth commencing in 2006.

**Attachment 1 - News Release dated 5 August 2004 (continued)**

During 2005, Pacifica will accelerate its strategy of expanding in international markets, improving productivity, reducing costs across all manufacturing sites and developing new product and process technologies. However, 2005 is expected to produce a relatively flat underlying earnings performance, with the dip in volume on GMT800 countered by the new Ford business at Columbia and new contracts in Italy.

Based on current sales projections and an exchange rate of 72 cents, 2006 earnings are expected to increase by around 10%, and by a further 15% in 2007. The main driver of this earnings momentum will be the new business that PBR has already secured. In addition to the \$33 million per annum of new contracts associated with AP Italia at the time of its purchase, a further \$117 million per annum of new business has been won in recent months. This new business will commence over the course of 2005 and 2006. The average life span of these contracts is five years.

"We are particularly pleased with PBR's recent contractual gains, which are testimony to the competitiveness and quality of its products. They cover a range of individual customers, geographical markets and product areas, and highlight PBR's successful diversification of its sales base within its core discipline," said Mr MacKenzie.

"In North America a number of the new models to be supplied by PBR are to be released at the beginning of 2006. PBR will supply front and rear calipers and park brakes for most of these vehicles and will also provide full corner modules for selected models. By 2006, volumes at Knoxville will be restored to historical levels."

"In Australia, new orders to supply disc rotors, calipers and knuckles have been awarded by two manufacturers and sales will commence in 2006. Related production will accelerate from that date, and at the same time PBR will continue to supply calipers and park brakes to all local manufacturers."

"Growth in Europe is expected to continue through 2005 and 2006 as new vehicle ranges being supplied by AP Italia come on stream. The company now has a strong European base from which further expansion can be launched."

"The joint venture in China provides an exciting opportunity for growth over the longer term. The plan is to sell components initially into developed markets, but to also capture sales opportunities in the emerging Chinese automotive market."

**Attachment 1 - News Release dated 5 August 2004 (continued)**

"We are continuing to develop our advanced automotive technologies and these will be the foundation of Pacifica's success over the coming years when by-wire technologies are expected to be taken up by major manufacturers. We are taking the necessary steps to ensure that Pacifica remains a strong and viable participant in the global automotive industry."

"In summary, Pacifica is well positioned to maintain margins and increase earnings through clearly identifiable sales growth," said Mr MacKenzie.