

Appendix 4E

Preliminary final report

Name of entity

PACIFICA GROUP LIMITED

1.1 Reporting period

Financial year ended 31 December 2003

1.2 Previous corresponding period

Financial year ended 31 December 2002

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 2003

2.0 Results for announcement to the market

\$A'000

2.1	Revenue from ordinary activities	down	9.7% to	987,938
2.2	Profit from ordinary activities after tax attributable to members	up	8.8% to	48,238
2.3	Net profit for the period attributable to members	up	8.8% to	48,238
2.4	Dividends			
			Amount per security	Franked amount per security
	Final dividend (<i>reporting period</i>)		11.5 cents	11.5 cents
	Interim dividend (<i>reporting period</i>)		10.0 cents	10.0 cents
	Final dividend (<i>previous corresponding period</i>)		11.0 cents	11.0 cents
	Interim dividend (<i>previous corresponding period</i>)		9.0 cents	5.4 cents
2.5	Record date for determining entitlements to the dividend			19 March 2004
2.6	A brief explanation of any of the figures reported above			
	<p>The 9.7% decrease in revenue is attributable to the disposal of the two construction products businesses in July 2002 and January 2003, as well as the effect the strong AUD has had on the translation of financial statements. These negative effects were partially offset by an increase in sales volumes, particularly in North America, and the acquisition of AP Italia in July 2003. Despite decreased revenues, net profit increased by 8.8% as a result of the positive effect of sales volume growth, increased margins in core businesses flowing from tighter cost control, and the profit contribution from AP Italia. These positive impacts on net profit were partially offset by loss of profit from discontinued operations, the negative translation impact of the strong AUD, and the decreased contribution from associate company investments.</p>			

3.0 Statement of Financial Performance
for the financial year ended 31 December 2003

	Note	2003 \$000	2002 \$000
Revenue from sale of goods		923,810	1,077,287
Proceeds from sale of controlled entities	3.1	52,182	-
Other revenue from ordinary activities	3.2	11,946	17,320
Total revenue		987,938	1,094,607
Cost of goods sold		(781,821)	(906,319)
Marketing and selling expenses		(12,182)	(18,381)
Warehouse and distribution expenses		(4,534)	(9,246)
Administration expenses		(31,599)	(48,430)
Research and development expenses		(12,965)	(15,700)
Borrowing costs		(13,329)	(16,589)
Net assets of controlled entities sold	3.1	(47,369)	-
Other expenses from ordinary activities		(1,607)	(9,362)
Total expenses		(905,406)	(1,024,027)
Share of net profit (loss) of associates		(938)	6,419
Profit from ordinary activities before income tax		81,594	76,999
Income tax attributable to ordinary activities	3.3	(18,928)	(22,707)
Profit from ordinary activities after income tax		62,666	54,292
Profit from ordinary activities after income tax attributable to outside equity interests		(14,428)	(9,967)
Profit from ordinary activities after income tax attributable to members of Pacifica Group Limited		48,238	44,325
Non-owner transaction changes in equity			
Net decrease in retained earnings on initial adoption of revised AASB 1028 Employee Benefits	3.4	(137)	-
Net exchange difference on translation of financial statements of self-sustaining foreign operations		(32,892)	(15,396)
Total changes in equity from non-owner related transactions attributable to members of Pacifica Group Limited		15,209	28,929
		cents	cents
Earnings per share			
Basic earnings per share		35.2	30.5
Diluted earnings per share		34.3	30.0

Notes to the Statement of Financial Performance

3.1 Individually Significant Items

	2003	2002
	\$000	\$000
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		
Net proceeds from sale of Webforge group of companies	52,182	-
Net assets disposed from sale of Webforge group of companies	(47,369)	-
Profit on sale of Webforge group of companies	4,813	-
Adjustment to carrying value of non-current assets ⁽¹⁾	2,532	-
Rationalisation and restructure costs ⁽²⁾	(5,094)	-
Write-off of development costs	(4,557)	-
Individually significant items before income tax	(2,306)	-
Income tax attributable to individually significant items	3,343	-
Individually significant items attributable to outside equity interests	530	-
Individually significant items attributable to members of Pacifica Group Limited	1,567	-

⁽¹⁾ Includes reversal of a provision for diminution in value of buildings of \$5,394,000 and a write-off of deferred expenditure of (\$2,862,000).

⁽²⁾ Rationalisation and restructure costs include asset write-downs, redundancies and other associated costs relating to exiting non-core businesses and quitting obsolete product lines.

3.2 Other Revenue from Ordinary Activities

	2003	2002
	\$000	\$000
Interest revenue	926	1,296
Proceeds from sale of property, plant and equipment	291	5,331
Other revenue from operating activities	10,729	10,693
Total other revenue from ordinary activities	11,946	17,320

Notes to the Statement of Financial Performance (continued)

3.3 Income tax

	2003	2002
	\$000	\$000
Prima facie income tax calculated at 30% (2002: 30%) on profit from ordinary activities before income tax	24,478	23,100
<i>Add increased income tax arising from</i>		
Non-allowable depreciation and amortisation	272	224
Offshore profits at higher tax rates	1,007	-
Share of associates' net loss	281	-
Other non-allowable items	989	1,865
<i>Less reduced income tax arising from</i>		
Offshore profits at lower or nil tax rates	-	(67)
Research and investment allowances	(1,317)	(145)
Share of associates' net profit	-	(1,925)
Other non-assessable items	(2,360)	(164)
Individually significant item - non-taxable profit on sale of Webforge group of companies	(1,444)	-
Individually significant item - non-taxable reversal of provision for diminution in value of buildings	(1,783)	-
Income tax on operating profit	20,123	22,888
Income tax under (over) provided in prior year	(1,195)	(181)
Income tax attributable to ordinary activities	18,928	22,707

3.4 Change in Accounting Policy - Employee Benefits

The consolidated entity has applied the revised AASB 1028 Employee Benefits, issued in June 2001, for the first time from 1 January 2003.

The liability for wages, salaries and annual leave is now calculated using the remuneration rates the consolidated entity expects to pay as at each reporting date, not wage and salary rates current at reporting date.

The initial adjustments to the consolidated financial report as at 1 January 2003 as a result of this change are a \$195,000 increase in provision for employee benefits, a \$58,000 increase in future income tax benefits, and a \$137,000 increase in opening accumulated losses. For the reporting period, there is no material impact on net profit as a result of this change in accounting policy.

**4.0 Statement of Financial Position
as at 31 December 2003**

	Note	2003 \$000	2002 \$000
Current assets			
Cash assets	4.1	36,948	87,706
Receivables		129,467	132,375
Inventories		50,200	59,159
Prepayments		4,552	2,461
Total current assets		221,167	281,701
Non-current assets			
Receivables		11,825	14,867
Investments accounted for using the equity method		27,992	28,930
Property, plant and equipment		422,384	441,134
Intangible assets		30,647	-
Deferred tax assets		20,980	11,579
Other non-current assets		5,575	19,710
Total non-current assets		519,403	516,220
Total assets		740,570	797,921
Current liabilities			
Payables		122,957	136,411
Interest bearing liabilities	4.1	2,728	53,915
Current tax liabilities		4,719	5,992
Provisions		18,658	31,331
Total current liabilities		149,062	227,649
Non-current liabilities			
Interest bearing liabilities	4.1	216,132	174,820
Deferred tax liabilities		43,559	29,919
Provisions		5,220	1,073
Total non-current liabilities		264,911	205,812
Total liabilities		413,973	433,461
Net assets		326,597	364,460
Equity			
Contributed equity		292,052	308,455
Reserves		(28,511)	1,588
Retained profits (accumulated losses)		(1,313)	(17,783)
Total parent entity interest		262,228	292,260
Outside equity interests		64,369	72,200
Total equity		326,597	364,460

Notes to the Statement of Financial Position

4.1 Cash Assets and Interest Bearing Liabilities

	2003	2002
	\$000	\$000
Current interest bearing liabilities		
Bank overdraft unsecured	2,675	-
Bank loans unsecured	-	53,725
Lease liabilities	53	190
	2,728	53,915
Non-current interest bearing liabilities		
Bank loans unsecured ⁽¹⁾	149,624	174,711
US\$ notes unsecured ⁽²⁾	66,480	-
Lease liabilities	28	109
	216,132	174,820
Total interest bearing liabilities	218,860	228,735
Cash at bank and on hand	(20,617)	(52,391)
Short term deposits at call	(16,331)	(35,315)
Net debt	181,912	141,029

⁽¹⁾ For the reporting period, represents principal bank borrowings of:

Pacifica Group Limited - A\$90,000,000 drawn under commercial bill facilities totalling A\$140,000,000, maturing May 2005 and bearing interest at BBSW plus credit margin.

PBR Italy Holdings Srl - €29,435,000 drawn under a €33,000,000 term loan facility maturing July 2006 and bearing interest at EURIBOR plus credit margin.

⁽²⁾ Represents US\$50,000,000 senior unsecured guaranteed 10 year notes issued in the United States private placement market, with interest payable semi-annually.

5.0 Statement of Cash Flows
for the financial year ended 31 December 2003

	Note	2003 \$000	2002 \$000
Cash flows from operating activities			
Receipts from customers		933,931	1,084,077
Payments to suppliers and employees		(819,081)	(925,005)
Dividends received		-	6,851
Interest received		926	1,309
Borrowing costs paid		(11,651)	(16,203)
Income taxes paid		(14,011)	(9,155)
Net cash from operating activities	5.1	90,114	141,874
Cash flows from investing activities			
Payments for purchase of controlled entities		(61,275)	-
Payments for property, plant and equipment		(78,368)	(47,476)
Proceeds from sale of controlled entities net of cash disposed		47,905	1,653
Proceeds from sale of property, plant and equipment		2,691	2,531
Net cash used in investing activities		(89,047)	(43,292)
Cash flows from financing activities			
Proceeds from issue of shares		839	284
Dividends paid to members of Pacifica Group Limited		(28,838)	(12,837)
Dividends paid to outside equity interests		(9,698)	(12,897)
Payments for share buy back		(17,242)	(38,288)
Proceeds from borrowings		14,360	-
Repayment of borrowings		-	(32,575)
Net cash used in financing activities		(40,579)	(96,313)
Net increase (decrease) in cash held		(39,512)	2,269
Cash at the beginning of the financial period		87,706	90,736
Effects of exchange rate changes on cash held in foreign currencies		(13,921)	(5,299)
Cash at the end of the financial period		34,273	87,706
		cents	cents
Operating cash flow per share		65.7	97.7

Notes to the Statement of Cash Flows

5.1 Reconciliation of profit from ordinary activities after income tax to net cash from operating activities

	2003	2002
	\$000	\$000
Profit from ordinary activities after income tax	62,666	54,292
(Profit) loss on disposal of property, plant and equipment	(193)	(819)
Profit on sale of controlled entities	(4,813)	-
Adjustment to carrying value of non-current assets	(2,532)	-
Write-off of deferred development costs	4,557	-
Depreciation and amortisation	51,954	59,891
Share of associates' net profit	938	432
Increase (decrease) in current and deferred taxes payable	4,917	13,552
Net cash from operating activities before changes in assets and liabilities	117,494	127,348
(Increase) decrease in debtors, prepayments and other receivables	(3,068)	(3,228)
(Increase) decrease in inventories	1,633	(445)
Increase (decrease) in payables and provisions	(25,945)	18,199
Net cash from operating activities	90,114	141,874

6.0 Details of Dividends

The following dividends have been paid or declared since the end of the preceding reporting period

	2003	2002
	\$000	\$000
During the reporting period and previous corresponding period		
Interim ordinary dividend of 9 cents per share, 60% franked at 30%, paid 20 September 2002	-	12,837
Final ordinary dividend of 11 cents per share, fully franked at 30%, paid 4 April 2003	15,234	-
Interim ordinary dividend of 10 cents per share, fully franked at 30%, paid 19 September 2003	13,604	-

Subsequent to the end of the reporting period

Since the end of the reporting period, the Directors have declared a final ordinary dividend of 11.5 cents per share, franked to 100% at the 30% tax rate, payable on 2 April 2004 and totalling \$15,646,075. 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 Ltd Dividend Reinvestment Plan was suspended with effect from the interim dividend paid 5 October 2001.

8.0 Statement of Retained Earnings (Accumulated Losses)

	2003	2002
	\$000	\$000
Accumulated losses at the beginning of the reporting period	(17,783)	(50,387)
Profit from ordinary activities after income tax attributable to members of Pacifica Group Limited	48,238	44,325
Net effect of initial adoption of revised AASB 1028 Employee Benefits	(137)	-
Transfer from foreign currency translation reserve	(2,793)	1,116
Dividends	(28,838)	(12,837)
Accumulated losses at the end of the reporting period	(1,313)	(17,783)

9.0 Net Tangible Assets per Security

	2003	2002
	\$	\$
Net tangible asset backing per ordinary security	\$1.70	\$2.08

10.0 Details of Entities over which Control has been Gained or Lost

10.1 Controlled Entities Acquired

Name of entity	Automotive Products Italia (SV) SpA	
Date of gain of control		1 July 2003
Contribution to profit from ordinary activities after tax of the controlled entity since the date in the reporting period on which control was gained		\$597,000

10.2 Controlled Entities Disposed

Name of entity	Webforge Group of Companies	
Date of loss of control		2 January 2003
Contribution to profit from ordinary activities after tax of the controlled entities for the reporting period to the date of loss of control		(\$42,000)
Contribution to profit from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period		\$1,362,000

10.0 Details of Entities over which Control has been Gained or Lost (continued)

10.3 Details of Aggregate Assets and Liabilities Acquired and Disposed

	Acquired	Disposed
	2003	2003
	\$000	\$000
The aggregate amount of assets and liabilities acquired and disposed by major class		
Cash	-	3,739
Receivables	25,876	17,219
Inventories	6,930	8,700
Property, plant and equipment	34,046	31,608
Intangibles	12,030	-
Deferred tax assets	-	852
Payables	(24,080)	(12,062)
Interest bearing liabilities	(3,329)	-
Current and deferred tax liabilities	(5,949)	(103)
Other provisions	(4,997)	(2,584)
Net assets acquired and disposed	40,527	47,369
Goodwill on acquisition	20,748	-
Profit on disposal	-	4,813
Consideration paid / proceeds on disposal (net of costs)	61,275	52,182

11.0 Details of Associates

	2003	2002
	\$000	\$000
Details of associates and contribution to net profit		
FMP Group (Australia) Pty Ltd		
Ownership interest: 49% (2002: 49%)	(938)	6,185
Lionweld Kennedy Middle East LLC (disposed 1 July 2002)		
Ownership interest: 0% (2002: 49% prior to disposal)	-	234
Total	(938)	6,419

12.0 Any Other Significant Information

12.1 Segment Reporting - Geographical Segments

2003 (\$000)	Australia & New Zealand	United States of America	Europe	Asia	Eliminations	Consolidated
Sales revenue	353,731	499,287	36,312	34,480	-	923,810
Other revenue	17,800	1,604	833	231	(9,448)	11,020
Segment revenue	371,531	500,891	37,145	34,711	(9,448)	934,830
Unallocated revenue						53,108
Total revenue						987,938
Operating segment result	48,299	41,998	2,712	4,578	-	97,587
Significant items	(1,636)	(2,862)	-	(344)	-	(4,842)
Segment result	46,663	39,136	2,712	4,234	-	92,745
Share of associates' net profit (loss)	(938)	-	-	-	-	(938)
Unallocated corporate expenses						(2,623)
Unallocated profit on sale of controlled entities						4,813
Borrowing costs net of interest revenue						(12,403)
Profit from ordinary activities before income tax						81,594

2002 (\$000)	Australia & New Zealand	United States of America	Europe	Asia	Eliminations	Consolidated
Sales revenue	396,053	561,890	34,992	84,352	-	1,077,287
Other revenue	21,176	1,416	38	478	(7,084)	16,024
Segment revenue	417,229	563,306	35,030	84,830	(7,084)	1,093,311
Unallocated revenue						1,296
Total revenue						1,094,607
Operating segment result	37,588	38,821	1,836	10,623	-	88,868
Significant items	-	-	-	-	-	-
Segment result	37,588	38,821	1,836	10,623	-	88,868
Share of associates' net profit (loss)	6,185	-	234	-	-	6,419
Unallocated corporate expenses						(2,995)
Unallocated profit on sale of controlled entities						-
Borrowing costs net of interest revenue						(15,293)
Profit from ordinary activities before income tax						76,999

12.0 Any Other Significant Information (continued)

12.1 Segment Reporting - Geographical Segments (continued)

2003 (\$000)	Australia & New Zealand	United States of America	Europe	Asia	Consolidated
Sales by asset location	353,731	499,287	36,312	34,480	923,810
(Export) import sales	(167,445)	162,977	-	4,468	-
Sales by customer location	186,286	662,264	36,312	38,948	923,810

2002 (\$000)	Australia & New Zealand	United States of America	Europe	Asia	Consolidated
Sales by asset location	396,053	561,890	34,992	84,352	1,077,287
(Export) import sales	(170,598)	166,085	-	4,513	-
Sales by customer location	225,455	727,975	34,992	88,865	1,077,287

2003 (\$000)	Australia & New Zealand	United States of America	Europe	Asia	Unallocated	Consolidated
Segment assets	258,194	267,734	98,148	23,930	6,644	654,650
Investments in associates	27,992	-	-	-	-	27,992
Operating assets	286,186	267,734	98,148	23,930	6,644	682,642
Cash assets						36,948
Income tax assets						20,980
Total assets						740,570
Segment liabilities	61,778	47,699	29,068	4,051	4,239	146,835
Interest bearing liabilities						218,860
Income tax liabilities						48,278
Total liabilities						413,973

2002 (\$000)	Australia & New Zealand	United States of America	Europe	Asia	Unallocated	Consolidated
Segment assets	261,644	330,583	-	68,558	8,921	669,706
Investments in associates	28,930	-	-	-	-	28,930
Operating assets	290,574	330,583	-	68,558	8,921	698,636
Cash assets						87,706
Income tax assets						11,579
Total assets						797,921
Segment liabilities	78,835	72,875	-	12,216	4,889	168,815
Interest bearing liabilities						228,735
Income tax liabilities						35,911
Total liabilities						433,461

12.0 Any Other Significant Information (continued)

12.1 Segment Reporting - Geographical Segments (continued)

2003 (\$000)	Australia & New Zealand	United States of America	Europe	Asia	Unallocated	Consolidated
Depreciation & amortisation	18,883	27,944	3,072	1,980	75	51,954
Other non-cash expenses	4,606	2,902	1	82	-	7,591
Capital expenditure	34,849	40,534	2,400	584	1	78,368

2002 (\$000)	Australia & New Zealand	United States of America	Europe	Asia	Unallocated	Consolidated
Depreciation & amortisation	18,930	34,769	1,624	4,524	44	59,891
Other non-cash expenses	666	-	-	-	-	666
Capital expenditure	21,276	24,900	453	838	9	47,476

Notes to the Segment Reports

Following the sale of the Webforge group of companies at the beginning of the reporting period, the consolidated entity's revenues are now derived predominantly from automotive products and services. As a result, the consolidated entity's operations are no longer segmented by industry, as was the case in previous reporting periods, but in line with its management reporting system, the consolidated entity now reports on four geographical segments: Australia & New Zealand, United States of America, Europe and Asia.

The Australia & New Zealand segment includes the activities of automotive and construction products in the previous corresponding period, and is predominantly automotive in the reporting period.

The United States of America segment includes only automotive activities in the reporting period and previous corresponding period.

The Europe segment includes only construction products activities in the previous corresponding period and only automotive activities in the reporting period.

The Asia segment includes the activities of automotive and construction products in the previous corresponding period, and only automotive in the reporting period.

Unallocated revenue in the reporting period includes proceeds from the sale of the Webforge group of companies. As the operations were sold as a whole, the revenue is not allocable to individual geographical segments.

12.0 Any Other Significant Information (continued)

12.2 Discontinued Operations

In the annual reporting period ended 31 December 2001, the Company announced its intention to divest the Construction Products Division so as to focus the group around its automotive technologies. At the time of the announcement, the Division comprised Lionweld Kennedy, the European operations; Webforge, the Australian, New Zealand and Asian gratings businesses; and Melwire, the Australian and New Zealand screens, conveyor belts and metal gauzes operations. Webforge was disposed effective 2 January 2003 (refer item 10 of this report) and Lionweld Kennedy was disposed effective 1 July 2002. The Company considers the Construction Products Division to be effectively discontinued. Melwire, the remaining business, is contributing positively to the group's results, but is not material to the consolidated entity's revenues, results or assets.

12.3 Changes in Contingent Liabilities and Contingent Assets

	2003	2002
	\$000	\$000
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	6,835	8,171
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	217	666
Other than these, there are no changes in contingent liabilities or contingent assets since 31 December 2002		

12.4 Events Subsequent to Reporting Date

No matter or circumstance has arisen since the end of the reporting period which is not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

13.0 Accounting Standards used in Compiling the Report

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

14.0 Commentary on the Results and Other Significant Investor Information

14.1 Earnings per Share and the Nature of any Dilution Aspects

	2003	2002
	cents	cents
Earnings per share (EPS)		
Basic earnings per share		
Including individually significant items	35.2	30.5
Excluding individually significant items	34.0	30.5
Diluted earnings per share		
Including individually significant items	34.3	30.0
Excluding individually significant items	33.1	30.0

	\$000	\$000
Reconciliation of earnings used in the calculation of basic and diluted earnings per share		
Profit from ordinary activities after income tax	62,666	54,292
Profit from ordinary activities after income tax attributable to outside equity interests	(14,428)	(9,967)
Earnings used in the calculation of EPS including individually significant items	48,238	44,325
Less aggregate individually significant items attributable to members of Pacifica Group Limited	(1,567)	-
Earnings used in the calculation of EPS excluding individually significant items	46,671	44,325

	Number	Number
Weighted average number of ordinary shares		
Number used as the denominator in calculating basic EPS	137,219,761	145,165,085
Effect of executive share options on issue	3,029,496	2,154,106
Effect of executive share options expired during the period	571,692	281,145
Number used as the denominator in calculating diluted EPS	140,820,949	147,600,336

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

Issue date 7 July 1997	-	950,000
Issue date 9 June 1998	-	1,192,000
Issue date 31 May 1999	1,329,000	1,546,000
Issue date 16 June 2000	-	1,699,000
Issue date 17 June 2002	-	392,000
Average market price of ordinary shares	\$4.30	\$3.79

14.0 Commentary on the Results and Other Significant Investor Information (continued)

14.2 Returns to Shareholders including Distributions and Buy Backs

	2003	2002
	\$000	\$000
Contributed equity		
Ordinary shares issued and fully paid 136,042,760 (2002: 140,496,887)	292,052	308,455

	Date	Issue Price	Number of Shares	\$000
Details of movements in issued ordinary shares				
Opening balance of shares issued	1 Jan		140,496,887	308,455
Issued pursuant to Non-Executive Directors' Share Plan	3 Jan	\$3.83	6,511	25
Issued pursuant to Non-Executive Directors' Share Plan	1 Apr	\$3.45	12,261	42
Issued pursuant to Non-Executive Directors' Share Plan	7 Jul	\$3.65	11,593	42
Buy back pursuant to on-market program ⁽¹⁾		\$3.64	(4,742,789)	(17,242)
Issued pursuant to Executive Option Plan	8 Aug	\$2.75	250,000	688
Issued pursuant to Non-Executive Directors' Share Plan	6 Oct	\$5.10	8,297	42
Closing balance of shares issued			136,042,760	292,052

⁽¹⁾ On 28 September 2001, the Company announced an on-market buy back program to purchase 15,033,093 ordinary shares, representing 10% of the shares on issue on that date. For the reporting period, the share buy back occurred between 3 March 2003 and 10 July 2003 at an average price of \$3.64.

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

For the items noted above, refer to the accompanying **Commentary on Results**.

Annual Meeting

The annual meeting will be held at 11.00 am on Friday, 7 May 2004 at The Grand Hyatt Hotel, 123 Collins Street, Melbourne.

Compliance Statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views.
- 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 The entity has a formally constituted audit committee.

R S Joblin
Company Secretary

Dated 25 February 2004

COMMENTARY ON RESULTS

Overview

Following the sale of the remaining major construction products businesses in 2002 and early 2003, Pacifica is now principally an automotive technology company. Pacifica has operations in Australia, United States, Thailand, Malaysia and New Zealand.

The key external factors influencing Pacifica's businesses are:

- (i) the level of activity in the light truck and Sports Utility sector of the North American market;
- (ii) the level of activity in the Australian passenger vehicle market; and
- (iii) fluctuations in the value of the AUD against the USD.

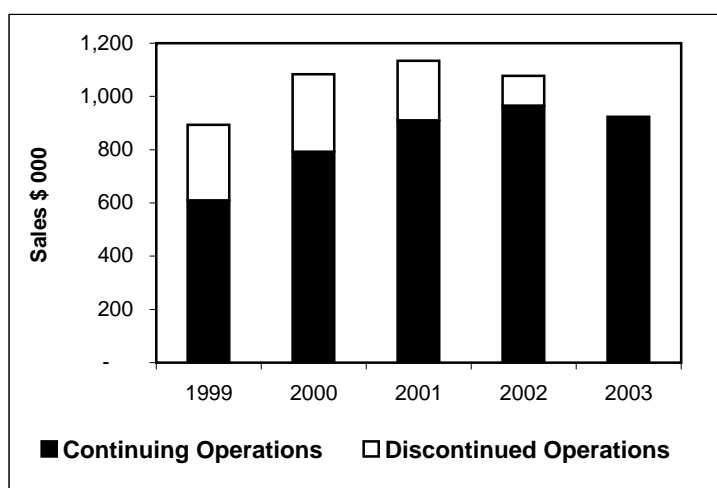
Sales Revenue

Although overall sales revenue decreased 14% to \$924 million, underlying sales (before acquisitions and divestments and at constant exchange rates) increased by 3%. Major factors influencing sales were:

- (i) Divestment of Lionweld Kennedy and Webforge (-\$113 million);
- (ii) Acquisition of AP Italia (+\$36 million);
- (iii) Sales volumes, predominantly North America operations (+\$25 million); and
- (iv) Currency movements (-\$101 million).

The main driver of volume sales growth is the performance of the two PBR plants in North America which, together, recorded an increase in sales at constant dollars of 7%. This is attributed to another relatively strong year for the light truck sector, which underpins operations at both of PBR's North American facilities, and the completion of the ramp up at the Columbia, South Carolina plant.

\$000	2003	2002	% change fav/-unfav
Sales revenue	923,810	1,077,287	-14%
<i>Operating Result:</i>			
EBIT	96,303	92,292	4%
Net interest	(12,403)	(15,293)	19%
Tax	(22,271)	(22,707)	2%
Minority interests	(14,958)	(9,967)	-50%
Net operating profit	46,671	44,325	5%
EPS (cents)	34.0	30.5	11%
Return on equity	17.8%	15.2%	
<i>Total Result:</i>			
Net significant items	1,567	-	
Net profit	48,238	44,325	9%
EPS (cents)	35.2	30.5	15%
<i>Other Financial Items</i>			
Dividend per share	21.5c	20c	
Net debt	181,912	141,029	-29%
Gearing	55.7%	38.7%	
Interest cover (times)	7.8	6.0	30%
Exchange rate A\$/US\$	65.2	54.4	-20%



COMMENTARY ON RESULTS (continued)

Sales Revenue (continued)

Overall, sales to the Australian market were largely in line with last year. 2003 was a record year for new vehicle registrations in Australia, the third consecutive annual record, and sales to domestic vehicle manufacturers by PBR were, accordingly, higher than the previous year. The increase in original equipment sales were, however, offset by Australian aftermarket sales being lower than last year as a result of the divestment of the non-core clutch business in September 2002.

Pacifica's automotive operations in Asia, while relatively much smaller, recorded significantly lower sales than in 2002. This resulted primarily from a changeover in the Malaysian manufactured Proton passenger vehicle, where PBR does not supply brakes to the new model.

Automotive sales in Europe relate to AP Italia which was acquired with effect July 2003. As a result, only six months' sales are included in the financial result.

Earnings Before Interest and Tax (EBIT) Before Significant Items

EBIT increased 4% from \$92.3 million in 2002 to \$96.3 million in 2003. The increase in profitability is due largely to strong sales and the application of concerted continuous improvement strategies aimed at tighter operational cost control. This was partially offset by the loss of EBIT from the sale of the construction products businesses, lower EBIT from the effect the stronger AUD has on translation of offshore subsidiaries' financial statements, and the significant reduction in the contribution from FMP Australia, the associate company friction materials business of which Pacifica has a 49% share, which suffered the effects of a complete change of raw materials and resultant manufacturing inefficiencies.

In summary, the major factors influencing EBIT were:

- (i) Divestment of Lionweld Kennedy and Webforge (-\$6.1 million);
- (ii) Acquisition of AP Italia (+\$2.7 million after amortisation of goodwill);
- (iii) Impact of sales volumes and margin improvement (+\$21.9 million);
- (iv) Currency movements (-\$9.4 million); and
- (v) Lower contribution from associate companies (-\$5.1 million).

In North America, the operating profit margin increased as result of increased volumes, particularly in Columbia where the ramp up of phase 1 was completed, and the cost reductions arising from the implementation of a Lean Manufacturing System designed to minimise waste in the manufacturing process. Operating margins in Australia also increased as PBR exited non-core operations and applied more efficient processes set down by the Lean Manufacturing System.

Margins in Europe in 2003 relate to AP Italia and are stated after amortisation of intangibles which arose as a result of the acquisition. Prior to amortisation charges, AP Italia recorded an EBIT margin of 10.7%, which is on par with the group's average.

COMMENTARY ON RESULTS (continued)

Net Interest

Net interest expense was \$2.9 million or 19% lower than the previous year. This is a consequence of lower average debt levels as a result of a full year's benefit of the sale proceeds of Webforge and only a half year impact of the additional debt arising from the acquisition of AP Italia.

Tax

The effective tax rate on operating profit before tax was 26.5% compared to 29.5% for 2002. The improved rate was mainly attributable to additional tax incentives in respect of research and development expenditure.

Net Operating Profit

Profit increased 5% from \$44.3 million for 2002 to \$46.7 million for the current period. Earnings per share increased from 30.5c to 34.0c, growth of 11%. This is greater than the growth recorded for net profit due

to the impact of the share buy back program. During 2003, Pacifica bought back 4,742,789 shares at an average price of \$3.64 per share.

Earnings Summary

\$000	2003	2002	% change fav/-unfav
<i>Operating EBIT:</i>			
Australia & New Zealand	48,299	37,588	28%
United States of America	41,998	38,821	8%
Europe	2,712	1,836	48%
Asia	4,578	10,623	-57%
Corporate Office	(2,623)	(2,995)	12%
Associate company profits	1,339	6,419	-79%
Total EBIT	96,303	92,292	4%
Net interest	(12,403)	(15,293)	19%
Tax	(22,271)	(22,707)	2%
Minority interests	(14,958)	(9,967)	-50%
Net operating profit	46,671	44,325	5%
Significant items after tax	1,567	-	
Net profit	48,238	44,325	9%
Australia/NZ EBIT margin	13.7%	9.5%	
USA EBIT margin	8.4%	6.9%	
Europe EBIT margin	7.5%	5.2%	
Asia EBIT margin	13.3%	12.6%	

Had rates of exchange remained unchanged from the previous year, net operating profit for 2003 would have been higher on translation of foreign subsidiary accounts by approximately \$3.4 million.

Significant Items

Net aggregate significant items after tax was a profit of \$1.567 million. Individually significant items after tax and minority interests are:

- (i) Profit from the sale of the Webforge group of companies \$4.813 million;
- (ii) Adjustment to carrying value of non-current assets \$4.123 million;
- (iii) Write off of previously capitalised development costs (\$3.190 million); and
- (iv) Redundancies, asset write-offs and associated costs relating to exiting non-core businesses and quitting obsolete product lines (\$4.179 million).

COMMENTARY ON RESULTS (continued)

Balance Sheet

The movements shown in the balance sheet summary (right) largely reflect the sale of Webforge in the first half of 2003 and the acquisition of AP Italia in the second half. Webforge had net assets of \$47 million at disposal, while the acquisition of AP Italia added \$40.5 million of net assets, \$20.8 million of goodwill and \$61.3 million of acquisition debt.

Pacifica's gearing has increased from 39% at the end of 2002 to 56% at the end of the current period. This was largely due to the acquisition of AP Italia which was funded by a new EURO denominated facility sourced in Italy to ensure a natural currency hedge.

Balance Sheet Summary

\$000	Dec 2003	Jun 2003	Dec 2002
Trade working capital	49,147	35,023	42,685
Property and plant	422,384	381,199	441,134
Intangibles	30,647	-	-
Net other assets	6,331	27,832	21,670
Net debt	(181,912)	(110,409)	(141,029)
Net assets	326,597	333,645	364,460
Parent entity interest	262,228	268,525	292,260
Outside equity interests	64,369	65,120	72,200
Equity	326,597	333,645	364,460
Gearing	55.7%	33.1%	38.7%

During the year, Pacifica issued US\$50 million of senior unsecured 10 year notes to the United States private placement market to pay down existing short term debt and assist the funding of phase 2 of the Columbia plant expansion. This new issue improves Pacifica's debt profile, moving debt into the long term category and protecting the natural hedge in place over our North American assets.

Cash Flow

The \$7.9 million decrease in cash EBIT is primarily attributable to the decline in dividends from FMP Australia, Pacifica's associate company investment. In 2002, Pacifica received \$6.9 million in dividends; in 2003, the partners in FMP Australia agreed to forgo dividends to allow the company to use its cash flows to re-engineer the business following its complete change of raw materials.

Cash Flow Summary

\$000	2003	2002	% change fav/-unfav
Cash EBIT	143,908	151,796	-5%
Net interest paid	(10,725)	(14,894)	28%
Income taxes paid	(14,011)	(9,155)	-53%
Trade working capital move	(18,271)	9,863	+ve to -ve
Other working capital move	(10,787)	4,264	+ve to -ve
Operating cash flow	90,114	141,874	-36%
Cash flow per share	65.7	97.7	-33%

The movement in trade working capital was influenced by a non-recurring reduction in 2002 and a non-recurring adverse impact in 2003 of one off early payments to certain suppliers in order to obtain better raw material pricing. The increase in other working capital represents the utilisation of restructuring and rationalisation provisions established in prior years, as well as the associated reduction in employee leave provisions.

COMMENTARY ON RESULTS (continued)

Cash Flow (continued)

Net investing cash flows of \$89 million were attributable to:

- (i) Capital expenditure of \$75.7 million, an increase of \$30.7 million on the equivalent amount for the prior year. The increase in payments for property, plant and equipment was largely due to the fact that the facility in Columbia was expanded during 2003 in readiness for the start of production of new contracts in 2004;
- (ii) Acquisition of AP Italia amounting to \$61.3 million; and
- (iii) Proceeds from the sale of Webforge amounting to \$47.9 million. Proceeds of \$1.7 million recorded in the prior year were from the sale of Lionweld Kennedy, and the recognition of total proceeds of \$49.6 million over the two years now effectively completes the sale of the construction products operations.

Cash Flow Summary			
\$000	2003	2002	% change fav/-unfav
Net capital expenditure	(75,677)	(44,945)	-68%
Acquisition of AP Italia	(61,275)	-	
Sale of businesses	47,905	1,653	
Investing cash flows	(89,047)	(43,292)	-106%
Dividends paid:			
Pacifica shareholders	(28,838)	(12,837)	-125%
Minority interests	(9,698)	(12,897)	25%
Share buy back	(17,242)	(38,288)	55%
Share issues	839	284	195%
Borrowings movement	14,360	(32,575)	-ve to +ve
Financing cash flows	(40,579)	(96,313)	58%

The main features of financing cash flows are the increase in dividend payments and an additional \$17.2 million outlaid on share buy backs, effectively bringing to a close the Company's program to buy back 10% of its shares on issue.

Segment Report

In recent years, Pacifica has transformed itself from a diversified industrial company with three distinct divisions to an automotive technology company. Following this transition, which was effectively completed with the divestment of Webforge at the beginning of 2003, the Company has actively sought opportunities to diversify from a concentrated customer base in the North American market.

As a result of this transition, 2003 is the first reporting period that the primary segment report is based on geographical differences. The prior period segments include the results of Lionweld Kennedy and Webforge, together accounting for the discontinued operations, while the current period segment reports disclose information on automotive activities along geographical lines. For these reasons, other than already included elsewhere in this commentary, further commentary on segment trends is not provided.