Pacifica

annual report 07

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contents

Invitation to the 2008 Annual General Meeting

The Pacifica Group Limited Annual General Meeting will be held in the Gadwall Suite, The Como Melbourne, 630 Chapel Street, South Yarra, Melbourne Australia commencing at 11.00am on Friday 16 May 2008. All shareholders are invited to attend.

the first twelve months

When the Bosch Group first made its decision in 2006 to acquire Pacifica Group, it did so based on an already close relationship between the two companies, particularly in North America. In that market, Bosch had become Pacifica's largest direct customer, following the agreement signed in 2001 to supply aluminium brake components and brake systems.

Bosch was impressed with Pacifica's ability to produce world-class PBR-branded aluminium brake calipers at prices competitive with the iron calipers manufactured by other companies. By vertically integrating the two companies, Bosch believed that greater market share could be achieved and synergies unlocked for the benefit of the stakeholders of both organisations.

At the close of its offer, on 4 March 2007, Bosch had acquired just over 75% of Pacifica's issued capital. Since that time, Bosch has embarked upon the integration of Pacifica, commencing with knowledge and information transfer.

Bosch expects significant synergies to be realised at both the operational level and at the customer interface. It has also become apparent that Pacifica's excellent operational processes and logistics systems can readily be adopted by Bosch. The synergies that have already been identified are being progressively implemented and it is expected that significant cost savings can be obtained in the medium term.

An important initiative taken in 2007 was the streamlining of customer contact. A 'one point of contact' approach has been taken and is proving beneficial for both organisations. For Pacifica, it broadens the range of potential customers and thereby the opportunities to increase market share.

Another streamlining initiative is the merging of the two companies' research and development (R&D) activities. It has been agreed that all future electronic brake (e-brake) R&D will be conducted at Bosch's established facilities in Europe, while work in connection with aluminium technologies, for which Pacifica has developed a worldwide reputation, will continue to be undertaken in Australia.

In China, the world's fastest growing automotive manufacturing market, there are strong opportunities to extract benefits from the coming together of Pacifica and Bosch. This applies to both the manufacturing presence in China, with both companies having established facilities in that country, and to penetration of the local original equipment market.

Purchasing is another area where significant potential synergies have been identified. One example is the sourcing of rubber for aftermarket products. Bosch has rubber production facilities in India, which Pacifica will be able to access.

An early outcome of Bosch's operational review of Pacifica was the sale at the end of August 2007 of the European business, AP Italia, realising an after tax profit in excess of $70 million. As dealt with in greater detail in the review of operations report, Bosch has now announced the full outcome of its operational review. This leads to the integration of Pacifica's regional PBR structures into the Bosch Chassis Systems Brakes Division, a process which has now commenced.

We are confident that Pacifica will emerge from this process as a more robust and resilient business, better able to withstand the ever-increasing demands of the global automotive industry.

Peter Delhey
Executive Chairman

review of operations

2007 OVERVIEW

The global automotive industry continues to be a challenging environment in which to operate, both from the perspective of the major vehicle manufacturers and that of their suppliers, such as Pacifica Group. The debilitating trends evident in prior years have been further accentuated. Oil prices continue to push higher and are prompting significant change in consumer demand patterns, particularly in the more traditional vehicle markets. In addition, broader raw material input costs are progressively increasing, placing further stress on the profitability of the overall industry.

The patterns highlighted above apply to both Pacifica's domestic base in Australia and to its key overseas market and place of operation, North America. The Company's decision to expand its manufacturing base in Asia has proven to be a sound one, and we are confident of increasing direct supply into this growing market over the longer term.

Pacifica is now over 75% owned by Robert Bosch GmbH (Bosch), following the conclusion of its takeover bid in March 2007. As a result of this linkage with this leading global manufacturer of automotive technology, Pacifica is in a much stronger position to weather the difficult industry climate now prevailing. Bosch has completed its operational review of Pacifica, and the decisions from this process will be progressively rolled out over the course of 2008.

FINANCIAL AND OPERATING PERFORMANCE

Pacifica Group's financial performance throughout 2007 reflected a further deterioration in the difficult operating conditions experienced in 2006, particularly in the latter half of that year. Underlying influences were the reduced consumer demand in the key vehicle segments to which Pacifica's brake products are exposed, namely large passenger cars and medium-sized light trucks, as well as the constant pressure on margins from increased input costs.

The overall result for the year reflected the combination of the following features:

- modest underlying profitability from continuing operations;
- a substantial input cost impost arising from a dispute with Intermet Corporation, the supplier of iron castings to our Knoxville and Columbia plants in North America;
- significant items totalling a charge after tax in excess of $40 million, largely stemming from the takeover bid by Bosch and subsequent change of control; and
- a large profit from the sale of the European operations, concluded on 31 August 2007.

Financial Results

The Company reported a total net profit attributable to shareholders for 2007 of $21.4 million, an increase of 40% on the $15.2 million recorded in 2006.

The result from continuing operations and before significant items declined to a loss of $18.5 million, from a profit of $8.1 million in 2006. This was achieved on a 7% fall in sales revenue from continuing operations to $659.1 million, with the majority of that decrease attributable to the translation effect of a stronger Australian dollar compared to 2006.

Significant items after tax amounted to a loss of $41.9 million. Nearly two-thirds of this loss attaches to the successful conclusion of Bosch's takeover bid, including $12.4 million of one-off costs foreshadowed at the beginning of last year and the derecognition of $12.8 million of unused US tax losses triggered by the imposition of statutory limitations following the change of control. In addition, the Company has recognised $12.3 million of rationalisation costs associated with volume reductions and ongoing components sourcing problems in Australia, as well as a $2.9 million impairment provision in respect of under-utilised plant and equipment.

The European business, Automotive Products Italia (AP Italia), has been classified as a discontinued operation in the 2007 results, following its sale to Continental AG at the end of August. Total earnings after tax from discontinued operations of $81.7 million include a profit on disposal of approximately $73.5 million, with the balance represented by AP Italia's operating earnings up until the point of sale.

Whilst AP Italia had been a strong performer for Pacifica since its purchase in 2003, the decision to sell formed part of Bosch's operational review of the Company and had regard to AP Italia's greater than 50% sourcing of revenue from Continental AG-supplied vehicle platforms. The sale of AP Italia is also consistent with Bosch's previously stated intent to concentrate on the complementary market positions held by itself and Pacifica in the North American market, as well as the strong combined basis for growth in the Asia-Pacific region.

Commensurate with the decline in earnings before interest, tax, depreciation and amortisation (EBITDA), operating cash flow for the year fell by over 70% to $18.8 million. Year end gearing (net debt to equity) of 20% is markedly lower than that prevailing at the end of 2006, owing to the application of the sale proceeds from AP Italia to the reduction of debt. Full year interest cover at the EBITDA level was 2.2 times.

No dividend has been declared in respect of the 2007 financial year as a result of the lack of overall earnings from continuing operations.

North America

Our North American operations incurred a fall in sales revenue of nearly 15%, to $417.6 million, compared to 2006. A large portion of this reduction relates to the adverse translation effect of a stronger Australian dollar and it also reflects the impact of softer local market demand for large passenger vehicles on sales volumes at the Columbia plant. Volumes at the Knoxville plant were relatively buoyant, reflecting supply to General Motors' fully ramped-up GMT900 light truck platform, demand from which has been broadly in line with expectations. Collective profitability at the operating earnings level, prior to inclusion of disputed cost imposts from Intermet Corporation, fell to modest levels owing to increased cost pressures and the detrimental effect of reduced activity at Columbia.

Intermet Corporation

In April 2007, Pacifica reported that it was in legal dispute with Intermet Corporation, a supplier of iron castings for the manufacture of brake components at both the Knoxville and Columbia plants. From that date, Intermet imposed on Pacifica substantial price increases which, over the course of the year, served to reduce operating earnings by approximately $35 million, and net profit after tax and minorities by over $12 million. By imposing these increases, Pacifica is of the firm belief that Intermet is in breach of its contractual supply commitments. Legal proceedings have commenced against Intermet aimed at recovering in damages, the disputed price increases. The Board believes that this matter is unlikely to be resolved prior to mid-2008.

review of operations

Australia

In 2007, the Australian business recorded an increase in external sales revenue of nearly 5%, to $191.1 million. This sound top line outcome was assisted by a full year's supply to GM Holden's VE Commodore and of new products to Toyota's export Camry, both of which commenced towards the end of 2006. Pacifica's exposure to the strong export programs of these two original equipment manufacturers has helped to alleviate pressure from the softening of local large passenger car volumes, a concerning trend which has been in place for several years. Whilst still profitable, the Australian business reported a significant drop in operating earnings to $1.4 million, reflecting a changed sales mix within the operation and the ongoing impact of increased input costs emanating from upheaval in the local supplier base.

Asia

One area of particular success for Pacifica in recent years has been our establishment of an expanded lower cost manufacturing base in the Asian region. For 2007, the Asian operations reported external sales growth of 40%, to $50.4 million, and a 50% improvement in operating earnings as the benefits of the lower cost base are progressively realised. Significant effort is being made to build on early success in supplying directly to the local market, following the commencement of supply of small volumes of calipers, rotors and park brakes to Shanghai GM in the opening half of 2007. The commissioning of the iron foundry at Dalian in China has been satisfactorily completed and expansion of the machining and assembly facility at that site is currently occurring.

FMP

Earnings from FMP Australia, the 49%-owned friction materials business, were at a modest and far from satisfactory level in 2007. This business is, however, responding to further restructuring activity undertaken at its Ballarat plant at the beginning of the year, and a small profit was recognised in the second half. No further adjustment to the carrying value of Pacifica's investment in FMP Australia has been necessary following the write-down to net tangible asset backing realised at the end of 2006.

BOSCH OPERATIONAL REVIEW

Upon the successful conclusion of its bid in early 2007, Bosch committed to undertaking a comprehensive operational review of the Company, examining all potential opportunities and benefits that could be realised from Pacifica becoming part of the Bosch Group. Whilst an early outcome of the review was to sell AP Italia, the balance of the review has now been completed. After considering the global market requirements, as well as the existing management structures and business processes, it has been determined to completely integrate Pacifica into the Chassis Systems Brakes Division of Bosch. As a result, the following steps will be taken:

- Pacifica's operations in North America and China will, from 1 April 2008, report directly to the existing Bosch Chassis Systems Brakes Division management in the corresponding region;
- Pacifica's remaining automotive operations in Australia and Thailand will be renamed Bosch Chassis Systems Australia Limited and Bosch Chassis Systems (Thailand) Limited respectively. Peter Slaski, currently Pacifica's Group Vice President, Operations, has been appointed as head of these businesses which will concentrate on developing new business opportunities in the Australian and South-East Asian regions;
- all future engineering activities, including research and development, will be co-ordinated by the headquarters of Bosch Chassis Systems Brakes Division, based in Germany. This will provide a significant resource to draw upon, as Pacifica concentrates on application engineering of brakes systems for the original equipment manufacturers in Australia and South-East Asia. This step includes the cessation of development of Pacifica's own e-brake technologies; and
- the current Chief Executive Officer of Pacifica's automotive operations, John MacKenzie, together with other Pacifica senior executives, will retire from the Company after a planned management handover.

It is anticipated that further post-tax restructuring and rationalisation costs of between $3.5 million and $4.5 million, stemming from implementation of these operational review outcomes, will be incurred in the 2008 financial year. The overall implementation process is expected to be largely complete by mid-2008.

ENVIRONMENTAL MANAGEMENT

At the East Bentleigh site, much effort went into water efficiency and recycling. By redesigning plating line rinse processes, recycling water and reducing bathroom water usage, the East Bentleigh site cut its water usage from 105 million litres to 78 million litres per annum, representing a 25% reduction in water use.

An upgrade to the waste water treatment plant is expected to save a further 39 million litres of water per year.

Continuous improvement teams were formed to promote energy efficiency, waste reduction and water saving.

The Columbia plant was named 2007 mid-size manufacturing recycler of the year by the South Carolina Chamber of Commerce. Some specific initiatives taken at the plant during the year included water conservation measures in restrooms, upgrading of lighting in the plant to minimise electrical use and a redoubling of efforts in the area of recycling.

The Knoxville plant achieved pleasing reductions in energy consumption and solid waste volumes.

PAT Dalian initiated a water recycling program. It is also undergoing preparation for ISO 14001 certification.

BOARD AND MANAGEMENT

As mentioned in last year's report, Jerry Ellis, Doug Curlewis and Peter Thomas all retired from the Board on 7 March 2007.

Bosch nominees Peter Delhey, Krister Mellvé, Guenther Plapp and Michael Kopka joined the Board on that day. Peter Delhey, the Executive Vice President, Finance and Administration of Bosch's Chassis Systems Brakes Division, was appointed Executive Chairman.

Krister Mellvé retired from the Board on 11 May 2007 as a consequence of taking up a new appointment within the Bosch organisation and was replaced by David Robinson, the incoming President of Robert Bosch Australia.

Tony Clarke, who served as the Company's Finance Director for the period from June 2002 to September 2007, retired from the Board on 12 September 2007 and ceased employment with the Company at the end of that month.

Shareholders will note from the Notice of Meeting for this year's Annual General Meeting that Peter Hay is retiring from the Board after 19 years of service. We thank him for his contribution.

John MacKenzie, the Managing Director of Pacifica from July 2001 for almost six years stood down from the Board at last year's Annual General Meeting but agreed to stay on for a further 12 months at the helm of PBR to oversee the integration. John will retire from all involvement with the Group immediately following this year's Annual General Meeting and we thank him for his immense contribution to the growth and success of the Company over some 22 years.

OUTLOOK

Our expectation is for another challenging year in 2008, as the underlying conditions in the automotive industry in which we participate, demonstrate little or no sign of improvement. The direction of the North American economy and its impact on vehicle volumes, particularly at the light truck and large passenger car end of the spectrum, remain a particular concern. Sustained high oil prices are also playing their part. In addition, the North American business continues to bear inflated input costs, at least until the dispute with Intermet is resolved, an event which is unlikely to occur before the middle of the year.

In Australia, our performance continues to be influenced by the trend away from locally-produced large passenger cars as well as mounting cost pressures associated with the ongoing dislocation to the local supply base. The decision by Mitsubishi Australia to shut its local original equipment manufacturing operation at the end of March 2008, while reflecting the difficult local industry conditions, is not expected to have a significant effect on Pacifica's own future performance.

The Asian operations are continuing to reap benefits from the low cost base now established, but future growth prospects will be dictated by the degree of success in increasing direct supply to the regional market.

Putting aside significant restructuring costs and the ongoing impact of the disputed Intermet impost, it is Pacifica's current expectation that underlying operating earnings will remain under considerable pressure in 2008. The Company remains mindful of the risk of further deterioration in trading conditions, particularly given the uncertain picture in the key North American market.

board of directors

Peter Delhey
MA, Aged 45

Executive Chairman since 7 March 2007. Mr Delhey is a Bosch executive. He joined the Bosch Group in 1990 and has extensive management experience with a number of Bosch automotive technology divisions. Currently, Mr Delhey holds the position of Executive Vice President, Finance and Administration for Bosch Chassis Systems Brakes Division.

Patrick Burroughs
FCA, BSSc (Hons), Aged 59

Non-Executive Director since his appointment in August 2004 and Chairman of the Audit Committee. Mr Burroughs has served in a number of executive and board roles, and has extensive knowledge and expertise in finance, accounting, risk management and governance. He was a partner of KPMG for many years before retiring in 1998, at which time he was head of the Financial Services Practice. Mr Burroughs is currently Chairman of PFS Nominees Pty Ltd, the corporate trustee of the Plum Superannuation Fund, a Director of the Royal Children's Hospital in Melbourne and MLC Nominees Pty Ltd and a Board member of the Federal Government's Companies Auditors and Liquidators Disciplinary Board.

Peter Hay
LLB, Aged 57

Non-Executive Director since September 1989. Mr Hay is a member of the Audit Committee. He is Co-Chairman, Investment Banking, Lazard Carnegie Wylie. Mr Hay is also a Director of Alumina Limited and Landcare Australia Limited. He was National Chief Executive Officer of Freehills from 2000 to 2005. Mr Hay has advised of his intention to retire from the Board at the Annual General Meeting on 16 May 2008.

Michael Kopka
MBA, Aged 42

Executive Director since 7 March 2007. Mr Kopka joined the Bosch Group in 1992. He has extensive experience in strategic and operational roles in Bosch divisions in Europe and North America. He is currently responsible for the co-ordination of all post-merger integration activities between the Company and Bosch. Mr Kopka is a member of the Audit Committee.

Guenther Plapp
MSc, Aged 59

Non-Executive Director since 7 March 2007. Mr Plapp joined the Bosch Group in 1978. He held the position of Executive Vice President, Engineering in a number of Bosch automotive divisions. Mr Plapp is currently responsible for global Engineering and Product Planning of Bosch Chassis Systems Brakes Division. Mr Plapp has advised of his intention to retire from the Board at the Annual General Meeting on 16 May 2008.

David Robinson
Aged 58

Non-Executive Director since 11 May 2007. Mr Robinson joined the Bosch Group in 1990. He is currently President of Robert Bosch (Australia) Pty Ltd. Prior to this, Mr Robinson held the position of President, Automotive Body Electronics and Electrical Division based in North America.

The following Directors retired from the Board in the course of 2007:

Tony Clarke FCPA, BComm

Appointed Finance Director in June 2002. Mr Clarke had previously served in a number of positions within Amcor Limited prior to his Pacifica appointment. Mr Clarke retired from the Board on 12 September 2007.

Douglas Curlewis BA, MBA

Served as a Non-Executive Director from March 1998 until his retirement from the Board on 7 March 2007.

Jeremy Ellis MA

Served as a Non-Executive Director from August 1999 and as Non-Executive Chairman from July 2002 until his retirement from the Board on 7 March 2007.

John MacKenzie BSc

Joined PBR, or Brake and Clutch Industries Australia as it was then known, in 1986 and held several senior management positions before being appointed Managing Director of Pacifica Group Limited in July 2001. He retired from the Board on 11 May 2007. Mr MacKenzie agreed to serve a further twelve months as head of Pacifica's automotive operations to ensure a smooth period of transition.

Krister Mellvé BBusComm

Served as a Non-Executive Deputy Chairman from 7 March 2007 until his retirement from the Board on 11 May 2007.

Peter Thomas AM, BComm

Served as a Non-Executive Director from June 2004 until his retirement from the Board on 7 March 2007.

corporate governance

Pacifica operates in accordance with a set of corporate governance policies which take into account legal requirements and best practice, including the ASX Corporate Governance Council Principles introduced in March 2003 (Governance Principles).

This report outlines the main corporate governance practices which were in place during the 2007 financial year at Pacifica.

It is noted that as a consequence of the takeover of the Company by Bosch, there are some departures from the Governance Principles which the Board believes are justified in light of Bosch's more than 75% shareholding in the Company. These are noted in this report.

2007 CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Role of the Board

The Board recognises that its primary role is the prudent stewardship of shareholders' funds leading to the creation of long term shareholder value. In fulfilling this role, the Board adopts overall responsibility for the corporate governance of the Company, including:

- approving business objectives;
- monitoring and reviewing senior management performance;
- establishing a control framework for the identification and management of the Company's principal business risks;
- ensuring policies and procedures are in place to facilitate compliance with the Company's legal responsibilities; and
- evaluating and approving all major capital projects and major corporate transactions.

Responsibility for the day-to-day management of the Company is delegated to a senior management team.

Board Process

The Board met on 8 occasions during the year.

The table contained in the Directors' Report on page 15 of this Annual Report sets out the attendance of Directors at meetings of the Board and the Audit Committee during the year.

The Company Secretary prepares the agenda for each Board meeting and papers are circulated to Directors approximately one week ahead of each meeting date.

The Board has established the Audit Committee to streamline the discharge of its financial and reporting obligations. This Committee operates under a Charter approved by the Board and is comprised of Directors with appropriate skills and experience.

The Board may also, from time to time, appoint a special purpose committee with short term responsibilities, as prescribed by a specific Board resolution.

Since 7 March 2007, the Board has operated without a Human Resources and Remuneration Committee and without a Nomination Committee with both functions being assumed by the full Board. Processes are in place to assist the Board in identifying and dealing with matters that would otherwise have been dealt with by these Committees.

The Board has adopted a Board Charter covering its operation, which is available under the Corporate Governance section of the Company's website at www.pacifica.com.au.

The Chairman will conduct individual Director performance evaluations prior to the expiry of each Director's term of appointment when consideration is being given as to whether the Board should recommend that Director's re-election.

On a regular basis, the independent Non-Executive Directors provide feedback to the Chairman on the Chairman's performance in his role.

Board Composition

The Board should be comprised of Directors with a broad range of skills and experience to enable it to discharge its obligations effectively. The composition of the Board will be reviewed from time to time to ensure that it contains the appropriate mix of expertise and experience.

The names and details of the Directors of the Company in office at the date of issue of this Annual Report, including their qualifications, experience, expertise, terms of office, other past and present directorships and special responsibilities are set out on pages 6 and 14 of this Annual Report.

The Chairman is responsible for the leadership and effective functioning of the Board. He manages the conduct of Board meetings.

A standard letter of offer of appointment, which is publicly available on the Company's website, sets out the applicable terms and conditions of appointment for Directors. In particular, the candidate is required to acknowledge to the Board that they have sufficient time to devote to the workload requirement of an effective and contributing Director.

New Directors must face a vote of shareholders at the next Annual General Meeting in order to have their office confirmed. All Directors other than a Managing Director are required to seek re-election at least once in every three years, on a rotating basis.

At the date of this report, there are 6 Directors on the Board, two of whom are independent Non-Executive Directors.

Until 7 March 2007, the Board was comprised of a majority of independent Non-Executive Directors in accordance with the Board Charter. The Board now comprises 4 Non-Executive Directors (2 being independent) and two Executive Directors, one of whom serves as Chairman. The Board believes this departure from the Governance Principles to be in the best interests of its shareholders in light of Bosch's majority shareholding.

Independence

The Board has determined that Mr Burroughs and Mr Hay were independent for the duration of the 2007 financial year. Former Directors Jeremy Ellis, Doug Curlewis and Peter Thomas, who retired from the Board on 7 March 2007, were considered independent during their respective tenures.

Under the definition of Director Independence adopted by the Board, guidelines are set out to which the Board has regard in determining whether or not a Director "is independent of management and not concerned in any business or other relationship which could materially interfere with the exercise of free and independent judgement". Materiality is assessed on a case-by-case basis by reference to each Director's circumstances rather than specific materiality thresholds.

The Directors have concluded that the period of a Director's tenure will not automatically disqualify that Director from being regarded as independent. An assessment of whether the Director's ability to act in the best interests of the Company has been materially interfered with, must be made on a case-by-case basis with reference to the length of service of all members of the Board.

The Board also considers that to the extent that the role carried out by the Chairman, Peter Delhey, is of an executive nature, it is in the best interests of the Company. Mr Delhey has over 17 years relevant experience and holds the position of Executive Vice President, Finance and Administration, Bosch Chassis Systems Brakes Division.

Directors are required to keep the Board advised of any interests that could potentially conflict with those of the Company.

All Directors have agreed to give the Company notice of changes to their relevant interests in Company securities within sufficient time to enable the Company to comply with its obligation under the ASX Listing Rules to notify the ASX of changes in notifiable interests of Directors within five business days of the change.

corporate governance

Audit Committee

The Audit Committee operates under a Charter, approved by the Board, which reflects the Board's commitment to the integrity and effectiveness of its financial reporting, compliance and risk management systems.

The Committee currently comprises three members appointed by the Board, including the two independent Non-Executive Directors, Patrick Burroughs, who serves as Chairman and Peter Hay. The third member of the Committee, Michael Kopka, is a Bosch executive, and he brings an understanding of the Bosch financial reporting and audit requirements to the Committee table which is vital during the integration phase. The PBR International Chief Executive Officer, Pacifica Chief Financial Officer and the Internal Audit Manager, together with the external audit firm partner, attend meetings by invitation. The Chairman of the Audit Committee is not the Chairman of the Board.

The Committee has the appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industry in which the Company operates.

The responsibilities of the Committee include:

- appointing, removing, and approving the remuneration of, the external auditor and monitoring the external audit function;
- reviewing and ensuring the quality and accuracy of financial reports prior to their release;
- ensuring that an effective and appropriate internal control framework is in place, and where any deficiencies in controls or procedures are identified, ensuring prompt remedial action is taken by management;
- monitoring accounting policies, issues and developments to ensure compliance;
- overseeing the work of the internal audit function;
- considering whether the non-audit services provided by the external audit firm are consistent with maintaining the external auditor's independence;
- ensuring any matters raised by the external auditor or regulatory authorities are appropriately addressed; and
- reviewing its own performance as an Audit Committee, including ensuring it has satisfied its responsibilities under the Charter.

The Audit Committee reports annually to the Board on the effectiveness, remuneration and independence of the external auditor, and makes recommendations to the Board on the annual appointment or removal of the external auditor.

The Board has adopted a policy addressing the issue of auditor independence and the performance of non-audit consultancy work by the Company's external auditor, to ensure that at all times the external audit firm is independent of the Company, its management and its Directors.

The policy identifies services which are considered to be in conflict with the role of the external auditor and as such should not be provided by that firm.

The external auditor is required to make an annual declaration of independence to the Board and submit a written statement to the Committee in regard to its relationship with the Company. Non-audit services over $150,000 other than tax compliance services, are subject to a competitive tendering process.

External audit firm partners must be rotated after a maximum of five years.

Twice a year, both the external auditor and the Internal Audit Manager are provided with the opportunity to meet separately with the Committee, without management present, to ensure the full and frank disclosure of audit issues.

The Chairman of the Committee reports to the Board at its next meeting on the business conducted at each Committee meeting.

A copy of the Audit Committee Charter is published on the Company's website.

Remuneration and Senior Executive Performance Assessment

The Board has considered and approved the Remuneration Report on pages 19 to 31 of this Annual Report.

Details concerning the remuneration framework for Non-Executive Directors and senior executives are set out in the Remuneration Report.

The Boards policy is to review the individual performances of senior management on an annual basis.

In 2003, the Board resolved to discontinue the payment of retirement allowances to any Non-Executive Directors appointed after 31 December 2003. It was determined that base fees for Non-Executive Directors appointed after 31 December 2003 would be increased to reflect the fact that retirement allowances are no longer payable to new Directors.

As at the date of issue of this report, there is only one Non-Executive Director, Peter Hay, who was appointed to the Board prior to 31 December 2003. As already agreed, Mr Hay is entitled to a retirement allowance calculated on the total fees he has been paid during the period of three years ending on the date of his retirement or death before retirement (less the balance of his superannuation account).

Two former Non-Executive Directors, Jerry Ellis and Doug Curlewis, who retired on 7 March 2007, were also entitled to a retirement allowance, details of which are contained in the Remuneration Report.

Directors' Education and Training

Pacifica offers an induction program for new Directors to help them to become familiar, as quickly as possible, with the business and its operations, corporate strategy and objectives and current issues. Opportunities are provided to visit Pacifica facilities and to meet with management.

Directors are also offered the opportunity to participate in training programs considered by the Board as being appropriate for Directors, at Pacifica's cost.

Independent Professional Advice and Access to Company Information

With the approval of the Chairman, each Director may seek independent professional advice, at Pacifica's cost, on any matter connected with the discharge of their responsibilities as a Director of the Company.

Copies of this advice must be made available to all Board members, unless otherwise agreed by the Chairman.

Dealings by Executives and Directors in Company Shares

Under the Company's Securities Trading Policy, an executive or Director must not trade in any securities of Pacifica at any time when they are in possession of unpublished, market-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Company Secretary to do so and a Director must first obtain approval of the Chairman. Only in exceptional circumstances will approval be forthcoming outside of the period which is four weeks after:

- one day following the announcement of the half yearly and full year results as the case may be;
- one day following the holding of the Annual General Meeting; or
- one day after any other form of earnings forecast update is provided to the market.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

A copy of the Securities Trading Policy is published on the Company's website.

INTERNAL CONTROL AND BUSINESS RISK FRAMEWORK

At Pacifica, the effective management of risk is important to the ongoing success and growth of the Company and, in turn, the maximisation of value for shareholders. Plans for managing risk form part of the overall business strategy.

The Board is responsible for the overall risk management and internal control framework. To assist it in discharging this responsibility, the Board has put in place a control framework designed to identify, prioritise and manage the Company's principal risks.

As part of that framework, a Budget and Business Plan are the subject of annual presentations to the Board by management. The identification of areas of risk which will require appropriate management to ensure the achievement of the Business Plan, form part of that presentation.

Management reports results compared with Budget on a monthly basis and provides revised forecasts to the Board on a regular basis.

corporate governance

The Audit Committee assists the Board in fulfilling its responsibility in this area by ensuring the accuracy of financial reporting, maintaining an appropriate internal control framework and, where any deficiencies are identified, ensuring prompt remedial action is taken.

The Board has identified a number of key risk areas on which it requires regular reporting by management. These include:

Treasury Operations: The Pacifica Chief Financial Officer, reports regularly to the Board in relation to changes in financial risk exposures, including interest rate and foreign currency exposures (and the measures in place to minimise those exposures) and on compliance with banking covenants.

Occupational Health, Safety and Environment: Management reports on occupational health, safety and environmental performance to the Board.

Merger and Acquisition Activities: The Company has in place due diligence procedures applicable to business acquisition or divestment opportunities.

Management reports regularly to the Board on the progress of discussions and negotiations in relation to potential acquisition and divestment opportunities, including any material issues identified through due diligence enquiries and potential exposures resulting from relevant agreements.

Legal Issues: The responsible management reports to the Board at each meeting in regard to any legal or regulatory issues that have arisen or potentially may arise at Pacifica.

It is also required of the PBR International Chief Executive Officer and the Pacifica Chief Financial Officer that they sign representations to the Board that the financial statements present a true and fair view, in all material respects, of the Company's financial position and performance and are in accordance with the accounting standards. The Board has received this statement in writing from the PBR International Chief Executive Officer and the Pacifica Chief Financial Officer for the year ended 31 December 2007. The PBR International Chief Executive Officer and the Pacifica Chief Financial Officer certify to the Board, that in respect of the integrity of the financial statements for 2007, their representations are based on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

A system for the identification, assessment and management of material business risks throughout the Company has been put in place. The system includes:

- the identification of key risks to achievement of the Company's business plan. Appropriate eradication or minimisation plans are then formulated;
- a bottom up reporting system from business units to senior management which operates on a monthly basis to identify any material risk issues;
- a property loss control program at all operational sites. This results in prioritisation of continuous improvement measures to eliminate or minimise risk of damage to the assets of the Company; and
- the implementation of an ongoing program to ensure the maintenance of occupational health, safety and environmental standards and compliance with prevailing regulations.

There are clear authority levels in place to ensure that all business transactions are properly authorised and executed.

Independent assessment of the effectiveness of the Company's risk management system and internal controls is undertaken by internal audit as part of its risk-based approach. The internal audit function is independent of the external auditor and reports to the Audit Committee.

A summary of the Company's risk management policy is available on the Company's website.

ETHICAL STANDARDS

The Directors acknowledge the imperative of maintaining the highest levels of ethical conduct and legal compliance by all Directors and employees of Pacifica. The Board has approved a Corporate Code of Conduct.

The Code sets out principles of conduct and includes:

- a commitment to conducting business with the fullest integrity including complying with laws and regulations in all countries in which the Company operates and by fulfilling all of its responsibilities to its stakeholders and to the community at large;

- rules governing workplace behaviour in areas such as discrimination, harassment and whistle-blowing;
- guidance in ethical matters such as situations involving conflicts of interest, financial inducements and political involvement;
- rules governing compliance with the letter and spirit of restrictive trade practices and fair trading legislation; and
- practices for responsible environmental management.

Pacifica is currently discussing with Bosch the introduction within Pacifica of Bosch's policies of conduct where appropriate.

No donations were made to any political party or candidate for political office during the year.

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

Market Disclosure

The Board has adopted a continuous disclosure policy designed to ensure the Company's compliance with its obligations under the ASX Listing Rules. The policy:

- identifies the disclosure obligations contained in the ASX Listing Rules;
- gives guidance for dealing with market analysts and the media;
- enshrines a monthly disclosure system which prompts managers to consider whether there is any potentially market-sensitive or other information which may require disclosure;
- delegates responsibility to the Company Secretary for monitoring compliance by the Company with its disclosure obligations and co-ordinating the disclosure of information to the ASX, media, shareholders and the investment community;
- requires the appointment of a Disclosure Officer (currently the Company Secretary) for the purpose of liaising with the ASX in relation to the Company's obligations under the ASX Listing Rules; and
- identifies the appropriate channel for passing on potentially market-sensitive information as soon as it comes to hand.

A copy of the continuous disclosure policy is available on the Company's website.

Shareholder Communications

In addition to its formal disclosure obligations, the Board aims to ensure that shareholders have ready access to information concerning the state of affairs of the Company.

Information which is communicated to shareholders is as follows:

- the Annual Report, which includes relevant information concerning the Company's operations during the year and other disclosures required by the Corporations Act 2001;
- releases made to the ASX with respect to changes in the business, future developments and other pertinent issues which are made available on the Company's website; and
- the addresses delivered at the Annual General Meeting which are made available on the Company's website.

The Board welcomes and encourages participation of shareholders at the Annual General Meeting. Shareholders are invited to ask questions of Pacifica representatives at the Annual General Meeting concerning operations and governance.

Pacifica's external auditor attends each Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and content of the Independent Auditor's Report.

A copy of the shareholder communication policy is available on the Company's website.

directors' report

The Directors of Pacifica Group Limited present their report which includes the Remuneration Report, together with the financial report of the Company and its subsidiaries (collectively the Group), for the year ended 31 December 2007 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during the financial year and up to the date of this report were:

Peter Delhey MA (45)
Executive Chairman since 7 March 2007.

Patrick Burroughs FCA, BSSc (Hons) (59)
Independent Non-Executive Director since August 2004.

Tony Clarke FCPA, BComm (50)
Finance Director since June 2002 until his retirement from the Board on 12 September 2007.

Douglas Curlewis BA, MBA (66)
Independent Non-Executive Director from March 1998 until his retirement from the Board on 7 March 2007

Jeremy Ellis MA (70)
Independent Non-Executive Director from August 1999 and independent Non-Executive Chairman from July 2002 until his retirement from the Board on 7 March 2007.

Peter Hay LLB (57)
Independent Non-Executive Director since September 1989.

Michael Kopka MBA (42)
Executive Director since 7 March 2007.

John MacKenzie BSc (61)
Managing Director since July 2001 until his retirement from the Board on 11 May 2007.

Krister Mellvé BBusComm (58)
Non-Executive Deputy Chairman from 7 March 2007 until his retirement from the Board on 11 May 2007.

Guenther Plapp MSc (59)
Non-Executive Director since 7 March 2007.

David Robinson (58)
Non-Executive Director since 11 May 2007.

Peter Thomas AM, BComm (66)
Independent Non-Executive Director from June 2004 until his retirement from the Board on 7 March 2007.

Particulars relating to current Directors' experience, special responsibilities and other directorships are set out on page 6 of this Annual Report.

COMPANY SECRETARY

Ross Joblin LLB (Hons) (51) was appointed to the position of Company Secretary in June 1993. He previously held the role of Company Secretary and Group General Counsel with Australian Airlines Limited and prior to that worked a number of years in private legal practice and in industrial relations roles.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of the Audit Committee) and number of meetings attended by each Director of the Company during the financial year are listed below:

	Board		Audit Committee	
	Held[1]	Attended	Held	Attended
P M Burroughs	8	8	5	5
A J Clarke[2]	6	6	-	-
G D W Curlewis[3]	2	2	-	-
P Delhey[4]	6	6	-	-
J K Ellis[3]	2	2	1	1
P A F Hay	8	8	5	5
M P Kopka[4]	6	6	4	4
J R MacKenzie[5]	4	4	-	-
K Mellvé[4] [5]	2	2	-	-
G E Plapp[4]	6	2	-	-
D Robinson[6]	4	3	-	-
P G Thomas[3]	2	2	-	-

(1) Messrs Ellis and MacKenzie on one occasion and Messrs Clarke and Hay on a second occasion also convened during the financial year to make final determinations in respect of financial reporting requirements to the ASX.

(2) Retired as a Director on 12 September 2007.

(3) Retired as a Director on 7 March 2007.

(4) Appointed as a Director on 7 March 2007.

(5) Retired as a Director on 11 May 2007.

(6) Appointed as a Director on 11 May 2007.

DIRECTORS' INTERESTS IN SHARE CAPITAL

No Director holds a relevant interest in the share capital of the Company as at the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the manufacture and supply of brake systems and technologies to automotive manufacturers in Australia, North America, Europe and Asia. The Group also manufactures and sells friction materials for automotive applications. A significant change in the geographic scope of the activities occurred in August 2007 when the Group sold its interests in AP Italia, its European manufacturer of brake components, achieving a profit on sale of $73,464,000.

directors' report

REVIEW AND RESULTS OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations are set out on pages 2 to 5 and 33 to 35 of this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 18 October 2006, Robert Bosch Investment Nederland B.V. (Bosch), a wholly-owned subsidiary of Robert Bosch GmbH, announced its intention to make an off-market offer for all of the shares in the Company at $1.92 per share. On 21 November 2006, Bosch announced that it had increased its offer to $2.20 per share. On 23 February 2007, Bosch announced that the takeover offer was free of defeating conditions. At the close of the offer, Bosch held 75.42% of the Company's issued capital. As at the date of this Directors' Report, its holding had increased to 76.37%. Other than that and the sale of AP Italia referred to above, in the opinion of Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

BUSINESS STRATEGY AND FUTURE PROSPECTS

To achieve growth in earnings and operating cash flow, the Group's key strategies are to:

- apply resources to capture opportunities in key growth markets, in particular North America and Asia; and
- drive continuous improvement in operating efficiencies, quality and costs.

In the 2008 financial year, the Company's focus will be on:

- utilising PAT Dalian foundry capacity;
- improving margins through the utilisation of the lower cost base for key contracts in the Thailand and China facilities;
- continuing emphasis on Company-wide productivity improvements;
- maintaining tight management of working capital and cash flows; and
- maximising the operational synergies to be extracted from the full integration of PBR's operations into the Bosch Chassis Systems Brakes Division.

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material nature that, in the opinion of the Directors of the Company, would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, save as set out on page 4 in the Review of Operations under the heading "Bosch Operational Review" and save that the Group has confirmed refinancing of its principal loan facilities which were all scheduled to mature in March and April 2008, for a period of not less than 12 months from the date of refinancing.

LIKELY DEVELOPMENTS

Likely developments in the operations of the Group and the expected results of those operations are covered generally on pages 1 to 5 of this Annual Report. In the opinion of the Directors, any further disclosure of information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

Certain Group activities are subject to various environmental regulations under applicable legislation. The Directors are not aware of any breaches of those environmental regulations during the financial year. The Group is committed to achieving a high standard of environmental performance.

NON-AUDIT SERVICES

During the financial year, the Company's auditor until 11 May 2007, KPMG, and the Company's auditor after 11 May 2007, PricewaterhouseCoopers (PwC), performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditors and, in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they did not impact the impartiality and objectivity of the auditors; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditors' own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, KPMG and PwC and their related parties, for non-audit services provided to the Group during the respective years these firms were auditors are set out below:

	CONSOLIDATED	
	2007	2006
	$	$
Services other than statutory audit:		
Other assurance services – KPMG Australia	**-**	75,329
Other assurance services – overseas KPMG firms	**-**	74,098
Taxation services – KPMG Australia	**-**	298,307
Taxation services – overseas KPMG firms	**-**	319,177
	-	766,911
Other assurance services – PwC Australia	**88,500**	-
Other assurance services – overseas PwC firms	**75,022**	-
Taxation services – PwC Australia	**2,455**	-
Taxation services – overseas PwC firms	**-**	-
	165,977	-

directors' report

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 97 of this Annual Report.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Rule 69 of the Company's Constitution provides that every person who is or has been an officer (as defined in the Corporations Act 2001) of the Company or of a related body corporate who in that capacity is or was a nominee of the Company, is entitled to be indemnified out of the assets of the Company, to the extent permitted by law, against:

- all losses and liabilities sustained or incurred by the person in or about the execution of his or her office or otherwise in relation thereto; and
- all liability for costs and expenses incurred by the person in connection with proceedings involving the person in any of those capacities.

The Company is party to Deeds of Indemnity in favour of independent Non-Executive Directors, Patrick Burroughs and Peter Hay. These Deeds provide for indemnification of these Directors to the maximum extent permitted by law. They do not indemnify for any liability involving a lack of good faith.

During or since the end of the financial year, the Company has paid the premium in respect of a contract insuring each of the Directors named in this Directors' Report and officers of the Company and its subsidiaries as permitted by the Corporations Act 2001. The class of officers insured by the policy includes all officers involved in the management of the Group. The terms of the contract of insurance prohibit the disclosure of the nature of the liabilities insured against and the amount of the premium.

REMUNERATION REPORT

The Remuneration Report for the Company and the Group for the year ended 31 December 2007 is set out on pages 19 to 31 of this Annual Report.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006). As a result, amounts in this Directors' Report and the accompanying financial report have been rounded off to the nearest one thousand dollars or, where the amount is $500 or less, zero unless otherwise indicated.

Signed on this 28th day of March 2008 in accordance with a resolution of the Directors:

P M Burroughs
Director

M P Kopka
Director

remuneration report

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 for the Company and the Group for the year ended 31 December 2007.

The Directors are required to disclose in this report the status of various matters as at 31 December 2007 and also as at the date of this report.

Details of the Company's remuneration strategy are set out in this Remuneration Report. This Remuneration Report forms part of the Directors' Report.

Non-Executive Directors

The fees paid to Non-Executive Directors are set at levels which reflect both the responsibilities of, and the time commitments required from, each Non-Executive Director to discharge their duties. Fee levels are set having regard to independent professional advice. Non-Executive Directors do not have variable or "at risk" remuneration linked to the performance of the Company.

Executive Directors and Senior Executives

Executive remuneration comprises both a fixed component and an "at risk" component which is intended to remunerate executives for achieving financial targets and business objectives. It is also designed to attract and retain high calibre executives.

An overview of the elements of remuneration is set out in Table 1. A more detailed discussion of each element is contained in this Remuneration Report.

Table 1 - Overview of elements of remuneration

	Elements of remuneration	Directors Non-Executive	Directors Executive	Senior executives	Discussion in Remuneration Report
Fixed remuneration	Fees	✔	✘	✘	Page 20
	Salary	✘	✔	✔	Page 25
	Superannuation	✔	✔	✔	Pages 21 & 25
	Other benefits	✔*	✔	✔	Pages 20 & 25
At-risk remuneration	Short term incentive	✘	✔	✔	Page 25
	Long term incentive	✘	✔	✔	Page 26
Post-employment	Notice periods and termination payments	✘	✔	✔	Page 29

* Not all Non-Executive Directors receive or received retirement benefits.

remuneration report

Section 1 - Directors' Remuneration (audited)

Remuneration Policy

Fees payable to Non-Executive Directors are determined within the maximum aggregate amount which is approved by shareholders. The current maximum aggregate amount is $800,000 per annum which was approved by shareholders at the 2004 Annual General Meeting.

The level of fees is subject to review from time to time by the Board. (Prior to 7 March 2007, this function was carried out by the Human Resources and Remuneration Committee until the functions of this Committee were assumed by the full Board following Bosch acquiring a holding in the Company of approximately 75%.) In determining the level of fees, external professional advice and available data on fees paid to Non-Executive Directors of similar size companies, are taken into account. Base fees have not increased since 2004.

Non-Executive Directors do not have any form of incentive payment related to Pacifica's performance which serves to maintain their independence and impartiality.

Directors appointed by Bosch do not receive any fees from Pacifica.

Committee Fees

In addition to base fees, a payment equivalent to 10% of the relevant base fee is paid to the two Independent Non-Executive Directors for serving on the Audit Committee. This payment is designed to reflect the additional time commitments.

Up until 7 March 2007, a payment equivalent to 10% of the relevant base fee was paid to the Chair of the Human Resources and Remuneration Committee. This payment ceased upon the functions of this Committee being assumed by the full Board.

Equity Participation

A Non-Executive Directors' Share Plan (NEDs Plan) was approved at the 1999 Annual General Meeting and introduced from 1 July 1999. At the 2005 Annual General Meeting, shareholders approved the continued operation of the NEDs Plan for a further three years.

As a result of the takeover discussions and subsequent bid for Pacifica made by Bosch, a decision was taken by Directors in 2006 to suspend their participation in this Plan.

Retirement Allowances

In 2003, the Board resolved to discontinue the payment of retirement allowances to any Non-Executive Directors appointed after 31 December 2003. Annual fees paid to Non-Executive Directors appointed after 31 December 2003 were adjusted to reflect the fact that retirement allowances are no longer payable to new Directors beyond the statutorily prescribed superannuation contributions paid by the Company.

The accrued retirement benefit for the one remaining Non-Executive Director entitled to receive a retirement allowance is set out in Table 2 on the following page.

Table 2 - Accrued retirement benefit as at 31 December 2007 (unaudited)

Non-Executive Director entitled to retirement benefits	Years of service	Retirement benefit accrued in 2007	Total accrued retirement benefit
P A F Hay	18	$6,060	$187,860(1)
Total		$6,060	$187,860

(1) Calculated by reference to the total fees paid during the last three years.

Details of Remuneration

Details of Non-Executive Directors' remuneration for the financial year are set out in Table 3:

Table 3 - Non-Executive Director Remuneration (audited)

	Year	Directors' fees $	Superannuation contributions(2) $	Sub-total $	Retirement benefits(3) $	Total $
P M Burroughs(1)	**2007**	**101,926**	**9,173**	**111,099**	**-**	**111,099**
	2006	81,541	7,339	88,880	-	88,880
G D W Curlewis(1)(4)	**2007**	**28,886**	**2,600**	**31,486**	**-**	**31,486**
	2006	66,660	5,999	72,659	2,530	75,189
J K Ellis(1)(5)	**2007**	**69,247**	**6,232**	**75,479**	**-**	**75,479**
	2006	159,800	14,382	174,182	6,100	180,282
P A F Hay(1)	**2007**	**81,810**	**7,363**	**89,173**	**6,060**	**95,233**
	2006	60,600	5,454	66,054	2,300	68,354
K Mellvé(6)	**2007**	**-**	**-**	**-**	**-**	**-**
G E Plapp(7)	**2007**	**-**	**-**	**-**	**-**	**-**
D Robinson(8)	**2007**	**-**	**-**	**-**	**-**	**-**
P G Thomas(1)(9)	**2007**	**32,122**	**2,891**	**35,013**	**-**	**35,013**
	2006	74,128	6,672	80,800	-	80,800
Total	**2007**	**313,991**	**28,259**	**342,250**	**6,060**	**348,310**
	2006	442,729	39,846	482,575	10,930	493,505

(1) Directors' fees include monies received in January 2007 in respect of the final quarter of 2006.

(2) Superannuation contributions made on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable Superannuation Guarantee legislation.

(3) Amounts provided for by the Company during the financial year in relation to the contractual retirement payment to which the Non-Executive Director is entitled upon retirement from office.

(4) Director retired from office on 7 March 2007. The retirement amount received by Mr Curlewis on 7 March 2007 was $150,037, having been accrued during Mr Curlewis' tenure as a Director.

(5) Director retired from office on 7 March 2007. The retirement amount received by Mr Ellis on 7 March 2007 was $396,367, having been accrued during Mr Ellis' tenure as a Director/Chairman.

(6) Appointed effective 7 March 2007 and retired from office on 11 May 2007. Mr Mellve is an employee of Bosch and is not paid a fee by the Company or its subsidiaries.

(7) Appointed effective 7 March 2007. Mr Plapp is an employee of Bosch and is not paid a fee by the Company or its subsidiaries.

(8) Appointed effective 11 May 2007. Mr Robinson is an employee of Bosch and is not paid a fee by the Company or its subsidiaries.

(9) Mr Thomas retired from office on 7 March 2007.

remuneration report

Section 2 - Executive Director and Senior Executive Remuneration (audited)

In accordance with the Corporations Act 2001 and Accounting Standards, the Company has provided specific disclosures in relation to each of the persons set out below in Table 4, who were the Pacifica senior executives with authority and responsibility for planning, directing and controlling the activities of the Company and the Group during the financial year. This group of senior executives includes the five most highly remunerated Company and Group executives during the financial year.

Table 4 - Senior Executives and former Senior Executives (including former Executive Director) during the financial year

Senior Executives	
P J Culley	Managing Director, PBR Australia
M A Delacorn	Group Vice President, Major Projects
R S Joblin	Company Secretary & Group General Manager, Human Resources & Corporate Development
J McCarthy	Group Vice President, Purchasing and Logistics
J R MacKenzie	Managing Director, Pacifica (and member of the Board) until his resignation on 11 May 2007 Chief Executive Officer, PBR International from 14 May 2007
P J Robinson	Managing Director, Aftermarket
P H Rose	Chief Financial Officer, Pacifica (effective 1 October 2007)
P G Slaski	Group Vice President, Operations
A B Stevens	Group Vice President, Quality and Program Management
Former Senior Executives (including former Executive Director)	
A Boden	Group Vice President, Engineering (ceased employment 26 October 2007)
A J Clarke	Finance Director (ceased as a Director on 12 September 2007 and ceased employment with the Group on 30 September 2007)
V G Joy	Managing Director, PBR Asia (ceased employment 12 October 2007)

(a) Remuneration Policy

The Board of Directors is currently responsible for establishing the remuneration strategy and structure for the Company's senior executives, including the Company Secretary. (Prior to 7 March 2007, this function was carried out by the Human Resources and Remuneration Committee.)

Remuneration is set having regard to market relativities and the objectives of the Company's remuneration strategy. These objectives are to:

- attract and retain top quality people;
- reward the achievement of strategic and operational objectives; and
- achieve the broader outcome of creation of value for shareholders.

Total reward opportunities are set for all executives, consisting of a combination of fixed and performance-linked remuneration components. The remuneration approach adopted by the Board is to have a market competitive foundation of fixed remuneration for all executives combined with additional "at risk" or variable performance-linked remuneration.

In positioning fixed remuneration and performance-linked reward opportunities for executives at market competitive levels, reference is had to data provided by independent remuneration consultants, Mercer Human Resources Consulting Pty Ltd. The data covers remuneration levels in other corporate entities with which the Company competes for executive talent.

(b) Company Performance (unaudited)

Over the past five years, the Board has set appropriate financial and non-financial performance targets for management and has aligned incentives to the achievement of those targets. In considering the Company's performance and its effect on shareholder wealth, the Board has had regard to the following main indices in respect of the current financial year and previous four financial years:

	2003(1)	2004	2005	2006	**2007**
Share price as at year end ($)	4.34	3.17	1.78	2.18	**1.95**
Dividends (cents per share)	21.5	20.5	7.0	4.0	**-**
Net profit including individually significant items ($000)	48,238	32,953	11,702	15,222	**21,367**
Net profit (loss) excluding individually significant items ($000)	46,671	44,289	24,179	22,793	**(10,233)**
Earnings per share (EPS) excluding individually significant items (cents)	34.0	32.5	17.8	16.8	**(7.2)**
Earnings before interest and taxation (EBIT) excluding individually significant items ($000)	96,303	88,304	52,608	52,062	**(17,636)**
Safety – lost time injury frequency rate (LTIFR)(2)	14.6	10.4	12.3	12.0	**6.0**
Safety – medical treatment injury frequency rate (MTIFR)(3)	31.3	14.3	10.1	6.8	**7.1**

(1) 2003 was reported under previous AGAAP, which may mean results are not directly comparable with those of subsequent years.

(2) LTIFR is the number of lost time injuries (ie requiring absence from work for one or more shifts), divided by the total number of hours worked, multiplied by 1,000,000.

(3) MTIFR is incidences requiring medical treatment, divided by the total number of hours worked, multiplied by 1,000,000.

Share price movement and dividends are the two factors included in the total shareholder return (TSR) calculation. TSR served as the performance criteria for all the long term incentive (LTI) plans from 2001 to 2004. (The 2005 and 2006 LTI plans used EPS Growth as their performance criterion, which took into account net profit). In accordance with the decline in the Company's share price, the Company's executives received only a small proportion of their benefit from the LTI plans, prior to the successful Bosch takeover bid.

As a result of the successful Bosch takeover bid, all performance rights and options previously issued to executives, vested.

EBIT, a major component of the net profit figures shown on page 23, has been regularly adopted in setting short term incentive (STI) targets. As there is a direct link between EBIT and shareholder wealth, the STI plans typically give EBIT a high weighting as a performance criterion. Performance against EBIT targets has therefore significantly influenced STI payments made to executives.

A key focus for the Company over the past five years has been on health and safety performance. Safety improvements are used as a standard measure under STI plans and the link with reward has assisted in driving the Company's efforts in this regard.

(c) Components of Remuneration

The relative proportion of senior executives' total remuneration opportunity in respect of 2007 that is performance-based is set out in Table 5.

Table 5 - Proportion of fixed and at-risk remuneration for the financial year (audited)

Table 5 shows the remuneration mix based on the maximum level of reward available in 2007 for the senior executives. If minimum thresholds are not achieved, no STI or LTI will be awarded and the senior executive will receive 100% fixed remuneration and 0% of their "at risk" performance-based remuneration.

	Fixed compensation	Performance-based remuneration components (at maximum)	
		STI	LTI
Senior Executives			
P J Culley	58.4%	24.1%	17.5%
M A Delacorn	58.4%	24.1%	17.5%
R S Joblin	64.5%	35.5%	-
J McCarthy	58.4%	24.1%	17.5%
J R MacKenzie	50%	50%	-
P J Robinson	58.4%	24.1%	17.5%
P H Rose	64.5%	35.5%	-
P G Slaski	58.4%	24.1%	17.5%
A B Stevens	58.4%	24.1%	17.5%
Former Senior Executives (including former Executive Director)			
A Boden(1)	100%	-	-
A J Clarke	60.6%	39.4%	-
V G Joy(1)	100%	-	-

(1) Executive would only have been eligible for STI and/or LTI, had he been employed for a full year. Messrs Boden and Joy both ceased employment with the Company in October 2007 with therefore no entitlement to performance-based remuneration.

Fixed Remuneration

The fixed remuneration component of all senior executives is determined by the scope of their respective positions, knowledge, experience and skills required to perform those roles. The amount of fixed remuneration is not directly dependent upon Company performance and is set to reflect the market rates for comparable roles.

Remuneration levels are reviewed annually at the start of each year and adjustments take into account individual and Company performance. Remuneration is also reviewed on promotion.

Fixed remuneration includes salary, company superannuation contributions and all non-cash benefits. Fixed remuneration for all Australian-based executives is expressed as a Total Employment Cost (TEC). Under this approach, executives are able to structure their TEC to meet their personal needs as long as they include all minimum superannuation contributions and FBT charges and provided also that the overall cost to the Company of the fixed remuneration remains consistent. Fixed remuneration for overseas-based executives is expressed on a base salary plus benefits approach.

Variable Performance-Linked Remuneration

Performance-linked reward is used to directly support the business strategy. A significant portion of the total reward opportunity provided to executives is performance-linked with alignment to the achievement of key business performance objectives.

Performance-linked remuneration is comprised of both an annual STI and in some cases LTI opportunity. The opportunity offered through performance-linked remuneration is also designed to assist in the attraction and retention of key executives. However, receipt of any benefits under these incentive components is always contingent on the achievement of certain performance measures.

Short Term Incentive (STI)

In 2007, the STI plan (STIP) provided executives (other than John MacKenzie, Tony Clarke and Ross Joblin - see discussion later), with an annual cash-based incentive opportunity based on the achievement of key performance and operating result objectives.

It is modelled on a similar plan utilised for executives of the Bosch Group. It is designed to promote executive action to improve financial and operational performance. The targets under the STIP are set to ensure the level of payment of any benefit is relative to the achievement of financial targets in respect of the Bosch Group, the Bosch Chassis Systems Brakes Division (of which Pacifica now forms a part) and Pacifica Group itself and on achieving other non-financial outcomes at Pacifica such as safety and quality improvements.

It is anticipated that early in the second quarter of 2008, and occurring after the signing of the full year financial accounts, an assessment will be made by the Chairman, in consultation with the Board, of STI amounts payable to participating executives having regard to the actual performance of the Bosch Group, the Bosch Chassis Systems Brakes Division and Pacifica Group against the objectives set under the STIP.

The STI level of opportunity is set having regard to market competitiveness and is expressed as a percentage of base salary. Base salary for Australian executives is calculated as 75% of their TEC. That level of opportunity varies dependent on the executive's classification level ranging from 55% of base salary to 25% of base salary. Under the Bosch STI model, there are standard weightings at each classification level applied to the overall STI opportunity to ensure a focus on overall Company performance (ie value contribution at Bosch Group level), Divisional Performance (ie value contribution at the Bosch Chassis Systems Brakes Division level) and Pacifica Group performance.

Within the allocations to each performance measure, the portion of STI available for "on-target" performance is 50% of the relevant total maximum opportunity.

remuneration report

Within the Pacifica component of the STIP, EBIT, Quality and Safety targets are included to ensure continued focus on these key outcomes. The key financial business outcomes for 2007 were the achievement of EBIT targets. This measure is applied to all participating executives and has the greatest weighting of the total Pacifica component at each classification level.

The standard weightings for the 2007 STIP for participating senior executives are:

Bosch Group	20%
Bosch Chassis Brakes Systems Division	30%
Pacifica Group	50%

As at the date of the issue of this report and as discussed above, STI amounts payable in respect of 2007 have not yet been determined and will be disclosed in next year's report. A minimum level of performance must be achieved before any STI is paid. Therefore, the minimum potential value of the STI in respect of 2007 is nil. The maximum value that is theoretically still payable to the senior executive group under this STIP is $850,000, although due to Pacifica's earnings performance, in practice the amount paid out will be well below this maximum. The STI amounts earned by senior executives in relation to the prior year were paid in March 2007 and were set out in last year's report.

Separate arrangements were put in place for three key executives being PBR International Chief Executive Officer, John MacKenzie, Pacifica Finance Director, Tony Clarke and Company Secretary and Group General Manager Human Resources & Corporate Development, Ross Joblin. Cash-based short term retention/performance incentives were put in place for these three key executives, having regard to the future uncertainty regarding their ongoing employment following the takeover of the Company and the need to achieve a smooth integration. It was considered essential that the three executives be retained for minimum periods of time and accordingly, a specially tailored incentive opportunity was introduced for them. Under these arrangements, Mr MacKenzie could receive 100% of TEC, Mr Clarke 65% of TEC and Mr Joblin 55% of TEC (pro-rated in each case, where applicable, according to months served in 2007).

The actual payments made under these arrangements are set out in Table 6 below:

Table 6 - Retention/Incentive Payments (unaudited)

	Payments ($)	% of maximum paid
J R MacKenzie	1,060,000	100%
A J Clarke[(1)]	202,800	80%
R S Joblin	209,000	100%

(1) Mr Clarke ceased employment with the Group during the year. The % of maximum paid is the % paid of the maximum opportunity value available to him on a pro-rata basis, after taking into account months served.

This retention/incentive arrangement has been extended on the same terms in 2008 for Mr MacKenzie and Mr Joblin, with the opportunity amount to be pro-rated according to months served by them up to the respective dates, of their cessation of employment.

Long Term Incentive (LTI)

The Company's LTI arrangements prior to the takeover by Bosch, provided executives with a longer term focus on the broader issue of corporate value creation, continuing financial improvement and alignment with shareholder interests.

Under that LTI plan, executives were granted equity-based instruments, being either performance rights or options over Pacifica Group Limited shares, each year.

As a result of the Bosch takeover bid, all performance rights and options previously issued to executives vested and all performance rights were exercised, as discussed in detail in the 2006 Remuneration Report presented to the Annual General Meeting in May 2007.

No new options or performance rights were granted during 2007 or since the end of the financial year. Certain executives however, became eligible for participation in a new cash-based long term incentive plan, which is discussed later in this report.

Tables 7 and 8 set out the movements during the reporting period, by number and value, of options and performance rights over ordinary shares in the Company held by senior executives:

Table 7 – Movement in Options and Performance rights - 2007 (audited)

		Held at 1 January 2007	Vested/ Exercised(3)	Forfeited	Held at 31 December 2007	Vested and exercisable at 31 December 2007(4)
Senior Executives						
P J Culley	Performance Rights	204,400	(204,400)	-	-	-
	Options	65,000	-	-	65,000	65,000
M A Delacorn	Performance Rights	204,400	(204,400)	-	-	-
	Options	65,000	-	-	65,000	65,000
R S Joblin	Performance Rights	308,300	(308,300)	-	-	-
	Options	181,000	-	-	181,000	181,000
J McCarthy	Performance Rights	204,400	(204,400)	-	-	-
	Options	65,000	-	-	65,000	65,000
J R MacKenzie(1)	Performance Rights	1,223,400	(1,223,400)	-	-	-
	Options	496,000	-	-	496,000	496,000
P J Robinson	Performance Rights	204,400	(204,400)	-	-	-
	Options	30,000	-	-	30,000	30,000
P G Slaski	Performance Rights	204,400	(204,400)	-	-	-
	Options	30,000	-	-	30,000	30,000
A B Stevens	Performance Rights	204,400	(204,400)	-	-	-
	Options	65,000	-	-	65,000	65,000
Former Senior Executives (including former Executive Director)						
A Boden	Performance Rights	140,600	(140,600)	-	-	-
	Options	-	-	-	-	-
A J Clarke(2)	Performance Rights	394,400	(394,400)	-	-	-
	Options	60,000	-	(60,000)	-	-
V G Joy	Performance Rights	160,200	(160,200)	-	-	-
	Options	12,000	-	(12,000)	-	-

(1) Mr MacKenzie was an Executive Director until stepping down from the Board on 11 May 2007.

(2) Mr Clarke was an Executive Director until stepping down from the Board on 12 September 2007. He ceased his employment with the Group on 30 September 2007. 100% of options held by him were forfeited upon ceasing employment.

(3) During the financial year, 100% of performance rights and options vested and all performance rights were exercised as a consequence of the successful Bosch takeover bid. No options were exercised by senior executives.

(4) There are no options or performance rights which are vested but unexercisable as at 31 December 2007.

Table 8 - Value of movement in options and performance rights during the year (unaudited)

	Granted in year $	Exercised in year $[1]	Forfeited in year $
Senior Executives			
P J Culley	-	449,680	-
M A Delacorn	-	449,680	-
R S Joblin	-	678,260	-
J McCarthy	-	449,680	-
J R MacKenzie	-	2,691,480	-
P J Robinson	-	449,680	-
P G Slaski	-	449,680	-
A B Stevens	-	449,680	-
Former Senior Executives (including former Executive Director)			
A Boden	-	309,320	-
A J Clarke[2]	-	867,680	-
V G Joy[3]	-	352,440	-
TOTAL	**-**	**7,597,260**	**-**

(1) The value of any performance rights exercised during the year is calculated as the final bid price for the underlying shares pursuant to the takeover offer by Bosch for the shares of the company. No options were exercised.

(2) Mr Clarke forfeited 60,000 options which lapsed on the cessation of his employment but they are considered of no value.

(3) Mr Joy forfeited 12,000 options which lapsed on the cessation of his employment but they are considered of no value.

Issued and Unissued Shares under the Pacifica Group LTI Plan and Effect of Bosch Takeover Bid

During the financial year, the Company issued 5,862,300 ordinary shares as a result of the exercise of performance rights and options, previously granted as compensation to executives, as a consequence of the Bosch takeover bid. A total of 92,000 options expired during the financial year.

In accordance with the LTI Plan Rules (as amended by Directors on 13 November 2006), where a takeover bid was made, the offer became unconditional and the bidder acquired voting power of greater than 20% in the Company, holders could exercise their performance rights or options whether or not the exercise conditions had been satisfied. These criteria were met on 23 February 2007.

At the date of this report, unissued ordinary shares of the Company under option and performance rights are set out in Table 9.

Table 9 - Unissued ordinary shares over which options have been granted (unaudited)

Grant date	Expiry date	Exercise price	Options	Performance rights
31 May 1999	30 May 2009	$5.66	465,000	-
16 June 2000	15 June 2010	$4.08	520,000	-
12 June 2001	11 June 2011	$3.51	195,000	-
17 June 2002	14 June 2012	$4.06	212,000	-
21 June 2004	20 June 2014	$4.12	59,000	-
1 January 2005	31 December 2014	$3.35	119,000	-

Options do not confer an entitlement to participate in a rights or bonus issue, prior to the exercise of the option.

New Long Term Incentive Plan (unaudited)

A cash-based Long Term Incentive Plan, based on the Bosch model, was introduced for certain Pacifica executives in 2007.

This model provides for an annual opportunity but with measures tied to outcomes with a longer term focus. The actual benefit provided to executives is a cash benefit but with deferred payments. The percentage of the total opportunity to be paid is determined at the end of the relevant year based on performance against the agreed measures. The benefit is then paid to the executive over the following three years (in three equal instalments).

Executives do not receive any benefit if they are no longer employed by the Company at the time of any of the actual payments being made. This deferred payment feature serves as a strong retention element.

Approximately 20 executives are eligible for participation in this plan. The maximum annual opportunity is either 40% or 20% of base salary depending on executive classification level.

For the 2007 LTI, it was agreed by the Pacifica Board that the opportunity should be based on savings from synergies associated with the Pacifica integration. Potential savings have been identified for each of the next three years. In respect of 2007, 25% of the total opportunity will be awarded if threshold integration and synergy savings of $2.2 million are achieved. A linear calculation will then be applied up to 100% of the total opportunity for the achievement of a stretch target of $5.5 million in integration and synergy savings.

Achievement of savings will be calculated at the end of March 2008 and payment representing a third of the benefit will be paid in April 2008. The remaining two-thirds of the benefit will be paid in the second quarters of 2009 and 2010 respectively. A minimum level of performance must be achieved before any LTI opportunity is paid. Therefore, the minimum potential value of the annual opportunity is nil. The maximum potential value of the LTI for participating senior executives for 2007 is $510,000, of which $170,000 would be payable in the second quarter of 2008 and the balance in equal parts in the second quarters of 2009 and 2010 respectively.

(d) Service/Employment Agreements (audited)

The Company has entered into service contracts with certain senior executives that provide for payment of benefits where the contract is terminated by the Company or the individual. The individuals are also entitled to receive on termination of employment, their statutory entitlements of accrued annual and long service leave.

No sign-on payments have been made in this financial year to any senior executive before they took office as part of consideration for them agreeing to hold office.

J R MacKenzie and R S Joblin

In May 2007, Mr MacKenzie stepped down as Managing Director of Pacifica Group, but agreed to enter into a 12 month contract as Chief Executive Officer of PBR International. Mr MacKenzie's service agreement with Pacifica Group contained a "diminution or threatened diminution of role" clause which entitled him to receive 12 months TEC payment in lieu of notice and an additional payment of 12 months TEC, which amounts were paid. Under the 12 month contract with PBR International, which expires at the date of the 2008 Annual General Meeting, Mr MacKenzie has no further entitlement to any cessation amounts.

Mr Joblin's service agreement with Pacifica Group also contains a "diminution or threatened diminution of role" clause. In consideration of Mr Joblin not exercising this clause, it was agreed to extend Mr Joblin's cessation date to 1 February 2008 (subsequently further extended to 30 May 2008) at which date Mr Joblin will be entitled to 3 months TEC payment in lieu of notice and an additional payment of 12 months TEC upon cessation of his employment.

Other Senior Executives

Details of current arrangements for other Pacifica senior executives who have contracts/agreements relating to benefits on termination are detailed in the table below:

	Notice required by Company	Notice required by executive	Payment amount on termination by the Company without cause
P J Culley[(1)]	6 months	3 months	12 months of TEC
M A Delacorn	6 months	3 months	12 months of TEC
J McCarthy[(1)]	1 month	1 month	12 months of TEC
P J Robinson	6 months	3 months	12 months of TEC
P G Slaski	6 months	3 months	12 months of TEC
A B Stevens[(1)]	6 months	3 months	12 months of TEC

(1) Senior executive will cease employment with the Company on or before 31 March 2008 in circumstances which entitle him to payment of 12 months of TEC.

P H Rose has been seconded by Bosch to the Company as Pacifica Chief Financial Officer. His employment contract can be terminated by twelve months notice at the end of any quarter. The payment amount on termination without cause is not fixed under his contract.

(e) Remuneration Paid

Table 10 - Total remuneration for 2007 financial year (audited)

		Short term			Post employment	Equity compen-sation	Other compen-sation	Total	Value of options and rights as a proportion of remuneration
	Year	Cash salary	Incentive payments[(1)]	Non-monetary benefits[(2)]	Super-annuation benefits [(3)]	Value of options and rights[(4)]	Term-ination benefits		
		$	$	$	$	$	$	$	
Executive Directors									
P Delhey[(5)]	**2007**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
M P Kopka[(6)]	**2007**	**94,080**	**-**	**29,341**	**7,333**	**-**	**-**	**130,754**	**-**
Senior Executives									
P J Culley	**2007**	**151,531**	**-**	**15,913**	**102,557**	**204,552**	**-**	**474,553**	**43.1%**
	2006	142,718	43,400	14,432	102,851	72,553	-	375,954	19.3%
M A Delacorn	**2007**	**217,540**	**-**	**34,398**	**38,062**	**204,552**	**-**	**494,552**	**41.4%**
	2006	205,708	90,245	36,468	38,324	72,553	-	443,298	16.4%
R S Joblin	**2007**	**282,441**	**449,000**	**43,559**	**54,000**	**322,942**	**-**	**1,151,942**	**28.0%**
	2006	280,441	160,500	43,559	36,000	113,999	-	634,499	18.0%
J McCarthy	**2007**	**199,559**	**-**	**41,441**	**14,000**	**204,552**	**-**	**459,552**	**44.5%**
	2006	199,420	42,176	32,980	14,000	72,553	-	361,129	20.1%
J R MacKenzie	**2007**	**936,152**	**2,135,647**	**20,850**	**102,998**	**1,339,800**	**2,120,000**[(7)]	**6,655,447**	**20.1%**
(Director to 11 May 2007)	2006	852,250	558,333	44,900	102,850	422,829	-	1,981,162	21.3%
P J Robinson	**2007**	**153,540**	**-**	**26,734**	**109,726**	**204,552**	**-**	**494,552**	**41.4%**
	2006	211,693	45,380	25,307	45,000	72,553	-	399,933	18.1%

Table 10 - Total remuneration for 2007 financial year (continued)

		Short term			Post employment	Equity compen-sation	Other compen-sation	Total	Value of options and rights as a proportion of remuneration
	Year	Cash salary	Incentive payments[1]	Non-monetary benefits[2]	Super-annuation benefits [3]	Value of options and rights[4]	Term-ination benefits		
		$	$	$	$	$	$	$	
Senior Executives (continued)									
P H Rose[8]	**2007**	**110,260**	**-**	**9,333**	**7,333**	**-**	**-**	**126,926**	**-**
P G Slaski	**2007**	**187,444**	**-**	**-**	**102,557**	**204,552**	**-**	**494,553**	**41.4%**
	2006	179,413	45,200	-	100,587	72,553	-	397,753	18.2%
A B Stevens	**2007**	**146,667**	**-**	**35,683**	**97,650**	**204,552**	**-**	**484,552**	**42.2%**
	2006	220,000	44,300	37,860	12,140	72,553	-	386,853	18.8%
Former Senior Executives (including former Executive Director)									
A Boden	**2007**	**134,305**	**-**	**56,583**	**25,963**	**198,370**	**265,000[7]**	**680,221**	**29.2%**
	2006	174,106	42,950	68,754	12,140	57,921	-	355,871	16.3%
A J Clarke	**2007**	**260,662**	**686,833**	**19,500**	**109,838**	**404,652**	**780,000[7]**	**2,261,485**	**17.9%**
(Director to 12 Sept 2007)	2006	431,413	239,792	28,027	40,560	138,958	-	878,750	15.8%
V G Joy	**2007**	**171,012**	**-**	**30,756**	**19,000**	**195,312**	**280,000[7]**	**696,080**	**28.1%**
	2006	227,105	44,300	28,228	13,000	52,197	-	364,830	14.5%
Aggregate[9]	**2007**	**3,045,193**	**3,271,480**	**364,091**	**791,017**	**3,688,388**	**3,445,000**	**14,605,169**	
	2006	3,124,267	1,356,576	360,515	517,452	1,221,222	-	6,580,032	

(1) Incentive payment amounts relate to Short Term Incentive Plan payments for the year relating to achievement of relevant performance targets in 2007. It also includes retention type payments made to key management personnel in 2007 and in 2008, relating to 2007. In the case of P J Culley, M A Delacorn, J McCarthy, P J Robinson, P H Rose, P G Slaski and A B Stevens, Short Term Incentive Plan payments in respect of 2007 are not capable of calculation as at the date of this report and are therefore not shown.

(2) Includes non-cash benefits and fringe benefits tax charges relating to those benefits which senior executives elect to take in lieu of cash salary.

(3) Includes both Company and personal contributions paid to a nominated superannuation fund.

(4) The value of options and performance rights was determined as at the date of their grant in accordance with AASB 2 Share-based Payment. The current year value represents the brought forward unamortised fair value of all options and performance rights granted in previous years. As all options and performance rights vested during the financial year as a result of change of control, the value of options and performance rights that would have been recognised over current and future financial years in accordance with the respective vesting periods, has all been recognised as equity compensation in the current financial year.

(5) The Chairman, P Delhey, is a representative of Bosch on the Board and is not paid any form of compensation either directly by the Company or on behalf of the Company.

(6) M P Kopka was appointed by Bosch to the Board on 7 March 2007 and also assumed the project role of Vice President Post-Merger Integration, PBR, from that date. Directors consider that the amounts paid by the Company to Mr Kopka, as disclosed in this report, reflect appropriate remuneration for the time spent by him on Company matters.

(7) Executives were also paid out annual leave and long service leave entitlements.

(8) P H Rose was nominated by Bosch to serve as the Pacifica Chief Financial Officer. He commenced providing services to the Company and its subsidiaries, effective 1 September 2007, for which he was paid by the Company from that date.

(9) Aggregate totals in respect of 2006 are not directly comparable to 2007 totals.

financial commentary

FINANCIAL SUMMARY

Year ended 31 December 2007

	2007 $000	2006 $000	% change fav/-unfav
CONTINUING OPERATIONS			
Sales revenue	**659,073**	**708,306**	**-7%**
Cash EBIT (EBITDA)	**21,440**	**82,175**	**-74%**
Depreciation and amortisation	(52,602)	(52,417)	
Other non-cash expenses	(1,425)	(2,863)	
EBIT	**(32,587)**	**26,895**	profit to loss
Associate profit (loss)	(100)	(956)	
Net interest	(9,712)	(10,807)	10%
Tax (expense) income	15,972	2,412	
Minority interest share of (profit) loss	7,917	(9,402)	
Net operating profit (loss)	**(18,510)**	**8,142**	profit to loss
EPS (cents)	**(13.2)**	**6.0**	
Return on equity	-6.9%	3.2%	
Significant items after tax	(41,864)	(7,571)	
Net profit (loss) continuing operations	**(60,374)**	**571**	profit to loss
EPS (cents)	**(42.9)**	**0.4**	
DISCONTINUED OPERATIONS			
Net operating profit	8,277	14,651	
Profit on disposal	73,464	-	
TOTAL NET PROFIT	**21,367**	**15,222**	40%
Other Financial Items:			
Operating cash flow	18,799	71,011	
Net debt	66,801	201,384	
Gearing (net debt to equity)	20.1%	64.3%	
Interest cover (EBITDA to interest)	2.2	7.6	
Average exchange rate (A$/US$)	84.1	75.8	

REVIEW OF OPERATIONS

The continuing operations recorded a net operating loss of $18.5 million. This decline in profitability was a result of lower sales and additional raw material costs, notably those associated with the ongoing disputed increased prices imposed by Intermet. The continued decline of large passenger vehicle demand in the US due to customers' preference for more fuel efficient cars in the light of increasing petrol prices negatively impacted the Group's North American operations.

Net loss from continuing operations, after significant items, was $60.4 million. Aggregate significant items amounted to a charge of $41.9 million, and included change of control costs, rationalisation expenses and the derecognition of unutilised US tax losses.

Total net profit including discontinued operations increased by 40% to $21.4 million. 2007 earnings from discontinued operations comprise the European drum brake business, AP Italia, and the profit from its disposal in the second half.

Financial Highlights for Continuing Operations

- Sales revenue decreased 7% to $659 million.
- EBIT turned to a loss of $32.6 million.
- Net loss before significant items of $18.5 million, net loss after significant items of $60.4 million.
- Loss per share of 42.9 cents.
- Gearing (net debt to equity) was 20% at year end, down from 64% in the prior year.

Business Highlights

- The construction of the cast iron and aluminium foundries in Dalian, China, was completed and operations commenced during 2007. The machining and assembly facility at the same site is currently being expanded.
- Subsequent to the majority takeover of the Group by Robert Bosch, the European business (AP Italia) was sold to Continental AG effective 31 August 2007. A gain on disposal of $73.5 million was realised.
- As previously reported, in April 2007 a supplier of iron castings, Intermet Corporation, imposed price increases that materially impacted the performance of PBR's Knoxville and Columbia plants. Total post-tax and minority interest impact was $12.3 million. Legal proceedings against Intermet are ongoing.

REVIEW OF FINANCIAL PERFORMANCE

Sales Revenue

Sales decreased $49 million or 7% to $659 million. The decrease was mainly due to the decline in demand for large passenger vehicles and light trucks in North America and the strengthening of the Australian Dollar. These factors were slightly offset by increased sales in Australia and Asia.

Earnings before Interest and Tax (EBIT)

Factors contributing to the loss of $32.6 million included:

- Reduced volumes in the North American market.
- Disputed price increase for iron castings imposed by Intermet.
- Other additional input costs.

financial commentary

Finance Costs

The average interest rate on borrowings increased from 6.2% to 6.5%.

Minority Interest and Associate Result

- Minority interest represents Pacifica's joint venture partners' share of profits or losses in the Knoxville, Tennessee brake plant and in the friction materials plants in Thailand and Malaysia.
- The change in minority interest from share of profit to loss is a reflection of the impact on Knoxville's earnings of the aforementioned disputed price increase imposed by Intermet.
- Pacifica holds a 49% interest in its associate, the Australian friction materials producer FMP Australia. On an equity accounted basis, Pacifica's share of FMP Australia's result after tax, before significant items, improved from a loss of $1 million in 2006 to a loss of $0.1 million in 2007.

Net Profit or Loss

Net loss from continuing operations, before significant items was $18.5 million; after significant items $60.4 million. When including discontinued operations, a total net profit of $21.4 million was recorded, representing an increase of 40% on 2006.

Significant Items

Aggregate significant items after tax from continuing operations amounted to a charge of $41.9 million. This comprised:

- $12.4 million one-off costs associated with the takeover by Bosch.
- Penalty costs incurred on the prepayment of private placement notes of $0.9 million.
- Rationalisation costs of $12.9 million, primarily comprised of redundancy costs and asset write-offs for the Australian and US operations.
- An impairment loss of $2.9 million for under-utilised items of machinery and equipment, recognised following a detailed review of the Group's asset registers.
- Unused US tax losses of $12.8 million, written off to the extent they exceeded statutory limitations imposed on their utilisation as a result of change of control.

Dividend

Given the lack of earnings from continuing operations, the Board has resolved that no dividend will be paid in respect of the period under review.

Balance Sheet

- The net asset value of the Group increased by 6% from the previous year end, to $333 million.
- Working capital decreased by $7.7 million as a result of reduced inventory and trade receivables.
- Property, plant and equipment decreased due to net capital expenditure of $33.8 million being offset by depreciation and amortisation of $57.8 million. The appreciation of the Australian Dollar resulted in a $14.8 million decline in the book value of fixed assets located in the US.
- Interest bearing borrowings reduced from $277 million to $139 million, following application of the sales proceeds from AP Italia to debt reduction. As a result, gearing (net debt to equity) of 20% was considerably lower than the 64% recorded at the end of 2006.

Cash Flow

- Net operating cash flow, including the cash impact of significant items, reduced from $71 million to $19 million. Besides the significant items, the reduction is attributable to the shortfall in operating earnings, partially offset by the decrease in working capital and by lower tax payments.
- Net investing cash inflows of $70 million result from capital expenditure of $34 million being more than offset by the proceeds of the sale of AP Italia of $103 million.

REVIEW OF GEOGRAPHIC SEGMENT PERFORMANCE

- When looking at the Group's regional performance, the amount of inter-company trading, particularly between the two PBR Asian entities and the PBR operations in Australia and the US, needs to be considered in addition to external sales.
- The Asian regional EBIT margin expressed as a percentage of total Asian sales (that is, including inter-company sales) increased in 2007 from 8% to 10.5%.
- The Australian regional EBIT margin as a percent of total Australian sales decreased from 6% to 0.6% due to increased input costs.
- The US margin was negative 8% due to the Intermet dispute. Without the impact of Intermet, the US business broke even.
- Each of the above comments reflects regional EBIT before significant items and before allocation of corporate expenses of $9.8 million.

five year financial summary

Income Statement ($000)	**2007**	2006	2005	2004	2003*
CONTINUING OPERATIONS					
Sales revenue	**659,073**	708,306	704,347	792,247	887,498
EBITDA	**21,440**	82,175	88,911	126,297	142,472
Depreciation, amortisation and other non-cash expenses	**(54,127)**	(56,236)	(50,090)	(46,078)	(48,881)
EBIT	**(32,687)**	25,939	38,821	80,219	93,591
Net finance costs	**(9,712)**	(10,807)	(11,736)	(12,484)	(11,770)
Income tax (expense) income	**15,972**	2,412	(5,325)	(16,167)	(20,715)
Minority interest	**7,917**	(9,402)	(4,391)	(10,549)	(14,958)
Net profit (loss) before significant items	**(18,510)**	8,142	17,369	41,019	46,148
Significant profit (loss) items after income tax	**(41,864)**	(7,571)	(12,477)	(11,336)	1,567
Net profit (loss) from continuing operations	**(60,374)**	571	4,892	29,683	47,715
DISCONTINUED OPERATIONS					
Net profit	**8,277**	14,651	6,810	3,270	523
Profit on disposal	**73,464**	-	-	-	-
Total net profit	**21,367**	15,222	11,702	32,953	48,238
Balance Sheet ($000)					
Trade working capital	**41,339**	52,499	59,691	59,622	49,147
Other working capital and deferred income	**(20,702)**	(14,827)	(26,032)	(22,585)	62
Property, plant and equipment	**338,875**	433,803	457,470	434,140	427,959
Investments	**15,853**	16,610	21,970	26,383	27,992
Intangibles	**10,201**	36,904	40,614	41,005	30,647
Net taxation	**14,206**	(10,337)	(18,446)	(24,078)	(27,298)
Net assets	**399,772**	514,652	535,267	514,487	508,509
Total equity	**332,971**	313,268	313,272	315,153	326,597
Net borrowings	**66,801**	201,384	221,995	199,334	181,912
Funds employed	**399,772**	514,652	535,267	514,487	508,509
Cash Flows ($000)					
Cash inflows from operating activities	**18,799**	71,011	76,624	98,664	90,114
Net capital expenditure	**33,759**	52,187	74,797	72,296	75,677
Net divestment (acquisition) cash flows	**103,368**	12,890	-	1,070	(13,370)
Other Financial Statistics					
EPS from continuing operations (cents)	**(42.9)**	0.4	3.6	21.8	34.8
EPS from total operations (cents)	**15.2**	11.2	8.6	24.2	35.2
Dividend per share (cents)	**-**	4.0	7.0	20.5	21.5
Interest cover continuing operations (EBITDA/Net finance costs)	**2.2**	7.6	7.6	10.1	12.1
Gearing (Net borrowings/Total equity)	**20%**	64%	71%	63%	56%
Trade working capital to sales ratio	**6%**	6%	7%	7%	5%
Net capital expenditure to depreciation (times)	**0.6**	0.8	1.3	1.4	1.5

* Financial information for 2003 has not been prepared under Australian equivalents to IFRS. The main adjustments to the income statement would be the reversal of goodwill amortisation, expensing of share-based payments and deferral of a portion of government grants. The main adjustment to the balance sheet would be the recognition of deferred government grants.

financial report 2007

Financial Statements

Notes to the Financial Statements

income statement

for the year ended 31 December 2007

		CONSOLIDATED		COMPANY	
	Note	**2007 $000**	2006 $000	**2007 $000**	2006 $000
Sale of goods		**659,073**	708,306	**-**	-
Finance income		**3,288**	2,309	**16,229**	15,405
Royalty income		**422**	324	**-**	-
Dividend income		**-**	-	**20,284**	10,384
Revenue from continuing operations		**662,783**	710,939	**36,513**	25,789
Cost of sales		**(646,092)**	(640,787)	**-**	-
Gross profit		**16,691**	70,152	**36,513**	25,789
Other income	4(a)	**13,073**	16,825	**93,709**	4,890
Selling and distribution expenses		**(16,445)**	(14,425)	**-**	-
Administration expenses		**(24,180)**	(20,040)	**(11,115)**	(6,833)
Research and development expenses		**(16,082)**	(17,067)	**-**	-
Other expenses	4(b)	**(39,594)**	(15,299)	**(17,199)**	(9,072)
Profit (loss) before tax and finance costs		**(66,537)**	20,146	**101,908**	14,774
Finance costs	4(c)	**(15,702)**	(13,116)	**(4,736)**	(6,038)
Share of profit (loss) of associate	12	**(757)**	(956)	**-**	-
Profit (loss) before income tax		**(82,996)**	6,074	**97,172**	8,736
Tax (expense) income	5(a)	**14,324**	4,445	**2,219**	(1,188)
Profit (loss) from continuing operations		**(68,672)**	10,519	**99,391**	7,548
Profit from discontinued operations	6	**81,741**	14,651	**-**	-
Profit for the period		**13,069**	25,170	**99,391**	7,548
Profit for the period attributable to:					
Equity holders of the parent entity		**21,367**	15,222	**99,391**	7,548
Minority interest		**(8,298)**	9,948	**-**	-
		13,069	25,170	**99,391**	7,548

		cents	cents
Earnings per share for profit (loss) from continuing operations attributable to the ordinary equity holders of the parent entity	7		
Basic earnings per share		**(42.9)**	0.4
Diluted earnings per share		**(42.9)**	0.4
Earnings per share for profit attributable to the ordinary equity holders of the parent entity	7		
Basic earnings per share		**15.2**	11.2
Diluted earnings per share		**15.2**	10.7

balance sheet

as at 31 December 2007

	Note	CONSOLIDATED		COMPANY	
		2007	2006	**2007**	2006
		$000	$000	**$000**	$000
ASSETS					
Cash and cash equivalents	9	**72,529**	75,925	**17,669**	1
Trade and other receivables	10	**95,776**	136,709	**174,864**	182,435
Inventories	11	**42,945**	59,089	**-**	-
Current tax assets		**866**	5,937	**866**	5,511
Derivative financial instruments		**-**	59	**-**	122
Total current assets		**212,116**	277,719	**193,399**	188,069
Trade and other receivables	10	**10,176**	12,991	**-**	-
Investments accounted for using the equity method	12	**15,853**	16,610	**-**	-
Other investments	13	-	-	**222,155**	183,911
Deferred tax assets	5(b)	**14,305**	662	**12,700**	1,086
Property, plant and equipment	14	**338,875**	433,803	**93**	110
Intangible assets	15	**10,201**	36,904	**-**	-
Total non-current assets		**389,410**	500,970	**234,948**	185,107
Total assets		**601,526**	778,689	**428,347**	373,176
LIABILITIES					
Trade and other payables	16	**82,252**	121,482	**64,672**	61,895
Interest bearing borrowings	17	**139,300**	12,476	**30,441**	1,971
Current tax liabilities		**553**	3,211	**-**	-
Provisions, including employee benefits	18	**27,341**	21,089	**2,235**	2,559
Deferred government grants		**2,442**	3,556	**-**	-
Total current liabilities		**251,888**	161,814	**97,348**	66,425
Interest bearing borrowings	17	**30**	264,833	**-**	83,413
Deferred tax liabilities	5(b)	**412**	13,725	**109**	343
Provisions, including employee benefits	18	**1,000**	6,285	**59**	34
Deferred government grants		**15,225**	18,764	**-**	-
Total non-current liabilities		**16,667**	303,607	**168**	83,790
Total liabilities		**268,555**	465,421	**97,516**	150,215
Net assets		**332,971**	313,268	**330,831**	222,961
EQUITY					
Issued capital	19	**223,044**	220,672	**223,044**	220,672
Reserves	19	**18,895**	9,161	**10,775**	4,668
Retained earnings		**44,265**	22,898	**97,012**	(2,379)
Equity attributable to equity holders of the parent entity		**286,204**	252,731	**330,831**	222,961
Minority interest		**46,767**	60,537	**-**	-
Total equity		**332,971**	313,268	**330,831**	222,961

cash flow statement

for the year ended 31 December 2007

	Note	CONSOLIDATED 2007 $000	CONSOLIDATED 2006 $000	COMPANY 2007 $000	COMPANY 2006 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**753,179**	832,160	**-**	-
Payments to suppliers and employees		**(717,366)**	(734,363)	**(16,959)**	(4,791)
Cash generated from operations		**35,813**	97,797	**(16,959)**	(4,791)
Dividends received		**-**	-	**20,284**	10,384
Interest received		**3,227**	2,340	**16,143**	15,400
Interest paid and expensed in the income statement		**(15,368)**	(15,136)	**(4,614)**	(6,235)
Income taxes refunded (paid)		**(4,873)**	(13,990)	**2,675**	(3,465)
Payments to tax consolidated entities		**-**	-	**(7,659)**	(3,872)
Net cash from operating activities	20(a)	**18,799**	71,011	**9,870**	7,421
CASH FLOWS FROM INVESTING ACTIVITIES					
Development expenditure		**(2,866)**	(48)	**-**	-
Proceeds from sale of property, plant and equipment		**56**	2,064	**-**	-
Proceeds from disposal of subsidiaries net of cash disposed	20(b)	**103,368**	12,890	**105,035**	-
Purchase of property, plant and equipment		**(29,697)**	(50,752)	-	-
Interest paid and capitalised to property, plant and equipment		**(1,252)**	(3,451)	**-**	-
Contribution of additional equity in subsidiaries		**-**	-	**(54,767)**	(19,268)
Proceeds from return of equity in subsidiaries		**-**	-	**-**	904
Net cash provided by (used in) investing activities		**69,609**	(39,297)	**50,268**	(18,364)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital		**2,372**	386	**2,372**	386
Proceeds from borrowings		**78,155**	16,564	**-**	7,360
Repayment of borrowings		**(166,355)**	(37,838)	**(52,972)**	(19,200)
Repayment from (loans to) subsidiaries		**-**	-	**10,101**	28,539
Dividends paid to equity holders of the parent entity		**-**	(9,498)	**-**	(9,498)
Dividends paid to minority interests		**(789)**	(13,443)	**-**	-
Net cash provided by (used in) financing activities		**(86,617)**	(43,829)	**(40,499)**	7,587
Net increase (decrease) in cash and cash equivalents		**1,791**	(12,115)	**19,639**	(3,356)
Cash and cash equivalents at the beginning of the period		**69,793**	81,669	**(1,970)**	1,386
Effect of exchange rate changes on cash held		**945**	239	**-**	-
Cash and cash equivalents at the end of the period	9	**72,529**	69,793	**17,669**	(1,970)

statement of changes in equity

for the year ended 31 December 2007

	CONSOLIDATED					
	Equity holders of the parent entity					
	Issued capital $000	Reserves $000	Retained earnings $000	Total $000	Minority interest $000	Total equity $000
At 1 January 2006	220,286	7,825	17,174	245,285	67,987	313,272
Currency translation differences	-	(438)	-	(438)	(3,955)	(4,393)
Total income and expense recognised directly in equity for the period	-	(438)	-	(438)	(3,955)	(4,393)
Profit for the period	-	-	15,222	15,222	9,948	25,170
Total income and expense	-	(438)	15,222	14,784	5,993	20,777
Transactions with equity holders:						
Expense of share-based payments	-	1,774	-	1,774	-	1,774
Issue of share capital (Note 19)	386	-	-	386	-	386
Dividends (Note 8)	-	-	(9,498)	(9,498)	(13,443)	(22,941)
At 31 December 2006	**220,672**	**9,161**	**22,898**	**252,731**	**60,537**	**313,268**
Currency translation differences	**-**	**3,627**	**-**	**3,627**	**(4,683)**	**(1,056)**
Total income and expense recognised directly in equity for the period	**-**	**3,627**	**-**	**3,627**	**(4,683)**	**(1,056)**
Profit for the period	**-**	**-**	**21,367**	**21,367**	**(8,298)**	**13,069**
Total income and expense	**-**	**3,627**	**21,367**	**24,994**	**(12,981)**	**12,013**
Transactions with equity holders:						
Expense of share-based payments	**-**	**6,107**	**-**	**6,107**	**-**	**6,107**
Issue of share capital (Note 19)	**2,372**	**-**	**-**	**2,372**	**-**	**2,372**
Dividends (Note 8)	**-**	**-**	**-**	**-**	**(789)**	**(789)**
At 31 December 2007	**223,044**	**18,895**	**44,265**	**286,204**	**46,767**	**332,971**

statement of changes in equity

for the year ended 31 December 2007

	COMPANY			
	Issued capital $000	Reserves $000	Retained earnings $000	Total equity $000
At 1 January 2006	220,286	2,894	(429)	222,751
Profit for the period	-	-	7,548	7,548
Total income and expense	-	-	7,548	7,548
Transactions with equity holders:				
Expense of share-based payments	-	1,774	-	1,774
Issue of share capital (Note 19)	386	-	-	386
Dividends (Note 8)	-	-	(9,498)	(9,498)
At 31 December 2006	**220,672**	**4,668**	**(2,379)**	**222,961**
Profit for the period	**-**	**-**	**99,391**	**99,391**
Total income and expense	**-**	**-**	**99,391**	**99,391**
Transactions with equity holders:				
Expense of share-based payments	**-**	**6,107**	**-**	**6,107**
Issue of share capital (Note 19)	**2,372**	**-**	**-**	**2,372**
Dividends (Note 8)	**-**	**-**	**-**	**-**
At 31 December 2007	**223,044**	**10,775**	**97,012**	**330,831**

notes to the financial statements

NOTE 1. CORPORATE INFORMATION

Pacifica Group Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the ASX. The consolidated financial report of Pacifica Group Limited (the Company) for the year ended 31 December 2007 comprises the Company and its subsidiaries (together being the Group) and the Group's interest in associates.

The Group's principal activity is the manufacture and supply of brake systems and technologies to automotive manufacturers in Australia, North America and Asia. A significant change in the Group's geographical profile occurred in August 2007 when the Group sold its interests in AP Italia, its European manufacturer of brake components.

The financial report was authorised for issue in accordance with a resolution of Directors on 28 March 2008.

NOTE 2. BASIS OF PREPARATION

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards adopted by the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial report is presented in Australian dollars (which is the Company's functional currency) and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006). The Company is an entity to which the class order applies. The financial report has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Directors are of the view that there were no significant accounting judgements made in applying the Group's accounting policies set out in Note 2(b). Except for the item requiring estimation of recoverable amount described below, Directors are of the view that there were no key sources of estimation uncertainty at reporting date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period.

In light of softening demand and increased input costs, an impairment loss on plant and equipment was recognised in the financial statements based on estimated future cash flows of the Group's cash generating units. The estimate of cash flows required assumptions to be made about future sales and costs, and any future changes in these assumptions would likely lead to adjustments to the accumulated impairment loss.

(b) Accounting policies relevant to an understanding of the financial report

The accounting policies and methods of computation have been applied consistently to all periods presented in the consolidated financial report and have been applied consistently by entities in the Group.

notes to the financial statements

NOTE 2. BASIS OF PREPARATION (CONTINUED)

Change to comparative information

Comparative information previously disclosed in the 31 December 2006 financial report has been amended as a result of a change in interpretation of accounting standards.

The Group has a controlling interest in a subsidiary that is a partnership. Each partner is severally liable for income tax attributable to the earnings of the subsidiary in accordance with their respective equity interest. In prior period consolidated income statements, in addition to bringing to account the Group's share of tax expense relating to the partnership's earnings, the consolidated tax expense was adjusted to also account for the partner's share of tax expense, with a corresponding adjustment to the consolidated statement of changes in equity.

In the current reporting period, Directors have reassessed the accounting standards relating to the preparation of consolidated financial statements and have determined that, as the Group is not liable for the minority shareholder's income tax, only the Group's share of the partnership's income tax should be brought to account in the consolidated income statement.

The following amendments have been made to the consolidated income statement for the previous corresponding period:

- tax expense decreased by $3,248,000
- profit for the period increased by $3,248,000
- profit for the period attributable to minority interest increased by $3,248,000

There is no change to profit for the period attributable to equity holders of Pacifica Group Limited.

The changes to the consolidated income statement for the previous corresponding period result in the profit for the period attributable to minority interest reconciling to the consolidated statement of changes in equity. There are no changes to the consolidated balance sheet or consolidated cash flow statement as a result of the changes outlined above.

Principles of consolidation

The consolidated financial statements comprise the financial statements of Pacifica Group Limited (the Company) and its subsidiaries (together being the Group).

The financial statements of subsidiaries are prepared for the same reporting periods as the Company and using consistent accounting policies. All intercompany balances and transactions, including unrealised profits or losses arising from intragroup transactions, are eliminated in full.

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interest represents the interest in subsidiaries not held by the Group.

Investments in subsidiaries are carried at the lower of cost and recoverable amount in the Company's financial statements.

Investment in associate

The Group's investment in its associate is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Group has significant influence over the entity's financial and operating policies and which is neither a subsidiary nor a joint venture.

The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and adjustments are made to conform the associate's accounting policies to those of the Group where dissimilar accounting treatments are adopted. The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of profit (loss) after tax of the associate.

Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the Group's interest in the associate.

In the Company's financial statements, investment in the associate is carried at the lower of cost and recoverable amount.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, where applicable. Revenue is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods determined in accordance with the terms and conditions of the sale contract.

Finance income on short term investments is recognised as it accrues. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

In the Company's financial statements, dividend income is recognised when the right to receive the payment is established.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance the grant will be received and all attaching conditions will be complied with.

Where the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the expense that it is intended to compensate. Where the 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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases of plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges taken directly to the income statement and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance leased assets are depreciated over the shorter of the asset's useful life and the lease term.

NOTE 2. BASIS OF PREPARATION (CONTINUED)

Research and development costs

Research costs are expensed as incurred. Development expenditure on new or substantially improved products or processes is capitalised if the product or process is technically and commercially feasible, the Group has sufficient resources to complete the development and future economic benefits are expected to recover the amount. Any expenditure carried forward is amortised over the period of expected future sales from the related product development.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

Borrowing costs

Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition or construction of a qualifying asset, in which case they are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted for each jurisdiction at balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences in respect of goodwill, the initial recognition of assets or liabilities in a transaction that is not part of a business combination that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future, are not provided for. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Foreign currency

Foreign currency transactions are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at balance date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently carried at amortised cost less impairment losses. Impairment losses are only recognised when objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Where no objective evidence exists for an individually assessed receivable, it is included in a group of receivables which exhibit similar credit risk characteristics and collectively assessed for impairment. The amount of impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash inflows.

The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognised in other expenses in the income statement. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries are credited against other expenses in the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value.

The cost of inventories is based on a first-in, first-out basis and includes direct materials, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price, less cost to complete and selling expenses, in the ordinary course of business.

NOTE 2. BASIS OF PREPARATION (CONTINUED)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets constructed in-house includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual value, over their estimated useful life as follows:

Buildings – 33.33 years (2006: weighted average 27 years)

Plant and Equipment – 7.5 to 13.5 years (2006: weighted average 10 years)

Residual values and useful lives are reviewed on an annual basis and adjustments, where applicable, are made on a prospective basis.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

Intangible assets

Goodwill arising from a business combination is initially measured at cost, being the excess of the cost of the business combination over the net fair value of identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment annually or more frequently if changes in circumstances or events indicate that the carrying value may be impaired. At the acquisition date, goodwill is allocated to each of the cash generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on intangible assets with finite lives, this expense is taken to the income statement on a straight line basis. Intangible assets are tested for impairment when an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. The estimated useful lives of intangible assets with finite lives are as follows:

Capitalised development costs – weighted average 5 years (2006: 5 years)

Computer software – weighted average 3 years (2006: 3 years)

Patents and trademarks – weighted average 8 years (2006: 8 years)

Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest rate method. Fees paid on establishment of loan facilities are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

Derivative financial instruments

From time to time, the Group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risks arising from operating, financing and investment activities.

In accordance with the Group's treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are stated at fair value. The gain or loss on remeasurement of fair value is recognised immediately in the income statement, except where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, in which case the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

When the forecasted transaction, which is subject to a derivative financial instrument designated as a hedge, results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability or firm commitment. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For cash flow hedges, other than those covered by the preceding policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

Long term service benefits

The Group's net obligation in respect of long term service benefits, including post-employment benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation for post-employment benefits is calculated using the projected unit credit method and is discounted to its present value. Any movement in post-employment benefits obligation, including actuarial gains or losses, is included in the income statement as part of the employee benefits expense.

notes to the financial statements

NOTE 2. BASIS OF PREPARATION (CONTINUED)

Share-based payment transactions

Under the Pacifica Group Limited Executive Option and Performance Right Plan, Group executives were granted performance rights or options over Pacifica Group Limited shares which only vested if the Company achieved certain performance hurdles or an entity acquired voting power of greater than 20% in the Company. The fair value of options granted was recognised as an employee expense with a corresponding increase in equity. The fair value was measured at grant date and spread over the period during which the executives became unconditionally entitled to the options. The fair value of options granted was measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the options were granted.

The cumulative expense recognised for equity-based transactions at each reporting date until vesting reflected the extent to which the vesting period had expired and the number of options or performance rights that, in the opinion of the Directors of the Company, would ultimately vest. This opinion was formed based on the best available information at balance date. No adjustment was made for the likelihood of market performance conditions being met, as the effect of these conditions was included in the determination of fair value at grant date. No expense was recognised for options and performance rights that did not ultimately vest, except where vesting did not occur as a result of failing to meet a market condition.

(c) Issued standards not early adopted

The following standards and amendments to standards issued prior to the end of the reporting period were available for early adoption but have not been applied by the Group in these financial statements. The standards and amendments described below do not include those available for early adoption but which relate to industries or policies not applicable to the Group.

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 require adoption of a management approach to reporting on the financial performance of segments. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. The Group has not yet decided when to adopt AASB 8; however, application is unlikely to affect currently reported segments and segment results.
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128] introduce a number of options that existed under IFRS but had not been included in the original Australian equivalents to IFRS and remove many of the additional Australian disclosure requirements. The Group will adopt the amendments arising from AASB 2007-4 and AASB 2007-7 for the financial year ending 31 December 2008. However, the Group does not intend to apply any of the new options now available. As a consequence, application of the revised standards will not affect any of the amounts recognised in the financial statements, but it may remove some of the disclosures that are currently required.
- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] remove the option to expense all borrowing costs and require the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The revised AASB 123 is applicable to annual report periods commencing on or after 1 January 2009. As the Group already capitalises borrowing costs relating to qualifying assets, there will be no impact on the financial report.
- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 require the presentation of a statement of comprehensive income and make changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will also need to disclose a third balance sheet, this one being as at the beginning of the comparative period. The revised AASB 101, issued in September 2007, is applicable for annual reporting periods beginning on or after 1 January 2009.

NOTE 3. SEGMENT REPORTING

	Continuing operations					
	Australia 2007 $000	United States of America 2007 $000	Asia 2007 $000	Total 2007 $000	Discontinued operations Europe 2007 $000	Consolidated 2007 $000
Segment revenue						
Sale of goods	191,093	417,568	50,412	659,073	92,231	751,304
Royalty income	422	-	-	422	-	422
Revenue from external customers	191,515	417,568	50,412	659,495	92,231	751,726
Inter-segment revenue	36,575	-	50,538	87,113	-	87,113
Segment revenue	228,090	417,568	100,950	746,608	92,231	838,839
Inter-segment elimination				(87,113)	-	(87,113)
Unallocated revenue				3,288	25	3,313
Consolidated revenue				662,783	92,256	755,039
Segment result						
Operating segment result	1,404	(34,824)	10,597	(22,823)	14,951	(7,872)
Significant items	(18,503)	(3,095)	(418)	(22,016)	73,464	51,448
Segment result	(17,099)	(37,919)	10,179	(44,839)	88,415	43,576
Associate's profit (loss)	(757)	-	-	(757)	-	(757)
Impairment loss on investment in associate	-	-	-	-	-	-
Unallocated corporate expenses				(9,764)	-	(9,764)
Unallocated significant items				(15,222)	-	(15,222)
Net finance cost				(12,414)	(666)	(13,080)
Profit (loss) before income tax				(82,996)	87,749	4,753
Segment assets and liabilities						
Segment assets	184,997	188,098	124,416	497,511	-	497,511
Investment in associate	15,853	-	-	15,853	-	15,853
Operating assets	200,850	188,098	124,416	513,364	-	513,364
Cash assets				72,529	-	72,529
Income tax assets				15,171	-	15,171
Other unallocated assets				462	-	462
Consolidated total assets				601,526	-	601,526
Segment liabilities	70,544	39,536	15,271	125,351	-	125,351
Interest bearing borrowings				139,330	-	139,330
Income tax liabilities				965	-	965
Other unallocated liabilities				2,909	-	2,909
Consolidated total liabilities				268,555	-	268,555

notes to the financial statements

	Continuing operations					
	Australia 2006 $000	United States of America 2006 $000	Asia 2006 $000	Total 2006 $000	Discontinued operations Europe 2006 $000	Consolidated 2006 $000
NOTE 3. SEGMENT REPORTING (CONTINUED)						
Segment revenue						
Sale of goods	182,375	489,964	35,967	708,306	130,225	838,531
Royalty income	324	-	-	324	39	363
Revenue from external customers	182,699	489,964	35,967	708,630	130,264	838,894
Inter-segment revenue	45,886	-	50,491	96,377	-	96,377
Segment revenue	228,585	489,964	86,458	805,007	130,264	935,271
Inter-segment elimination				(96,377)	-	(96,377)
Unallocated revenue				2,309	35	2,344
Consolidated revenue				710,939	130,299	841,238
Segment result						
Operating segment result	13,020	11,796	7,004	31,820	26,123	57,943
Significant items	(2,746)	(410)	(1,108)	(4,264)	-	(4,264)
Segment result	10,274	11,386	5,896	27,556	26,123	53,679
Associate's profit (loss)	(956)	-	-	(956)	-	(956)
Impairment loss on investment in associate	(4,404)	-	-	(4,404)	-	(4,404)
Unallocated corporate expenses				(4,925)	-	(4,925)
Unallocated significant items				(390)	-	(390)
Net finance cost				(10,807)	(1,182)	(11,989)
Profit before income tax				6,074	24,941	31,015
Segment assets and liabilities						
Segment assets	217,867	230,138	115,661	563,666	114,275	677,941
Investment in associate	16,610	-	-	16,610	-	16,610
Operating assets	234,477	230,138	115,661	580,276	114,275	694,551
Cash assets				73,998	1,927	75,925
Income tax assets				6,599	-	6,599
Other unallocated assets				1,614	-	1,614
Consolidated total assets				662,487	116,202	778,689
Segment liabilities	63,685	48,425	14,131	126,241	41,492	167,733
Interest bearing borrowings				250,342	26,967	277,309
Income tax liabilities				5,779	11,157	16,936
Other unallocated liabilities				3,443	-	3,443
Consolidated total liabilities				385,805	79,616	465,421

	Continuing operations					
	Australia	United States of America	Asia	Total	Discontinued operations Europe	Consolidated
	2007	**2007**	**2007**	**2007**	**2007**	**2007**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Other segment information						
Capital expenditure	**10,323**	**4,035**	**13,124**	**27,482**	**3,220**	**30,702**
Unallocated				**-**	**-**	**-**
Total capital expenditure				**27,482**	**3,220**	**30,702**
Depreciation and amortisation	**25,811**	**18,997**	**7,777**	**52,585**	**5,163**	**57,748**
Unallocated				**17**	**-**	**17**
Total depreciation and amortisation				**52,602**	**5,163**	**57,765**
Impairment losses	**2,856**	**2,121**	**169**	**5,146**	**104**	**5,250**
Impairment reversals	**-**	**-**	**-**	**-**	**-**	**-**
Other non-cash expenses	**6,135**	**1,257**	**6**	**7,398**	**-**	**7,398**
Unallocated				**6,166**	**-**	**6,166**
Total other non-cash expenses				**13,564**	**-**	**13,564**
	2006	2006	2006	2006	2006	2006
	$000	$000	$000	$000	$000	$000
Capital expenditure	27,952	773	17,436	46,161	8,732	54,893
Unallocated				-	-	-
Total capital expenditure				46,161	8,732	54,893
Depreciation and amortisation	23,989	23,035	5,373	52,397	7,620	60,017
Unallocated				19	-	19
Total depreciation and amortisation				52,416	7,620	60,036
Impairment losses	4,404	-	-	4,404	-	4,404
Impairment reversals	136	1,694	-	1,830	-	1,830
Other non-cash expenses	975	152	7	1,134	18	1,152
Unallocated				1,774	-	1,774
Total other non-cash expenses				2,908	18	2,926

The Group's revenues are derived from a single business segment – automotive products and services. In line with its management reporting structure, the Group reports on three continuing geographical segments – Australia, United States of America and Asia. A fourth geographical segment, Europe, was discontinued during the current year (refer Note 6).

The Group has manufacturing plants in each of the reportable segments, which predominantly supply their respective local customers, although Asia is increasingly serving as a supply source for components to the Group's North American operations. Inter-segment pricing is determined on normal commercial terms. Geographic segment data is reported in accordance with location of assets.

notes to the financial statements

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000

NOTE 4. ITEMS OF INCOME AND EXPENSE

The following items of income and expense are included in the calculation of profit (loss) from continuing operations.

(a) Other income

Government grants	**7,867**	9,556	**-**	-
Net gain on disposal of investment in discontinued operations	**-**	-	**90,109**	-
Net gain on disposal of subsidiaries, excluding discontinued operations	**-**	1,548	**-**	-
Reversal of impairment loss on trade receivables	**-**	1,830	**-**	-
Intercompany management fees	**-**	-	**3,600**	3,600
Sundry other income	**5,206**	3,891	**-**	1,290
	13,073	16,825	**93,709**	4,890

Government grants have been received for investment in approved plant and equipment and approved research and development, in support of new investment and innovation in the Australian automotive industry.

(b) Other expenses

Bosch Offer and change of control costs	**9,495**	1,938	**9,495**	1,938
Expense of share-based payments accelerated upon change of control	**5,727**	-	**5,727**	-
Expense of share-based payments in the ordinary course	**380**	1,774	**380**	1,774
Global Engineered Fasteners underwriting costs	**-**	4,902	**-**	-
Impairment loss on investment in associate	**-**	4,404	**757**	5,360
Impairment loss on investment in subsidiary	**-**	-	**840**	-
Impairment loss on trade receivables	**931**	-	**-**	-
Impairment loss on property, plant and equipment	**4,215**	-	**-**	-
Net loss on disposal of property, plant and equipment	**1,045**	1,089	**-**	-
Rationalisation costs	**17,801**	1,192	**-**	-
	39,594	15,299	**17,199**	9,072

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
(c) Other relevant expenses included in the income statement				
Amortisation of intangibles	**2,645**	2,746	**-**	-
Depreciation of property, plant and equipment	**49,957**	49,671	**17**	20
Net foreign exchange differences	**2,189**	1,303	**4,113**	811
Operating lease expense	**5,452**	5,844	**96**	134
Employee benefits expense:				
Wages and salaries	**102,805**	105,208	**8,912**	3,565
Social security costs	**2,868**	2,478	**-**	-
Contributions to defined contribution plans	**8,485**	7,121	**489**	259
Expense of share-based payments	**6,107**	1,774	**6,107**	1,774
	120,265	116,581	**15,508**	5,598
Finance costs:				
Borrowing costs on loans and overdrafts	**14,183**	17,017	**4,614**	6,231
Finance charges payable under finance leases	**6**	4	**-**	-
Penalty on prepayment of private placement notes	**2,702**	-	**-**	-
Borrowing costs capitalised to property, plant and equipment	**(1,252)**	(3,451)	**-**	-
(Gain) loss on fair value derivatives	**63**	(454)	**122**	(193)
	15,702	13,116	**4,736**	6,038

The weighted average capitalisation rate used to determine the amount of finance costs capitalised to property, plant and equipment is 7.3% (2006: 6.9%).

notes to the financial statements

	CONSOLIDATED				
				Attributable to:	
	Pre-tax profit	Tax expense	Profit for the period	Parent interest	Minority interest
	2007	**2007**	**2007**	**2007**	**2007**
	$000	**$000**	**$000**	**$000**	**$000**
NOTE 4. ITEMS OF INCOME AND EXPENSE (CONTINUED)					
(d) Individually significant income (expense) items					
Included in other expenses:					
Bosch Offer and change of control costs	**(15,222)**	**2,849**	**(12,373)**	**(12,373)**	**-**
Impairment of plant and equipment	**(4,215)**	**1,357**	**(2,858)**	**(2,858)**	**-**
Rationalisation costs	**(17,801)**	**5,161**	**(12,640)**	**(12,259)**	**(381)**
Included in finance costs:					
Penalty on prepayment of private placement notes	**(2,702)**	**1,756**	**(946)**	**(946)**	**-**
Included in share of profit (loss) of associate:					
Rationalisation costs	**(657)**	**-**	**(657)**	**(657)**	**-**
Included in tax expense:					
Derecognition of unused tax losses	**-**	**(12,771)**	**(12,771)**	**(12,771)**	**-**
	2006	2006	2006	2006	2006
	$000	$000	$000	$000	$000
Included in other income:					
Gain on disposal of subsidiaries	1,548	246	1,794	1,794	-
Reversal of impairment loss on trade receivables	1,830	(394)	1,436	750	686
Included in other expenses:					
Bosch Offer and change of control costs	(1,938)	581	(1,357)	(1,357)	-
Global Engineered Fasteners underwriting costs	(4,902)	1,246	(3,656)	(3,516)	(140)
Impairment loss on investment in associate	(4,404)	-	(4,404)	(4,404)	-
Rationalisation costs	(1,192)	354	(838)	(838)	-

Bosch Offer and change of control costs

On 4 March 2007, Robert Bosch Investment Nederland B.V. (Bosch) announced that its offer for all the shares in the Company had closed and that it had achieved acceptances of some 75% of the Company's issued capital. Consequential change of control costs include (i) acceleration of the expensing of the fair value of options and performance rights; (ii) success fees and other amounts paid to advisors; and (iii) retention and other payments made to executives.

Impairment of plant and equipment

Following completion of the three year business plan, a detailed review of the Group's asset registers was undertaken to identify significantly under-utilised items of plant and equipment. An impairment loss was recognised for certain items of plant and equipment based on recoverable amount determined by value-in-use calculations.

Rationalisation costs

Includes redundancy costs and asset write-offs primarily associated with rationalisation of Australian and US automotive activities.

Penalty on prepayment of private placement notes

Following a review of the Group's funding requirements, the fixed interest 10 year notes were prepaid. Under the terms of the notes, a make-whole payment was also made.

Derecognition of unused tax losses

As a result of change of control, statutory limitations were imposed on the utilisation of unused US tax losses. The amount in excess of the statutory limitation has been written off.

Gain on disposal of subsidiaries (previous financial year)

With effect from 1 May 2006, the Group sold for cash its 100% interest in the shares of Melwire Pty Ltd and Mounts Wire Industries Ltd, which together comprise the Melwire Group.

Reversal of impairment loss on trade receivables (previous financial year)

In the 2005 financial year, an impairment loss was recognised for non-recovery of approximately 50% of the pre-petition debt owed by Delphi Corporation at the time of its filing for Chapter 11 protection. In the first half of 2006, Pacifica sold the pre-petition Delphi debt for 67 cents in the dollar, resulting in partial reversal of the previously recognised impairment loss.

Global Engineered Fasteners underwriting costs (previous financial year)

In order to ensure continuation of supply of components from Ajax Fasteners, Pacifica, in conjunction with certain other customers, entered into a Deed with Global Engineered Fasteners (GEF) to underwrite any shortfall between GEF's trading revenue and its expenses, including those of the administrator. The Deed was terminated on 28 November 2006 and the Group successfully re-sourced all Ajax Fasteners' components without interruption to production.

The individually significant income and expense items disclosed above are material to an understanding of the consolidated profit (loss) from continuing operations. For individually significant items material to an understanding of profit from discontinued operations, refer Note 6.

	COMPANY		
	Pre-tax profit	Tax expense	Profit for the period
	2007	**2007**	**2007**
	$000	**$000**	**$000**
Included in other income:			
Gain on disposal of subsidiary	**90,109**	**-**	**90,109**
Included in other expenses:			
Bosch Offer and change of control costs	**(15,222)**	**2,849**	**(12,373)**
Impairment loss on investments	**(1,597)**	**-**	**(1,597)**

	2006	2006	2006
	$000	$000	$000
Included in other expenses:			
Bosch Offer and change of control costs	(1,938)	581	(1,357)
Impairment loss on investment in associate	(5,360)	-	(5,360)

notes to the financial statements

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$	$	**$**	$
NOTE 4. ITEMS OF INCOME AND EXPENSE (CONTINUED)				
(e) Auditors' remuneration				
During the financial year, the following fees were paid or payable to PricewaterhouseCoopers for services provided by the auditor of the parent entity and its related practices.				
Audit and review of financial reports:				
PricewaterhouseCoopers Australian firm	**452,000**	-	**319,000**	-
Related practices of PricewaterhouseCoopers Australian firm	**402,723**	-	**-**	-
	854,723	-	**319,000**	-
Other assurance services:				
PricewaterhouseCoopers Australian firm	**88,500**	-	**44,500**	-
Related practices of PricewaterhouseCoopers Australian firm	**75,022**	-	**-**	-
Taxation services:				
PricewaterhouseCoopers Australian firm	**2,455**	-	**2,455**	-
Related practices of PricewaterhouseCoopers Australian firm	**-**	-	**-**	-
	165,977	-	**46,955**	-
	1,020,700	-	**365,955**	-
During the previous financial year, the following fees were paid or payable to KPMG for services provided by the auditor of the parent entity and its related practices.				
Audit and review of financial reports:				
KPMG Australia	**-**	378,076	**-**	260,400
Overseas KPMG firms	**-**	428,458	**-**	-
	-	806,534	**-**	260,400
Other assurance services:				
KPMG Australia	**-**	75,329	**-**	64,765
Overseas KPMG firms	**-**	74,098	**-**	-
Taxation services:				
KPMG Australia	**-**	298,307	**-**	179,391
Overseas KPMG firms	**-**	319,177	**-**	3,301
	-	766,911	**-**	247,457
	-	1,573,445	**-**	507,857

PricewaterhouseCoopers was appointed as the parent entity's and Group's external auditor for the financial year ended 31 December 2007 at the Annual General Meeting on 11 May 2007. KPMG were the parent entity's and Group's external auditor for the financial year ended 31 December 2006. For the financial year end 31 December 2007, the Group continued to engage KPMG to provide taxation services.

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000

NOTE 5. INCOME TAX

(a) Tax expense (income)

Recognised in the income statement				
Current tax expense (income):				
Current year	**1,746**	(568)	**-**	1,357
Adjustments for prior years	**2,823**	(267)	**2,341**	(274)
	4,569	(835)	**2,341**	1,083
Deferred tax expense (income):				
Origination and reversal of temporary differences	**(15,465)**	(3,353)	**(1,641)**	(18)
Adjustments for prior years	**(3,428)**	(257)	**(2,919)**	123
	(18,893)	(3,610)	**(4,560)**	105
	(14,324)	(4,445)	**(2,219)**	1,188

Numerical reconciliation between tax expense and profit (loss) before income tax from continuing operations				
Profit (loss) before income tax from continuing operations	**(82,996)**	6,074	**97,172**	8,736
Tax expense (income) using the Australian domestic corporation tax rate of 30% (2006: 30%)	**(24,899)**	1,823	**29,152**	2,621
Increase in tax expense due to:				
Non-deductible depreciation and amortisation	**95**	64	**-**	-
Other non-deductible expenses	**2,267**	825	**1,846**	612
Minority shareholder's share of tax income	**3,366**	-	**-**	-
Share of associate's net loss	**227**	287	**-**	-
Tax effect of significant item - non-deductible impairment loss on investments	**-**	1,321	**479**	1,608
Significant tax item - derecognition of unused tax losses	**12,771**	-	**-**	-
Decrease in tax expense due to:				
Offshore profits at lower tax rates	**(4,392)**	(1,125)	**-**	-
Research and investment allowances	**(516)**	(700)	**-**	-
Tax exempt dividends received	**-**	-	**(6,085)**	(3,115)
Other tax exempt items	**(2,638)**	(5,706)	**-**	(387)
Tax effect of significant item - non-taxable gain on disposal of subsidiaries	**-**	(710)	**(27,033)**	-
	(13,719)	(3,921)	**(1,641)**	1,339
Under (over) provided in prior years	**(605)**	(524)	**(578)**	(151)
Tax expense (income) on pre-tax profit (loss)	**(14,324)**	(4,445)	**(2,219)**	1,188

notes to the financial statements

	CONSOLIDATED				
	Opening balance	Recognised in income	Translation differences	Disposal of subsidiary	Closing balance
	2006 $000	2006 $000	2006 $000	2006 $000	2006 $000
NOTE 5. INCOME TAX (CONTINUED)					
(b) Deferred tax assets (liabilities)					
Tax value of loss carry-forwards	21,288	1,870	(1,626)	-	21,532
Employee benefits	6,460	(183)	(9)	(174)	6,094
Provisions	4,941	(3,170)	(4)	-	1,767
Deferred government grants	5,716	1,056	18	-	6,790
Other items	1,242	(1,211)	(31)	-	-
	39,647	(1,638)	(1,652)	(174)	36,183
Set-off of tax	(39,249)	3,728	-	-	(35,521)
Deferred tax assets	398	2,090	(1,652)	(174)	662
Property, plant and equipment	(50,981)	2,665	1,044	-	(47,272)
Income receivable	(2,148)	174	-	-	(1,974)
	(53,129)	2,839	1,044	-	(49,246)
Set-off of tax	39,249	(3,728)	-	-	35,521
Deferred tax liabilities	(13,880)	(889)	1,044	-	(13,725)
Net deferred tax assets (liabilities)	(13,482)	1,201	(608)	(174)	(13,063)
	2007 $000	**2007 $000**	**2007 $000**	**2007 $000**	**2007 $000**
Tax value of loss carry-forwards	**21,532**	**10,884**	**(2,206)**	**-**	**30,210**
Employee benefits	**6,094**	**(31)**	**(29)**	**(262)**	**5,772**
Provisions	**1,767**	**3,522**	**294**	**(820)**	**4,763**
Deferred government grants	**6,790**	**(1,484)**	**(6)**	**-**	**5,300**
Other items	**-**	**1,706**	**(11)**	**-**	**1,695**
	36,183	**14,597**	**(1,958)**	**(1,082)**	**47,740**
Set-off of tax	**(35,521)**	**640**	**364**	**1,082**	**(33,435)**
Deferred tax assets	**662**	**15,237**	**(1,594)**	**-**	**14,305**
Property, plant and equipment	**(47,272)**	**2,962**	**2,988**	**8,115**	**(33,207)**
Income receivable	**(1,974)**	**1,334**	**-**	**-**	**(640)**
	(49,246)	**4,296**	**2,988**	**8,115**	**(33,847)**
Set-off of tax	**35,521**	**(640)**	**(364)**	**(1,082)**	**33,435**
Deferred tax liabilities	**(13,725)**	**3,656**	**2,624**	**7,033**	**(412)**
Net deferred tax assets (liabilities)	**(13,063)**	**18,893**	**1,030**	**7,033**	**13,893**

	COMPANY			
	Opening balance	Recognised in income	Transfers[1]	Closing balance
	2006	2006	2006	2006
	$000	$000	$000	$000
Employee benefits	816	(176)	-	640
Provisions	181	265	-	446
Other items	1	(1)	-	-
Deferred tax assets	998	88	-	1,086
Withholding tax on undistributed profits of subsidiaries	(150)	(193)	-	(343)
Deferred tax liabilities	(150)	(193)	-	(343)
Net deferred tax assets (liabilities)	848	(105)	-	743
	2007	**2007**	**2007**	**2007**
	$000	**$000**	**$000**	**$000**
Tax value of loss carry-forwards	**-**	**2,314**	**7,291**	**9,605**
Employee benefits	**640**	**46**	**(3)**	**683**
Provisions	**446**	**(419)**	**-**	**27**
Other items	**-**	**2,385**	**-**	**2,385**
Deferred tax assets	**1,086**	**4,326**	**7,288**	**12,700**
Withholding tax on undistributed profits of subsidiaries	**(343)**	**234**	**-**	**(109)**
Deferred tax liabilities	**(343)**	**234**	**-**	**(109)**
Net deferred tax assets (liabilities)	**743**	**4,560**	**7,288**	**12,591**

(1) Represents transfers of tax attributes between the Head Company and Members of the Australian tax consolidated group in accordance with the terms of the tax funding agreement (refer Note 5(c)).

The tax value of the loss carry-forwards disclosed above is recognised on the basis that utilisation will arise from the reversal of existing taxable temporary differences and, to the extent of any excess above this amount, it is probable that future taxable profits will be available. The assessment of future taxable profits is based on a detailed three year business plan determined for each tax jurisdiction in which the Group operates.

A deferred tax asset for the amount of $34,528,000 (2006: $30,142,000) in respect of unused Australian capital tax losses has not been recognised in the financial statements of the Group and the Company because it is not probable that future capital gains will be available against which the Group can utilise the benefits.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is nil (2006: $410,000).

notes to the financial statements

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
NOTE 5. INCOME TAX (CONTINUED)				
Deferred tax assets to be recovered:				
Within 12 months	**12,643**	8,752	**2,110**	1,078
After more than 12 months	**35,097**	27,431	**10,590**	8
	47,740	36,183	**12,700**	1,086
Deferred tax assets to be settled:				
Within 12 months	**640**	1,974	**109**	343
After more than 12 months	**33,207**	47,272	**-**	-
	33,847	49,246	**109**	343

(c) Australian tax consolidation

The Company is the head entity in the Australian tax consolidated group comprising the Company and all the Australian wholly-owned subsidiaries. The implementation date for the tax consolidated group was 1 January 2003.

The current and deferred tax amounts for the Australian tax consolidated group are allocated among the entities in the group using a group allocation approach, whereby each entity in the Australian tax consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right but adjusting for certain benefits associated with being a member of the tax consolidated group. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the entity's balance sheet and their tax values applying under tax consolidation.

The Australian tax consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head company for current tax assets and liabilities and deferred tax assets arising from unused tax losses resulting from external transactions occurring after the implementation of tax consolidation. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities. No amounts were outstanding between the Company and relevant subsidiaries as at balance date. The members of the Australian tax consolidated group have also entered into a valid tax sharing agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head company default on its tax payment obligations and the treatment of entities leaving the tax consolidated group. At balance date, the possibility of default is considered remote.

NOTE 6. DISCONTINUED OPERATIONS

With effect from 31 August 2007, the Group sold for cash its 100% interest in the shares of Pacifica European Holdings Ltd, a company which held 100% of the shares of Automotive Products Italia (SV) Srl, together comprising 'AP Italia'. AP Italia represented a separate major geographical area of operations, constituting the European segment of the Group's activities, and on this basis is reported in this financial report as a discontinued operation.

Financial details of the discontinued operations are disclosed on the next page.

	CONSOLIDATED	
	2007	2006
	$000	$000
Financial performance and cash flow information		
The income statement and cash flow statement information disclosed below is for the eight months ended 31 August 2007 for the current reporting period and for twelve months for the comparative reporting period.		
Sale of goods	**92,231**	130,225
Finance income	**25**	35
Royalty income	**-**	39
Revenue	**92,256**	130,299
Expenses	**(77,971)**	(105,358)
Profit before income tax	**14,285**	24,941
Tax expense	**(6,008)**	(10,290)
Profit after income tax of discontinued operations	**8,277**	14,651
Gain on disposal of discontinued operations before income tax	**73,464**	-
Related income tax expense	**-**	-
Gain on disposal of discontinued operations after income tax	**73,464**	-
Profit from discontinued operations	**81,741**	14,651
Net cash from operating activities	**18,090**	20,189
Net cash provided by (used in) investing activities	**(5,138)**	(8,309)
Net cash provided by (used in) financing activities:		
Repayment of borrowings	**(6,731)**	(19,669)
Net increase (decrease) in cash and cash equivalents held by discontinued operations	**6,221**	(7,789)

Further information relating to the financial details of the disposal of the discontinued operations is set out in Note 20(b).

	CONSOLIDATED	
	2007	2006
	cents	cents

NOTE 7. EARNINGS PER SHARE (EPS)

(a) EPS

Basic EPS:		
From continuing operations including significant items	**(42.9)**	0.4
From continuing operations excluding significant items	**(13.2)**	6.0
Profit from discontinued operations	**58.1**	10.8
For profit attributable to the ordinary equity holders of the parent entity	**15.2**	11.2
Diluted EPS:		
From continuing operations including significant items	**(42.9)**	0.4
From continuing operations excluding significant items	**(13.2)**	5.7
Profit from discontinued operations	**58.1**	10.3
For profit attributable to the ordinary equity holders of the parent entity	**15.2**	10.7

	CONSOLIDATED	
	2007 $000	2006 $000
NOTE 7. EARNINGS PER SHARE (EPS) (CONTINUED)		
(b) Reconciliation of profit (loss) used in the calculation of basic and diluted EPS		
Profit for the period attributable to equity holders of the parent entity	**21,367**	15,222
Deduct profit from discontinued operations	**(81,741)**	(14,651)
Profit (loss) from continuing operations attributable to equity holders of the parent entity including significant items	**(60,374)**	571
Add back (deduct) individually significant loss (profit) items from continuing operations attributable to equity holders of the parent entity:		
Gain on disposal of subsidiaries	**-**	(1,794)
Reversal of impairment loss on trade receivables	**-**	(750)
Bosch Offer and change of control costs	**12,373**	1,357
Global Engineered Fasteners underwriting costs	**-**	3,516
Derecognition of unused tax losses	**12,771**	-
Impairment of plant and equipment	**2,858**	-
Impairment loss on investment in associate	**-**	4,404
Penalty on prepayment of private placement notes	**946**	-
Rationalisation costs	**12,916**	838
Profit (loss) from continuing operations attributable to equity holders of the parent entity excluding significant items	**(18,510)**	8,142

	2007 number	2006 number
(c) Weighted average number of ordinary shares		
Number used as the denominator in calculating basic EPS	**140,644,110**	135,682,481
Effect of executive share options on issue	**-**	5,661,573
Effect of executive share options expired during the period	**-**	487,700
Number used as the denominator in calculating diluted EPS	**140,644,110**	141,831,754

	cents per share	$000	Date of payment	Percentage franked

NOTE 8. DIVIDENDS

No dividends were recognised in the current reporting period by the Company.

Dividends recognised in the comparative reporting period by the Company are shown below.

	cents per share	$000	Date of payment	Percentage franked
2006				
Final in respect of 2005 financial year	3.0	4,071	7 April 2006	34%
Interim in respect of 2006 financial year	4.0	5,427	15 September 2006	60%
		9,498		

Subsequent to the end of the year

No final dividend has been declared due to the loss reported from continuing operations.

Franking account balance

There are nil (2006: nil) franking credits available to equity holders of the parent entity for subsequent financial years.

NOTE 9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2007 $000	CONSOLIDATED 2006 $000	COMPANY 2007 $000	COMPANY 2006 $000
Cash at bank and on hand	**42,811**	39,021	**3,369**	1
Short term deposits at call	**29,718**	36,904	**14,300**	-
Cash and cash equivalents in the balance sheet	**72,529**	75,925	**17,669**	1
Bank overdraft	**-**	(6,132)	**-**	(1,971)
Cash and cash equivalents in the cash flow statement	**72,529**	69,793	**17,669**	(1,970)

NOTE 10. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2007 $000	CONSOLIDATED 2006 $000	COMPANY 2007 $000	COMPANY 2006 $000
Current				
Trade receivables[1]	**80,585**	112,638	**-**	-
Accumulated impairment loss	**(1,832)**	(1,742)	**-**	-
	78,753	110,896	**-**	-
Prepayments	**1,893**	3,996	**37**	55
Amount due from associate	**712**	454	**-**	-
Amount due from subsidiaries	**-**	-	**173,940**	181,553
Other receivables	**14,418**	21,363	**887**	827
	95,776	136,709	**174,864**	182,435
Non-current				
Other receivables	**10,176**	12,991	-	-

(1) A significant portion of trade receivables is due from Bosch Group companies. Refer to Note 24 for further details.

notes to the financial statements

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
NOTE 11. INVENTORIES				
Raw materials and stores	**20,957**	28,258	**-**	-
Work in progress	**4,194**	7,229	**-**	-
Finished goods	**17,794**	23,602	**-**	-
	42,945	59,089	**-**	-

	CONSOLIDATED	
	2007	2006
	$000	$000
NOTE 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Pacifica Group Limited has a 49% interest (2006: 49%) in FMP Group (Australia) Pty Ltd, an Australian resident company whose principal activity is the manufacture and sale of friction materials.		
Equity accounted investment in associate	**23,076**	23,833
Accumulated impairment loss	**(7,223)**	(7,223)
	15,853	16,610
Summary financial information of associate:		
Revenue	**68,786**	67,697
Profit (loss) before income tax	**(2,255)**	(2,805)
Tax (expense) income	**428**	827
Profit (loss) for the period	**(1,827)**	(1,978)
Total assets	**55,818**	60,029
Total liabilities	**(21,678)**	(24,042)
Net assets	**34,140**	35,987
Group's share of associate's:		
Profit (loss) before income tax	**(1,105)**	(1,374)
Tax (expense) income	**210**	405
Profit (loss) for the period as disclosed by associate	**(895)**	(969)
Adjustment for dissimilar accounting treatment	**96**	32
Adjustment for unrealised profit in inventory	**42**	(19)
Share of net profit (loss) of associate	**(757)**	(956)
Capital expenditure commitments	**16**	-
Lease expenditure commitments	**348**	351

	COMPANY	
	2007	2006
	$000	$000

NOTE 13. OTHER INVESTMENTS

Investments in subsidiaries		
At cost	**345,687**	305,846
Accumulated impairment loss	**(139,385)**	(138,545)
	206,302	167,301
Investment in associate		
At cost	**27,173**	27,173
Accumulated impairment loss	**(11,320)**	(10,563)
	15,853	16,610
	222,155	183,911

	CONSOLIDATED			
	Land and buildings $000	Plant and equipment $000	Under construction $000	Total $000
NOTE 14. PROPERTY, PLANT AND EQUIPMENT				
Balance at 1 January 2006				
At cost	111,296	633,978	68,284	813,558
Accumulated depreciation	(16,873)	(339,215)	-	(356,088)
Net carrying amount	94,423	294,763	68,284	457,470
Movements in carrying amount:				
Additions	1,463	75,284	(21,902)	54,845
Disposals	(3,575)	(4,827)	-	(8,402)
Depreciation	(2,761)	(52,725)	-	(55,486)
Net exchange differences	(1,431)	(11,169)	(2,024)	(14,624)
Balance at 31 December 2006	88,119	301,326	44,358	433,803
Represented by:				
At cost	**106,810**	**638,030**	**44,358**	**789,198**
Accumulated depreciation	**(18,691)**	**(336,704)**	**-**	**(355,395)**
Net carrying amount	**88,119**	**301,326**	**44,358**	**433,803**
Movements in carrying amount:				
Additions	**9,250**	**46,383**	**(27,797)**	**27,836**
Disposals, including discontinued operations	**(19,193)**	**(30,597)**	**-**	**(49,790)**
Impairment loss	**-**	**(4,215)**	**-**	**(4,215)**
Depreciation	**(3,759)**	**(50,208)**	**-**	**(53,967)**
Net exchange differences	**(2,528)**	**(11,179)**	**(1,085)**	**(14,792)**
Balance at 31 December 2007	**71,889**	**251,510**	**15,476**	**338,875**
Represented by:				
At cost	**90,031**	**574,005**	**15,476**	**679,512**
Accumulated depreciation and impairment	**(18,142)**	**(322,495)**	**-**	**(340,637)**
Net carrying amount	**71,889**	**251,510**	**15,476**	**338,875**

An impairment loss of $4,215,000 in respect of the carrying amount of certain plant and equipment was recognised during the current reporting period (2006: nil). Following completion of the three year business plan, a detailed review of the Group's asset registers was undertaken to identify significantly under-utilised items of plant and equipment. An impairment loss was recognised for certain items of plant and equipment based on recoverable amount determined by value-in-use calculations. The pre-tax discount rate applied to the cash flow projections was 11.4%.

	COMPANY			
	Land and buildings $000	Plant and equipment $000	Under Construction $000	Total $000
Balance at 1 January 2006				
At cost	-	1,079	-	1,079
Accumulated depreciation	-	(949)	-	(949)
Net carrying amount	-	130	-	130
Movements in carrying amount:				
Additions	-	-	-	-
Depreciation	-	(20)	-	(20)
Balance at 31 December 2006	-	110	-	110
Represented by:				
At cost	**-**	**789**	**-**	**789**
Accumulated depreciation	**-**	**(679)**	**-**	**(679)**
Net carrying amount	**-**	**110**	**-**	**110**
Movements in carrying amount:				
Additions	**-**	**-**	**-**	**-**
Depreciation	**-**	**(17)**	**-**	**(17)**
Balance at 31 December 2007	**-**	**93**	**-**	**93**
Represented by:				
At cost	**-**	**789**	**-**	**789**
Accumulated depreciation	**-**	**(696)**	**-**	**(696)**
Net carrying amount	**-**	**93**	**-**	**93**

NOTE 15. INTANGIBLE ASSETS

	CONSOLIDATED				
	Goodwill	Computer software	Development costs	Patents and trademarks	Total
	$000	$000	$000	$000	$000
Balance at 1 January 2006					
At cost	19,684	2,404	13,510	11,342	46,940
Accumulated amortisation	(487)	(1,672)	(982)	(3,185)	(6,326)
Net carrying amount	19,197	732	12,528	8,157	40,614
Movements in carrying amount:					
Additions	-	-	48	-	48
Amortisation	-	(603)	(2,345)	(1,602)	(4,550)
Net exchange differences	549	9	-	234	792
Balance at 31 December 2006	19,746	138	10,231	6,789	36,904
Represented by:					
At cost	**20,247**	**2,423**	**13,558**	**11,666**	**47,894**
Accumulated amortisation	**(501)**	**(2,285)**	**(3,327)**	**(4,877)**	**(10,990)**
Net carrying amount	**19,746**	**138**	**10,231**	**6,789**	**36,904**
Movements in carrying amount:					
Additions	**-**	**39**	**2,827**	**-**	**2,866**
Disposals, including discontinued operations	**(19,833)**	**(83)**	**(212)**	**(5,743)**	**(25,871)**
Amortisation	**-**	**(94)**	**(2,645)**	**(1,059)**	**(3,798)**
Net exchange differences	**87**	**-**	**-**	**13**	**100**
Balance at 31 December 2007	**-**	**-**	**10,201**	**-**	**10,201**
Represented by:					
At cost	**-**	**-**	**16,167**	**-**	**16,167**
Accumulated amortisation	**-**	**-**	**(5,966)**	**-**	**(5,966)**
Net carrying amount	**-**	**-**	**10,201**	**-**	**10,201**

The Company does not carry any intangible assets.

With the exception of goodwill, all classes of intangible assets are assessed as having finite useful lives. The total goodwill balance arose from the acquisition of Automotive Products Italia (SV) Srl, which has subsequently been disposed of in the current reporting period.

The amortisation charge is recognised in the following line items in the income statement:

Computer software – administration expenses

Development costs – research and development expenses

Patents and trademarks – marketing and selling expenses

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
NOTE 16. TRADE AND OTHER PAYABLES				
Trade payables and accruals	**60,012**	99,440	**435**	700
Amount payable to associate	**618**	614	**-**	-
Amount payable to subsidiaries	**-**	-	**63,683**	61,195
Other payables	**21,622**	21,428	**554**	
	82,252	121,482	**64,672**	61,895

NOTE 17. INTEREST BEARING BORROWINGS

	2007 $000	2006 $000	**2007 $000**	2006 $000
Current				
Bank overdraft unsecured	**-**	6,132	**-**	1,971
Bank loans unsecured	**127,850**	6,304	**30,441**	-
Related party loans unsecured	**11,412**	-	**-**	-
Lease liabilities	**38**	40	**-**	-
	139,300	12,476	**30,441**	1,971
Non-current				
Bank loans unsecured	**-**	201,713	**-**	83,413
Private placement unsecured	**-**	63,044	**-**	-
Lease liabilities	**30**	76	**-**	-
	30	264,833	**-**	83,413

(a) Significant terms and conditions

The significant terms and conditions of the Group's principal interest bearing borrowings are disclosed below.

USD bank loans

US$74,300,000 cash advance facilities maturing March 2008 and bearing interest at LIBOR plus credit margin.
US$50,759,000 loan facility maturing April 2008 and bearing interest at LIBOR plus credit margin. Subsequent to balance date, and prior to this financial report being authorised for issue, the Group had confirmed refinancing of the USD bank loans for periods no less than 12 months from the date of refinacing.

USD related party loan

US$10,000,000 open term, revolving line of credit provided by a subsidiary of Robert Bosch GmbH, the ultimate controlling entity, and bearing interest at LIBOR plus credit margin determined on normal commercial terms.

notes to the financial statements

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000

NOTE 17. INTEREST BEARING BORROWINGS (CONTINUED)

(b) Used and unused loan facilities

Unrestricted access was available at balance date to the following lines of credit:

	CONSOLIDATED 2007 $000	CONSOLIDATED 2006 $000	COMPANY 2007 $000	COMPANY 2006 $000
Loan facilities available				
AUD loan facilities	**5,000**	85,800	**5,000**	85,800
Foreign currency loan facilities	**159,139**	186,445	**44,639**	27,613
Private placement loan facilities	**-**	63,044	**-**	-
	164,139	335,289	**49,639**	113,413
Loan facilities used				
AUD loan facilities	**-**	55,800	**-**	55,800
Foreign currency loan facilities	**139,262**	152,217	**30,441**	27,613
Private placement loan facilities	**-**	63,044	**-**	-
	139,262	271,061	**30,441**	83,413
Loan facilities unused				
AUD loan facilities	**5,000**	30,000	**5,000**	30,000
Foreign currency loan facilities	**19,877**	34,228	**14,198**	-
Private placement loan facilities	**-**	-	**-**	-
	24,877	64,228	**19,198**	30,000

NOTE 18. PROVISIONS, INCLUDING EMPLOYEE BENEFITS

(a) Employee benefits provisions

	CONSOLIDATED 2007 $000	CONSOLIDATED 2006 $000	COMPANY 2007 $000	COMPANY 2006 $000
Current				
Employee benefits - other	**16,725**	20,919	**2,235**	2,559
Non-current				
Employee benefits – post employment	**-**	5,638	**-**	-
Employee benefits – other	**633**	236	**59**	34
	633	5,874	**59**	34

	CONSOLIDATED			
	Rationalisation $000	Warranties $000	Other $000	Total $000
(b) Other provisions				
Movements in carrying amount:				
Balance at 1 January 2007	**142**	**414**	**25**	**581**
Provisions made	**10,125**	**24**	**807**	**10,956**
Amounts used	**(136)**	**-**	**-**	**(136)**
Unused amounts reversed	**-**	**-**	**-**	**-**
Discontinued operations	**-**	**(413)**	**-**	**(413)**
Net exchange differences	**(6)**	**2**	**(1)**	**(5)**
Balance at 31 December 2007	**10,125**	**27**	**831**	**10,983**
Represented by:				
Current	**10,125**	**27**	**464**	**10,616**
Non-current	**-**	**-**	**367**	**367**
	10,125	**27**	**831**	**10,983**

Rationalisation

The provision for rationalisation at the end of the reporting period relates to redundancy costs associated with rationalisation of Australian automotive activities and is based on a detailed formal plan. The liability is expected to be incurred in 2008.

Warranties

Provision is made for the estimated warranty claims in respect of friction material products sold which are still under warranty at balance date. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Other

Other provisions primarily relate to minimum lease payments and early termination penalties on a property vacated by the Group. To date, efforts to sub-lease the property have not been successful. The liability is expected to be incurred in instalments until mid-2009.

	CONSOLIDATED		COMPANY	
	2007 $000	2006 $000	**2007 $000**	2006 $000
(c) Total provisions, including employee benefits				
Current				
Employee benefits provisions	**16,725**	20,919	**2,235**	2,559
Other provisions	**10,616**	170	**-**	-
	27,341	21,089	**2,235**	2,559
Non-current				
Employee benefits provisions	**633**	5,874	**59**	34
Other provisions	**367**	411	**-**	-
	1,000	6,285	**59**	34

notes to the financial statements

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
NOTE 19. ISSUED CAPITAL AND RESERVES				
Issued capital				
Ordinary shares issued 141,544,781 (2006: 135,682,481)	**223,044**	220,672	**223,044**	220,672

The Company has one class of shares on issue, being ordinary shares with no par value. 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 the Company, ordinary shareholders rank after creditors and are fully entitled to any net proceeds remaining on liquidation.

	Number of shares	$000
Movement in ordinary shares on issue		
Balance at 31 December 2005	135,682,481	220,286
Receipt pursuant to Employee Share Plan(1)	-	386
Balance at 31 December 2006	**135,682,481**	**220,672**
Issued pursuant to Executive Option and Performance Right Plan	**5,862,300**	**420**
Receipt pursuant to Employee Share Plan(1)	**-**	**1,952**
Balance at 31 December 2007	**141,544,781**	**223,044**

(1) Shares issued pursuant to the Pacifica Group Limited Employee Share Plan were issued in prior periods as partly paid shares

Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so as to continue to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity, where net debt is calculated as interest bearing borrowings less cash and cash equivalents.

Following the takeover of the Group by Bosch, the Group's strategy was set to maintain a gearing ratio within a range of 20% to 40%, compared to the Group's previous target range of 55% to 60%. As at 31 December 2007, the Group's gearing ratio was 20.5% (31 December 2006: 64.3%). The decrease in the gearing ratio during 2007 resulted primarily from the application of the sale proceeds from AP Italia to debt reduction.

	CONSOLIDATED			COMPANY
	Employee equity benefits $000	Foreign currency translation $000	Total $000	Employee equity benefits $000
Reserves				
Balance at 1 January 2006	2,894	4,931	7,825	2,894
Currency translation differences	-	(438)	(438)	-
Expense of share-based payments	1,774	-	1,774	1,774
Balance at 31 December 2006	**4,668**	**4,493**	**9,161**	**4,668**
Currency translation differences	**-**	**3,627**	**3,627**	**-**
Expense of share-based payments	**6,107**	**-**	**6,107**	**6,107**
Balance at 31 December 2007	**10,775**	**8,120**	**18,895**	**10,775**

Nature and purpose of reserves

The employee equity benefits reserve was used to record the value of equity benefits previously provided to executives as part of their remuneration. With effect from the date of change of control, equity benefits are no longer provided to executives as part of their remuneration. The foreign currency translation reserve is used to record differences arising from the translation of the financial statements of foreign subsidiaries.

notes to the financial statements

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
NOTE 20. NOTES TO THE CASH FLOW STATEMENT				
(a) Reconciliation of profit for the period to net cash from operating activities				
Profit for the period	**13,069**	25,170	**99,391**	7,548
Adjustments for:				
Depreciation and amortisation	**57,765**	60,036	**17**	20
Expense of share-based payments	**6,107**	1,774	**6,107**	1,774
Impairment loss on investments	**-**	4,404	**1,597**	5,360
Impairment loss on plant and equipment	**4,215**	-	**-**	-
Change in fair value of derivative financial instruments	**59**	(454)	**122**	(193)
Loss on disposal of property, plant and equipment	**7,373**	1,104	**-**	-
Profit on disposal of subsidiaries	**(73,248)**	(1,548)	**(90,109)**	-
Exchange loss on return of equity from subsidiary	-	-	**-**	280
Share of associate's net (profit) loss	**757**	956	**-**	-
Increase (decrease) in current and deferred taxes payable	**(13,189)**	(8,145)	**(7,203)**	(6,149)
Net cash from operating activities before changes in working capital and provisions	**2,908**	83,297	**9,922**	8,640
(Increase) decrease in trade and other receivables	**3,336**	(6,752)	**(42)**	(300)
(Increase) decrease in inventories	**4,810**	(3,874)	**-**	-
Increase (decrease) in payables and provisions	**10,826**	(5,311)	**(10)**	(919)
Increase (decrease) in deferred government grants	**(3,081)**	3,651	**-**	-
Net cash from operating activities	**18,799**	71,011	**9,870**	7,421

(b) Disposal of subsidiaries

In the current reporting period, with effect from 31 August 2007, the Group sold for cash its 100% interest in the shares of Pacifica European Holdings Ltd, a company which held 100% of the shares in Automotive Products Italia (SV) Srl, together comprising 'AP Italia'. In the previous reporting period, with effect from 1 May 2006, the Group sold for cash its 100% interest in the shares of Melwire Pty Ltd and Mounts Wire Industries Ltd, together comprising 'Melwire Group'. Financial details of the disposals are disclosed on the following page.

	CONSOLIDATED	
	2007	2006
	$000	$000
Cash consideration received	**105,319**	14,093
Cash in subsidiaries disposed	**(1,951)**	(1,203)
Proceeds from disposal of subsidiaries net of cash disposed	**103,368**	12,890
Consideration receivable	**-**	500
Total consideration net of cash disposed	**103,368**	13,390
Book value of net assets disposed:		
Receivables	**34,641**	3,649
Inventories	**8,904**	5,149
Property, plant and equipment	**42,361**	5,234
Intangibles	**25,871**	-
Deferred tax assets	-	174
Current and deferred tax liabilities	**(11,697)**	-
Interest bearing borrowings	**(27,215)**	-
Payables, including deferred income	**(33,889)**	(1,327)
Provisions, including employee benefits	**(8,838)**	(1,184)
Net identifiable assets and liabilities	**30,138**	11,695
Excess of consideration over net assets disposed	**73,230**	1,695
Related cumulative foreign currency translation reserve	**18**	(147)
Net gain on disposal of subsidiaries	**73,248**	1,548
Represented by:		
AP Italia	**73,464**	-
Melwire Group	**(216)**	1,548
	73,248	1,548

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
NOTE 21. COMMITMENTS AND CONTINGENCIES				
(a) Capital expenditure commitments				
Capital expenditure contracted but not provided for and payable:				
Within one year	**11,188**	10,148	**-**	-
(b) Operating lease commitments				
Future minimum lease payments under non-cancellable operating leases are as follows:				
Less than one year	**3,557**	3,678	**45**	59
Between one and five years	**4,378**	4,618	**85**	37
	7,935	8,296	**130**	96
The Group leases property, plant and equipment under operating leases. The lease agreements contain normal commercial terms and conditions including renewal rights and escalation clauses where appropriate.				
(c) Finance lease commitments				
Finance lease commitments are payable:				
Less than one year	**42**	47	**-**	-
Between one and five years	**31**	81	**-**	-
	73	128	**-**	-
Less amounts provided for in the financial statements:				
Current liability	**38**	40	**-**	-
Non-current liability	**30**	76	**-**	-
	68	116	**-**	-
Future lease finance charges	**5**	12	**-**	-
(d) Contingent liabilities				
Under the terms of a Deed of Cross Guarantee, described in Note 23, the Company has guaranteed the repayment of all current and future creditors in the event any of the companies party to the Deed are wound up. These companies are able to pay their creditors at reporting date.	**-**	-	**-**	-
The Company has given guarantees in respect of bank loans provided to certain subsidiaries to a maximum amount equal to the credit facilities limit.	**-**	-	**97,408**	215,571
From time to time there are other legal claims and exposures which arise from the ordinary course of business. Directors have considered those which exist at balance date and do not consider any item to be significant.	**-**	-	**-**	-

(e) Contingent assets

In April 2007, a key supplier to the Group's US plants alleged that it was not contractually bound to continue the supply of cast iron components. The Company rejects the supplier's interpretation of the contractual arrangements and the matter has been referred to arbitration in the US. The arbitration process is likely to take some months and in order to ensure continued supply of essential components, the Group has agreed to pay significantly higher prices, the cost of which has been expensed in the current financial year. An arbitration outcome in the Group's favour is considered probable. In such circumstances, the supplier is required to repay a sum equivalent to the increase in the component prices and also costs associated with the dispute. The contingent asset, which at balance date amounts to approximately $33 million, has not been recognised as a receivable at 31 December 2007 as receipt of the amount is dependent on the outcome of the arbitration process.

NOTE 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The information provided below explains the significance of financial instruments to the Group's financial position and performance, as well as the nature and extent of risks arising from financial instruments and how the Group manages those risks. Unless otherwise stated, the information provided below is in relation to continuing operations.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. Plans for managing risk form part of the overall business strategy, with the Board of Directors being responsible for the overall risk management framework. To assist it in discharging this responsibility, the Board has put in place a control framework designed to identify, prioritise and manage the Group's principal risks, including financial risks associated with financial instruments.

As part of that framework, the annual budget identifies areas of financial risk which will require appropriate management to ensure budget targets are achieved. Risk exposures are monitored as actual results are compared to budget on a monthly basis, as well as revised forecasts are prepared for the Board on a regular basis.

Within treasury policy guidelines, derivative financial instruments are used, from time to time, to manage exposure to fluctuations in foreign exchange rates and interest rates.

(a) Market risk

Foreign exchange risk

The Group and the Company operate internationally, in terms of both location of manufacturing facilities and location of trading partners, and are exposed to foreign exchange risk from a limited number of currency exposures, but primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Group seeks to mitigate the incidence of foreign exchange risk by (i) borrowing in the same currencies as the respective asset holdings of the Group's foreign operations; and (ii) leveraging off the Group's global spread of operations and matching, wherever possible, sales and purchase commitments in common foreign currencies. Managing foreign exchange risk by these means has largely precluded the need, in both the current and previous reporting periods, to use forward currency contracts to eliminate currency exposures.

NOTE 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Exposure to foreign currency risk, expressed in terms of financial assets and liabilities denominated in US dollars held by non-US group entities, is disclosed in the following table.

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
Cash and cash equivalents	**3,042**	1,994	**823**	150
Trade and other receivables	**46,403**	37,415	**37,062**	28,437
Trade and other payables	**(2,883)**	(2,408)	**(26,800)**	-
Interest bearing borrowings	**(72,526)**	(56,250)	**(26,800)**	(21,900)

Based on financial instruments held at 31 December 2007, had the US dollar weakened/strengthened by 10% against the Australian dollar and the other financial currencies of the respective offshore operations, with all other variables held constant, the Group's profit for the period from continuing operations would have been $3,110,000 higher / $3,801,000 lower (2006: $2,494,000 higher / $3,049,000 lower), as a result of foreign exchange gains/losses on retranslation of US denominated financial instruments as detailed above. Profit is more sensitive to movements in the US dollar exchange rate in 2007 than 2006 because of the increased amount of US dollar denominated borrowings. Applying the same sensitivity scenario, equity would move consistent with the movements in profit for the period.

The Company's profit for the period would have been $801,000 lower / $979,000 higher (2006: $537,000 lower / $656,000 higher) had the US dollar weakened/strengthened against the Australian dollar as a result of foreign exchange losses/gains on retranslation of US denominated financial instruments as detailed above. Applying the same sensitivity scenario, equity would move consistent with the movements in profit for the period.

Cash flow interest rate risk

The Group's exposure to market risk for changes in interest rates relates to the Group's loan obligations. In the previous reporting period, when the Group's gearing (net debt to equity) was near the long term target range of 55%-60%, the Group's objective was to manage cash flow interest rate risk using a mix of fixed and variable rate debt to maintain between 40% and 60% of the Group's interest bearing borrowings at fixed rates of interest. This was achieved through a combination of borrowings issued at fixed rates and using interest rate swaps.

In the current reporting period, following the application of sale proceeds from the disposal of AP Italia to paying down debt, gearing has been reduced to historically low levels. This, in itself, has reduced the Group's exposure to cash flow interest rate risk and, as a consequence, the Group's total borrowings portfolio is now issued at variable rates.

At 31 December 2007, if interest rates had changed by -/+ 75 basis points from the year end average rate of 5.33% with all other variables held constant, profit from continuing operations for the year, and likewise equity, would have been $499,000 higher/lower (2006: $805,000 higher/lower). The Company's profit for the period would have been $160,000 higher/lower (2006: $240,000 higher/lower) had interest rates changes by -/+ 75 basis points with all other variables held constant.

The following tables indicate the exposure of the Group's and Company's borrowings to interest rate changes and the contractual repricing dates, as well as indicating in which currencies the borrowings are denominated.

			CONSOLIDATED				
	Effective		Repricing period				
	interest	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
	$000	$000	$000	$000	$000	$000	$000
As at 31 December 2007							
USD bank loans	**5.3%**	**127,850**	**-**	**-**	**-**	**-**	**127,850**
Related party USD loans	**5.5%**	**11,412**	**-**	**-**	**-**	**-**	**11,412**
Lease liabilities	**8.5%**	**19**	**19**	**30**	**-**	**-**	**68**
		139,281	**19**	**30**	**-**	**-**	**139,330**
As at 31 December 2006							
Interest bearing liabilities:							
EURO bank overdrafts[2]	4.1%	6,132	-	-	-	-	6,132
AUD bank loans	7.2%	55,800	-	-	-	-	55,800
AUD interest rate swaps[1]	(0.3%)	(10,000)	-	10,000	-	-	-
EURO bank loans[2]	4.3%	20,835	-	-	-	-	20,835
USD bank loans	6.0%	131,382	-	-	-	-	131,382
USD interest rate swaps[1]	0.1%	(8,107)	-	8,107	-	-	-
USD private placement	6.1%	-	-	-	-	63,044	63,044
Lease liabilities	9.5%	20	20	40	36	-	116
		196,062	20	18,147	36	63,044	277,309

[1] The effect of interest rate swaps is disclosed as a line item against each relevant entry to show how the swaps change the Group's repricing profile and effective interest rates.

[2] Relates to discontinued operations.

			COMPANY				
	Effective		Repricing period				
	interest	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
	$000	$000	$000	$000	$000	$000	$000
As at 31 December 2007							
Interest bearing liabilities:							
USD bank loans	**5.4%**	**30,441**	**-**	**-**	**-**	**-**	**30,441**
		30,441	**-**	**-**	**-**	**-**	**30,441**
As at 31 December 2006							
Interest bearing liabilities:							
AUD bank overdrafts	6.4%	1,971	-	-	-	-	1,971
AUD bank loans	7.2%	55,800	-	-	-	-	55,800
AUD interest rate swaps	(0.3%)	(10,000)	-	10,000	-	-	-
USD bank loans	6.1%	27,613	-	-	-	-	27,613
		75,384	-	10,000	-	-	85,384

NOTE 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to non-affiliated customers. The maximum exposure to credit risk at reporting date is the carrying value of the cash and cash equivalents and receivables. For banks and financial institutions, only independently rated parties with a minimum long term rating of A+ or A1 are eligible counterparties. For product customers, the Group has a credit policy in place and the exposure to credit risk is monitored by line management on an ongoing basis. Formal credit application and approval procedures are required for all potential customers requiring credit over a certain amount.

	CONSOLIDATED CONTINUING OPERATIONS	
	2007	2006
	$000	$000
Movement in the accumulated impairment loss account for trade receivables		
Balance at 1 January	**1,563**	8,313
Impairment loss recognised during the year	**931**	44
Receivables written off during the year as uncollectible	**(578)**	(4,495)
Unused amount reversed during the year	**-**	(1,932)
Subsidiary disposed	**-**	(114)
Net exchange difference	**(84)**	(253)
Balance at 31 December	**1,832**	1,563

The creation and release of the accumulated impairment loss for trade receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash. As at 31 December 2007, trade receivables of the Group with a nominal value of $1,256,000 (2006: $1,701,000) were identified as specifically impaired. The amount of the impairment allowance was $1,052,000 (2006: $1,187,000). All other trade receivables are assessed for impairment on a portfolio basis and an impairment allowance is recognised to some extent for all past due. The Company has no trade receivables.

The other classes within receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that the carrying amounts will be received when due.

(c) Liquidity risk

In previous reporting periods, management adopted prudent liquidity risk management practices of maintaining sufficient cash and cash equivalents to meet immediate needs and ensuring an adequate amount of unused committed credit facilities were available to meet longer term needs and to provide flexibility for unforeseen events.

In the current reporting period, the maintenance of sufficient cash and cash equivalents to meet immediate needs is achieved through monitoring rolling cash flow forecasts for each of the Group's regional segments. The need to ensure an adequate amount of unused committed credit facilities is available has been eliminated by the fact that Robert Bosch GmbH has become the ultimate controlling entity of the Group and has undertaken to provide additional and/or replacement funding in the event existing facilities are inadequate or terminated.

The tables included in Note 22(a) under the sub-heading "cash flow interest rate risk" disclose the Group's and the Company's financial liabilities based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. In addition to these recognised financial liabilities, the following table discloses the contractual undiscounted cash flows relating to future interest payments assuming interest rates and financial liabilities outstanding as at 31 December remain unchanged to the contractual maturity date.

	CONSOLIDATED		COMPANY	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
Contractual interest cash flow due:				
Within 6 months	**1,825**	8,181	**414**	2,859
After 6 months, before 1 year	**-**	8,001	**-**	2,859
After 1 year, before 2 years	**-**	11,284	**-**	2,445
After 2 years, before 5 years	**-**	13,791	**-**	-
After 5 years	**-**	4,958	**-**	-
	1,825	46,215	**414**	8,163

(d) Fair value of financial instruments

With the exception of the item noted below, the carrying amount of each class of financial assets and financial liabilities is a reasonable approximation of the fair value as at balance date. At the end of the previous reporting period, the Group had fixed rate interest bearing borrowings with a carrying amount of ($98,104,000) and a fair value of ($101,570,000). The fair value was determined by an independent financial services provider, discounting remaining cash flows at the prevailing market yield to maturity applicable for the private placement notes (5.323%).

(e) Economic dependency

A significant portion of the Group's revenue from sale of goods for the year is attributable to General Motors Corporation and certain members of its supply chain. The Group seeks to minimise economic dependency by securing business with a balanced customer portfolio.

	Ownership interest % 2007	2006	Country of incorporation	Note
NOTE 23. SUBSIDIARIES				
(a) Investments in subsidiaries				
Pacific BBA Building Products Pty Ltd	**100**	100	Australia	(1)
Pacific BBA (Malaysia) Sdn Bhd	**100**	100	Malaysia	
PBR (Malaysia) Sdn Bhd	**100**	100	Malaysia	
Pacific BBA Properties No 2 Pty Ltd	**100**	100	Australia	(1)
Pacific BBA Properties Pty Ltd	**100**	100	Australia	(1)
Pacific BBA (Thailand) Ltd	**100**	100	Thailand	
FMP Group (Thailand) Ltd	**50**	50	Thailand	(5)
FMP Distribution Ltd	**50**	50	Thailand	(5)
Pacifica European Holdings Ltd	**-**	100	United Kingdom	(3)
Automotive Products Italia (SV) Srl	**-**	100	Italy	(3)
Pacifica Group Technologies Pty Ltd	**100**	100	Australia	(1)
Pacifica Holdings No 2 Pty Ltd	**100**	100	Australia	(1)
PBR International Ltd	**100**	100	Australia	(1)
FMP Group Pty Ltd	**50**	50	Australia	(5)
FMP Automotive (M) Sdn Bhd	**50**	50	Malaysia	(5)
PBR Australia Pty Ltd	**100**	100	Australia	(1)
PBR Automotive Korea Co Ltd	**100**	100	Korea	
PBR China Pty Ltd	**100**	100	Australia	(1)
PacMat China Pty Ltd	**100**	100	Australia	(1)
Pacifica Automotive Technology (Dalian) Co Ltd	**100**	100	China	
PBR Victoria Pty Ltd	**100**	100	Australia	(1)
PBR Holdings No 1 Pty Ltd	**100**	100	Australia	
PBR US Holdings No 1 LLC	**100**	100	USA	
Pacifica USA Holdings	**100**	100	USA	
PBR International USA Ltd	**100**	100	USA	
PBR Carolina Inc	**100**	100	USA	
PBR South Carolina Inc	**100**	100	USA	
PBR Columbia LLC	**100**	100	USA	
PBR Tennessee Inc	**100**	100	USA	
PBR Knoxville LLC	**100**	51	USA	
Pacifica USA Services LLC	**100**	100	USA	
PBR Holdings No 2 Pty Ltd	**100**	100	Australia	(2)
PBR US Holdings No 2 LLC	**100**	100	USA	
Siam PBR (Thailand) Ltd	**-**	100	Thailand	(4)
PBR Automotive (Thailand) Ltd	**100**	100	Thailand	

Names of subsidiaries indented indicate that the issued capital of such subsidiaries, other than issued capital attributable to minority interests, is owned by the company immediately above the indent.

(1) Pacifica Group Limited and these subsidiaries have entered into an approved Deed of Cross Guarantee in respect of relief granted from specified accounting and financial reporting requirements in accordance with a Class Order. Refer Note 23(b).

(2) A small proprietary company as defined by the Corporations Act 2001 and not required to be audited for statutory purposes.

(3) Subsidiary disposed during the year.

(4) Subsidiary liquidated during the year.

(5) Control is by reason of casting vote on the Board.

(b) Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended), certain wholly-owned subsidiaries are relieved from the Corporations Act 2001 requirement for preparation, audit and lodgement of financial reports and Directors' report.

It is a condition of the Class Order that Pacifica Group Limited and each of the subsidiaries referred to above enter into a Deed of Cross Guarantee. The effect of the Deed is that Pacifica Group Limited guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries covered by the Class Order under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, Pacifica Group Limited will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are identified in Note 23(a).

A consolidated income statement and balance sheet as at 31 December 2007, comprising Pacifica Group Limited and wholly-owned subsidiaries which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, are shown on the following page.

notes to the financial statements

	CONSOLIDATED	
	2007	2006
	$000	$000
NOTE 23. SUBSIDIARIES (CONTINUED)		
Summary income statement and retained earnings		
Profit (loss) before income tax	**66,740**	(2,032)
Tax (expense) income	**11,563**	(770)
Profit (loss) for the period	**78,303**	(2,802)
Retained earnings at the beginning of the year	**9,899**	22,199
	88,202	19,397
Dividends recognised during the year	**-**	(9,498)
Retained earnings at the end of the year	**88,202**	9,899
Balance sheet		
Cash and cash equivalents	**32,013**	17,422
Trade and other receivables	**71,033**	73,175
Inventories	**13,952**	15,637
Current tax assets	**866**	3,553
Derivative financial instruments	**-**	122
Total current assets	**117,864**	109,909
Trade and other receivables	**6,400**	9,961
Investments accounted for using the equity method	**15,853**	16,610
Other investments	**128,575**	95,509
Deferred tax assets	**11,261**	-
Property, plant and equipment	**128,291**	152,139
Intangible assets	**13,399**	10,231
Total non-current assets	**303,779**	284,450
Total assets	**421,643**	394,359
Trade and other payables	**27,555**	32,346
Interest bearing borrowings	**30,441**	1,971
Provisions, including employee benefits	**23,714**	16,120
Deferred government grants	**2,442**	3,062
Total current liabilities	**84,152**	53,499
Interest bearing borrowings	**-**	83,413
Deferred tax liabilities	**-**	4,001
Provisions, including employee benefits	**482**	237
Deferred government grants	**15,225**	17,970
Total non-current liabilities	**15,707**	105,621
Total liabilities	**99,859**	159,120
Net assets	**321,784**	235,239
Issued capital	**223,044**	220,672
Reserves	**10,538**	4,668
Retained earnings	**88,202**	9,899
Total equity	**321,784**	235,239

NOTE 24. RELATED PARTIES

(a) Identity of related parties

On 4 March 2007, Robert Bosch Investment Nederland B.V., a wholly owned subsidiary of Robert Bosch GmbH (Bosch), announced that, pursuant to an offer to all shareholders, it had achieved acceptances of 75% of the Company's issued capital. On 7 March 2007, the composition of the Company's Board changed to reflect Bosch's proportionate ownership interest. As a result of these events, the immediate parent entity is Robert Bosch Investment Nederland B.V. and the ultimate parent entity and ultimate controlling party is Robert Bosch GmbH (incorporated in Germany). Bosch is also one of the Group's key North American customers, as well as a supplier. In addition to this relationship, the Company has a related party relationship with its subsidiaries (Note 23); the Group has a related party relationship with an associate (Note 12) and with its Key Management Personnel.

(b) Related party transactions (non-key management personnel disclosures)

Loans are made by the Company to certain wholly-owned operating subsidiaries for capital expenditure and working capital purposes. These loans are at commercial interest rates and are repayable at call. Finance income on these loans for the year ended 31 December 2007 amounted to $15,147,000 (2006: $15,162,000). In addition, interest free at call advances are outstanding between the Company and certain Australian non-operating or holding company subsidiaries. Refer Notes 10 and 16 for details on outstanding balances.

Other transactions between the Company and its subsidiaries during the year included (a) dividends received (refer income statement); (b) management fees received for accounting, legal and administrative assistance (refer Note 4 (a)); and (c) amounts payable under tax consolidation legislation (refer cash flow statement).

During the year ended 31 December 2007, the Group's associate company, FMP Group (Australia) Pty Ltd, purchased inventory from the Group in the amount of $6,721,000 (2006: $4,567,000). In addition, the Group purchased inventory from FMP Group (Australia) Pty Ltd in the amount of $15,283,000 (2006: $14,482,000) and received engineering and technical services in the amount of $268,000 (2006: $544,000). Transactions with the associate are priced on normal commercial terms and in the ordinary course of business.

From the date of change of control to the end of the current reporting period, the Group made sales to Bosch of $229,859,000 (2006 comparable period: $252,504,000), and purchased inventory from Bosch in the amount of $57,921,000. At the end of the reporting period, trade receivables due from Bosch amount to $33,780,000 and trade payables amount to $9,515,000. Sales of product to, and purchases of components from, Bosch are priced on normal commercial terms and in the ordinary course of business.

In addition, interest bearing loans due to Bosch at the end of the reporting period amount to $11,412,000. Interest paid on the loan amounted to $332,000 for the year and interest rates were determined on normal commercial terms.

NOTE 24. RELATED PARTIES (CONTINUED)

(c) Key management personnel disclosures

Details about key management personnel

The following were key management personnel of the Company and/or the Group at any time during the reporting period and, unless otherwise indicated, were key management personnel for the entire period. This list of key management personnel also includes the top 5 most highly remunerated Company executives.

Directors	
P M Burroughs	
A J Clarke	Retired from Board on 12 September 2007 but continued as an executive until 30 September 2007
G D W Curlewis	Retired from the Board on 7 March 2007
P Delhey	Appointed to the Board by Bosch as Executive Chairman on 7 March 2007
J K Ellis	Chairman until his retirement from the Board on 7 March 2007
P A F Hay	
M P Kopka	Appointed to the Board by Bosch on 7 March 2007 (Serves as Vice President Post-Merger Integration, PBR)
J R MacKenzie	Retired from Board on 11 May 2007 but contracted from that date as a PBR International executive
K G Mellvé	Appointed to the Board by Bosch on 7 March 2007 and ceased to hold office as a Director on 11 May 2007
G E Plapp	Appointed to the Board by Bosch on 7 March 2007
D Robinson	Appointed to the Board by Bosch on 11 May 2007
P G Thomas	Retired on 7 March 2007
Executives	
A Boden	Group Vice President, Engineering - ceased 26 October 2007
P J Culley	Managing Director, PBR Australia
M A Delacorn	Group Vice President, Major Projects
R S Joblin	Group General Manager, Human Resources & Corporate Development & Company Secretary
V G Joy	Managing Director, PBR Asia - ceased 12 October 2007
J McCarthy	Group Vice President, Purchasing
P J Robinson	Managing Director, PBR Aftermarket
P H Rose	Chief Financial Officer, Pacifica (effective 1 October 2007)
P G Slaski	Group Vice President, Operations
A B Stevens	Group Vice President, Quality and Program Management

Key Management Personnel Compensation

The key management personnel compensation included in “employee benefits expense” (Note 4(c)) is detailed below.

Table 1 - Aggregate compensation

	CONSOLIDATED	
	2007	2006
	$	$
Short term Employee benefits	**6,994,755**	5,284,087
Post-employment benefits	**825,336**	568,228
Termination benefits	**3,445,000**	-
Share-based payments	**3,688,388**	1,221,222
Total[1]	**14,953,479**	7,073,537

(1) Aggregate totals in respect of 2006 are not directly comparable to 2007 totals.

Individual Directors’ and executives’ compensation disclosures

Information regarding individual Directors’ and executives’ compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors’ Report on pages 19 to 31.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors’ interests existing at year end.

NOTE 24. RELATED PARTIES (CONTINUED)

Options and performance rights over equity instruments granted as compensation

The movement during the reporting period in the number of options and performance rights over ordinary shares held directly, indirectly or beneficially by key management personnel are provided below.

		Held at 1 January 2007	Exercised[3]	Forfeited	Held at 31 December 2007	Vested and exercisable at 31 December 2007[4]
Senior Executives						
P J Culley	Performance Rights	204,400	(204,400)	-	-	-
	Options	65,000	-	-	65,000	65,000
M A Delacorn	Performance Rights	204,400	(204,400)	-	-	-
	Options	65,000	-	-	65,000	65,000
R S Joblin	Performance Rights	308,300	(308,300)	-	-	-
	Options	181,000	-	-	181,000	181,000
J McCarthy	Performance Rights	204,400	(204,400)	-	-	-
	Options	65,000	-	-	65,000	65,000
J R MacKenzie[1]	Performance Rights	1,223,400	(1,223,400)	-	-	-
	Options	496,000	-	-	496,000	496,000
P J Robinson	Performance Rights	204,400	(204,400)	-	-	-
	Options	30,000	-	-	30,000	30,000
P G Slaski	Performance Rights	204,400	(204,400)	-	-	-
	Options	30,000	-	-	30,000	30,000
A B Stevens	Performance Rights	204,400	(204,400)	-	-	-
	Options	65,000	-	-	65,000	65,000
Former Senior Executives						
A Boden	Performance Rights	140,600	(140,600)	-	-	-
	Options	-	-	-	-	-
A J Clarke[2]	Performance Rights	394,400	(394,400)	-	-	-
	Options	60,000	-	(60,000)	-	-
V G Joy	Performance Rights	160,200	(160,200)	-	-	-
	Options	12,000	-	(12,000)	-	-

(1) Mr MacKenzie was an Executive Director until stepping down from the Board on 11 May 2007.

(2) Mr Clarke was an Executive Director until stepping down from the Board on 12 September 2007. He ceased his employment with the Group on 30 September 2007. 100% of options held by him were forfeited upon ceasing employment.

(3) During the financial year, 100% of performance rights and options vested and all performance rights were exercised as a consequence of the successful Bosch takeover bid. No options were exercised by senior executives.

(4) There are no options or performance rights which are vested but unexercisable as at 31 December 2007.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially by Directors and key management personnel is disclosed below.

	Held at 1 January 2007	Sales	Held at 31 December 2007
Directors			
P M Burroughs	12,831	(12,831)	-
G D W Curlewis	14,300	(14,300)	-
J K Ellis	124,517	(124,517)	-
P A F Hay	127,599	(127,599)	-
PG Thomas	42,832	(42,832)	-
J R MacKenzie	103,255	(103,255)	-
A J Clarke	20,000	(20,000)	-
P Delhey	-	-	-
M P Kopka	-	-	-
K G Mellvé	-	-	-
G E Plapp	-	-	-
D Robinson	-	-	-
Executives			
A Boden	-	-	-
P J Culley	15,650	(15,650)	-
M A Delacorn	23,986	(23,986)	-
R S Joblin	22,100	(22,100)	-
V G Joy	-	-	-
J McCarthy	2,000	(2,000)	-
P J Robinson	-	-	-
P G Slaski	-	-	-
A B Stevens	22,527	(22,527)	-

No shares were granted to key management personnel during the reporting period as compensation.

No shares were purchased during the reporting period by key management personnel.

Exercise of options granted as compensation

During the financial year the Company issued 5,862,300 ordinary shares as a result of the exercise of performance rights and options previously granted to key management personnel as compensation.

notes to the financial statements

NOTE 25. SHARE-BASED PAYMENTS

Prior to change of control, under the Pacifica Group Limited Executive Options and Performance Right Plan (Plan) executives were granted equity-based instruments at no cost, being either performance rights or options over Pacifica Group Limited shares. The Plan was part of the Company's long term incentive arrangements, which provided executives with a longer term focus on the broader issues of corporate value creation, continuing financial improvement and alignment of individuals performance with shareholder interests.

The performance rights and options usually only became exercisable if the Company satisfied certain long term performance measures, except under certain conditions including a successful takeover bid to acquire shares in the Company. As any benefit was ultimately to be delivered as shares, a close link to share price and strong alignment with shareholders' interests was achieved over the life of the long term incentive plans.

During the financial year, as a result of the Bosch takeover bid, all performance rights and options previously issued to executives have vested and all performance rights have been exercised. Under the Plan rules, where a takeover bid is made and the offer becomes unconditional and the bidder acquires voting power of greater than 20% in the Company, holders may exercise their performance rights and options whether or not the exercise conditions had been satisfied. These criteria were met on 23 February 2007. No new options or performance rights were granted during 2007 and the share-based long term incentive plan has been replaced with a new cash-based long term incentive plan.

Set out below are summaries of options and performance rights granted under the defunct Plan. The disclosures are applicable to both the Group and the Company.

Grant date 2007	Expiry date 2007	Exercise price 2007	Opening balance 2007	Granted 2007	Exercised 2007	Forfeited 2007	Closing balance 2007
31/05/99	30/05/09	$5.66	479,000	-	-	(14,000)	465,000
16/06/00	15/06/10	$4.08	550,000	-	-	(30,000)	520,000
12/06/01	11/06/11	$3.51	195,000	-	-	-	195,000
12/06/01	11/06/11	-	21,000	-	(21,000)	-	-
17/06/02	14/06/12	$4.06	272,000	-	-	(60,000)	212,000
17/06/02	14/06/12	-	708,000	-	(708,000)	-	-
10/06/03	09/06/13	-	917,500	-	(917,500)	-	-
21/06/04	20/06/14	$4.12	59,000	-	-	-	59,000
21/06/04	20/06/14	-	849,700	-	(849,700)	-	-
01/01/05	31/12/14	$3.35	119,000	-	-	-	119,000
01/01/05	31/12/14	-	1,168,700	-	(1,168,700)	-	-
01/01/06	31/12/15	$1.84	228,000	-	(228,000)	-	-
01/01/06	31/12/15	-	1,969,400	-	(1,969,400)	-	-
			7,536,300	-	(5,862,300)	(104,000)	1,570,000

Grant date 2006	Expiry date 2006	Exercise price 2006	Opening balance 2006	Granted 2006	Exercised 2006	Forfeited 2006	Closing balance 2006
31/05/99	30/05/09	$5.66	700,000	-	-	(221,000)	479,000
16/06/00	15/06/10	$4.08	775,000	-	-	(225,000)	550,000
12/06/01	11/06/11	$3.51	325,000	-	-	(130,000)	195,000
12/06/01	11/06/11	-	253,000	-	-	(232,000)	21,000
17/06/02	14/06/12	$4.06	272,000	-	-	-	272,000
17/06/02	14/06/12	-	757,000	-	-	(49,000)	708,000
10/06/03	09/06/13	-	979,500	-	-	(62,000)	917,500
21/06/04	20/06/14	$4.12	59,000	-	-	-	59,000
21/06/04	20/06/14	-	907,700	-	-	(58,000)	849,700
01/01/05	31/12/14	$3.35	119,000	-	-	-	119,000
01/01/05	31/12/14	-	1,255,400	-	-	(86,700)	1,168,700
01/01/06	31/12/15	$1.84	-	228,000	-	-	228,000
01/01/06	31/12/15	-	-	2,048,200	-	(78,800)	1,969,400
			6,402,600	2,276,200	-	(1,142,500)	7,536,300

Performance rights have no exercise price

NOTE 26. EVENTS AFTER BALANCE SHEET DATE

The Group's principal loan facilities were all scheduled to mature in March and April 2008. Subsequent to balance sheet date and prior to this financial report being authorised for issue, the Group had refinanced these loan facilities for periods no less than 12 months from the date of refinancing.

Subsequent to balance sheet date, Bosch completed their post-acquisition operational review of the Group. It was determined to completely integrate the Group into the Bosch Chassis Systems Brakes Division of Bosch. To implement this decision, the following steps will be taken: (i) the Group's operations in North America and China will report directly to the existing Bosch Chassis Systems management in the corresponding region; (ii) following retirement of most of the Group's senior executive team, including the CEO, a new senior management team will concentrate on managing the Australian and Thailand operations as well as developing new business opportunities in the region; and (iii) all future research and development activities will be co-ordinated by the headquarters of Bosch Chassis Systems Brakes Division, resulting in the cessation of development of the Group's own e-brake technologies. It is anticipated that further post-tax restructuring and rationalisation costs of between $3.5 million and $4.5 million stemming from the implementation of these operational review outcomes will be incurred in the 2008 financial year.

directors' declaration

In the opinion of the Directors of Pacifica Group Limited:

(a) the financial statements and notes set out on pages 37 to 93, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Company and the Group as at 31 December 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 19 to 31 of the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418 (as amended).

The Directors have been given the declarations by the PBR International Chief Executive Officer and the Pacifica Chief Financial Officer for the financial year ended 31 December 2007 pursuant to section 295A of the Corporations Act 2001.

Signed on this 28th day of March 2008 in accordance with a resolution of the Directors:

P M Burroughs
Director

M P Kopka
Director

independent auditor's report

to the members of Pacifica Group Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Pacifica Group Limited (the company), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Pacifica Group Limited and the Pacifica Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report under the heading "remuneration report" in the directors' report and not in the financial report. These remuneration disclosures are identified in the directors' report as being subject to audit. The remuneration report contains information also, for which an auditors' opinion is not required and has not been formed. These disclosures have been identified as such.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

independent auditor's report

to the members of Pacifica Group Limited

Independence

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Pacifica Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in the directors' report and identified as being subject to audit, comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

PricewaterhouseCoopers

Graeme Billings
Partner

Melbourne
28 March 2008

Liability limited by a scheme approved under Professional Standards Legislation

auditor's independence declaration

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As lead auditor for the audit of Pacifica Group Limited for the year ended 31 December 2007, I declare that, to best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pacifica Group Limited and the entities it controlled during the period.

Graeme Billings
Partner
PricewaterhouseCoopers

Melbourne
28 March 2008

investor information

SHAREHOLDING INFORMATION

Twenty Largest Shareholders as at 29 February 2008

	Fully Paid Ordinary Shares	% of Fully Paid Ordinary Shares
Robert Bosch Investment Nederland B.V.	106,826,645	75.47
National Nominees Limited	19,761,811	13.96
HSBC Custody Nominees (Australia) Limited	4,385,521	3.10
JP Morgan Nominees Australia Limited	3,005,835	2.12
Citicorp Nominees Pty Limited	542,222	0.38
Cogent Nominees Pty Limited	527,594	0.37
ANZ Nominees Limited	499,204	0.35
Robert Bosch Investment Nederland B V	402,642	0.28
Tristyn Pty Ltd	130,000	0.09
Mr Ponniah Selvadurai	120,000	0.08
Invia Custodian Pty Limited	110,000	0.08
Ms Anne Christine Baron	100,000	0.07
Ms Sarah Louise Taylor	66,000	0.05
T J F Pty Limited	58,500	0.04
Mr Gregory Harold Gilham	58,000	0.04
PYNC Pty Ltd	50,000	0.04
Mr Brian James Shimmen	50,000	0.04
RBC Dexia Investor Services Australia Nominees Pty Limited	41,861	0.03
Ironjest Pty Ltd	40,000	0.03
Dr Rebekah Jenkin	40,000	0.03
Total	**136,815,835**	**96.66**

Substantial Shareholders

The following information is extracted from substantial holder notices given to the Company in relation to interests of the holder as at 29 February 2008:

Shareholder	Number of Shares
Robert Bosch GmbH, Robert Bosch Investment Nederland B.V. and all of their related bodies corporate	106,826,645
Lazard Asset Management Pacific Co	19,485,618
National Australia Bank Limited Group	8,290,695

Distribution of Shareholdings as at 29 February 2008

Size of Holding	Ordinary Shareholders		Fully Paid Ordinary Shares	
	Number	%	Number	%
1 to 1,000 shares	610	36.97	287,506	0.20
1,001 to 5,000 shares	793	48.06	1,939,399	1.37
5,001 to 10,000 shares	156	9.45	1,172,698	0.83
10,001 to 100,000 shares	80	4.85	1,833,820	1.30
100,001 shares and over	11	0.67	136,311,358	96.30
Total	**1,650**	**100.00**	**141,544,781**	**100.00**

The number of shareholders with less than a marketable parcel of $500 of shares: 220

Voting Rights

The voting rights attaching to the shares are as follows:

- on a show of hands, every member present has one (1) vote; and
- on a poll, every member present has one (1) vote for each share held as at the record time by the member and in respect of which the member is entitled to vote.

Stock Exchange Listing

Pacifica Group Limited is listed on the ASX and its shares are quoted under the code “PBB”.

Information on Pacifica

Pacifica’s website at www.pacifica.com.au contains essential information about the Company and its activities. Shareholders can access all shareholder publications, news releases, announcements to the ASX and the addresses given at the Annual General Meeting.

Specifically in the investor section, investors can access the current share price, corporate governance policies and the financial calendar.

Shareholders can also access the Annual Report which is distributed to shareholders (unless shareholders specifically notify the Share Registry in writing of their wish to be removed from the mailing list) and releases made to the ASX throughout the year.

Share Registry

Shareholders who have any enquiries concerning their shareholding should contact the Share Registry at:

Link Market Services Limited

Level 12
680 George Street
Sydney New South Wales 2000

Telephone: 1300 554 474 (international: +61 2 8280 7761)
Facsimile: +61 2 9287 0309

Link Market Services Limited also provides a website (www.linkmarketservices.com.au) which allows shareholders to access information about their holdings in Pacifica, to make changes to their Annual Report election, their tax file number details or their banking details and to download a number of forms.

Shareholders proceeding in this way should have available their Securityholder Reference Number (“SRN”) or their Holder Identification Number (“HIN”) as shown on their issuer sponsored/CHESS statements and dividend advices.

investor information

Dividends

The Board has confirmed that there will be no dividend payable in respect of 2007.

Change of Address

Issuer sponsored shareholders should notify the Share Registry in writing immediately of any change in their address. Application forms for change of address are available at www.linkmarketservices.com.au. Broker sponsored (CHESS) holders should notify their sponsoring broker of the change.

Change of Name

Shareholders who change their name should notify the Share Registry in writing immediately and attach a copy of the relevant deed poll or marriage certificate.

2008 Timetable

16 May	Annual General Meeting at 11.00am at the The Como Melbourne, 630 Chapel Street, South Yarra, Melbourne Australia
8 August	Announcement of half year results
31 December	End of financial year

corporate directory

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Corporate Office and Registered Office
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Internet:	www.pacifica.com.au
Secretary:	R S Joblin

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Designed by DNA Integrated Communications. For more information, please visit www.dnacommunications.com.au or phone (03) 9593 3888.

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