

Crane Group Limited

ABN 91 008 410 302



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14 February 2005

CRANE GROUP INTERIM RESULT **(six months to 31 December 2004)**

Crane Group Limited today announced a net profit after tax for the half year to December 31 2004 of \$22.6 million. This was up 2% compared with the same period last year, consistent with previous guidance.

Managing Director, Greg Sedgwick said, "we had an improved first half, with increases in earnings from CDNZ, Iplex and Tradelink. The manufacturing units of the Metals division, however, continue to be affected by high raw material prices and strong import pressures".

"We have made significant progress in restructuring our underlying businesses and are now beginning to see improvements, particularly regarding the reduction of costs and better management of working capital", Mr Sedgwick said.

The Board declared an interim dividend of 30 cents per share, fully franked, unchanged from last year's interim dividend. The Record Date for the interim dividend will be 25 February 2005, payable on 21 March 2005. The dividend reinvestment plan will be fully underwritten for the interim dividend.

The financial highlights of the 1H05 results are:

- sales revenue up 8% to \$1.1 billion;
- earnings before interest, tax and goodwill amortisation (EBITA) up 8% to \$58.1 million;
- net profit after tax of \$22.6 million;
- significant improvement in working capital management;
- strong cash flows resulting in debt reduction of \$16 million since June 2004;
- fully franked interim dividend of 30 cents per share.

Financial Overview

Earnings before interest, tax and goodwill amortisation (EBITA) increased by 8% over the same period last year. In particular, both CDNZ and Iplex continued to perform well, delivering significantly improved earnings during the period. The increase was achieved despite an increase of \$3.2 million in IT-related costs across the Group. IT costs remain on track to plateau this year.

Benefits also were realised across the Group as a result of the major restructuring initiatives announced in June 2004 and implemented during the half year. The benefits of the restructuring programme will be ongoing and Crane remains on track to deliver the anticipated level of annualised savings.

Working capital for the Group was \$376 million, significantly lower than 12 months ago after taking into account changes in creditor payment patterns. Stock weeks and debtors days were reduced across each of the operating divisions during the period, the result of a group-wide focus on working capital management.

Net operating cash flow was \$66.7 million, 57% higher than last year, enabling net debt to be reduced by \$16 million to \$287 million. Gearing, measured as net debt to net debt plus equity, was 39% as at 31 December 2004.

Results by Division

(For the six months to 31 December)	Segment Revenue		Segment EBITA*	
	2004 \$million	2003 \$million	2004 \$million	2003 \$million
Tradelink	372.8	369.9	11.2	10.6
CDNZ	235.9	212.4	11.6	7.0
Iplex	286.1	261.5	29.6	26.2
Metals	294.2	274.0	15.8	18.6
Intercompany Eliminations and Unallocated Items	(61.7)	(70.2)	(10.1)	(8.4)
Total	1,127.3	1,047.6	58.1	54.0

* Earnings before interest, tax and goodwill amortisation

Tradelink

Tradelink's operations comprise 189 plumbing supplies outlets located across Australia.

Revenue from Tradelink's operations was similar to the same period last year, notwithstanding the closure of 13 stores in the branch network as part of the restructuring programme. EBITA was \$11.2 million, a 6% increase over 1H04. The expense to sales ratio within Tradelink was reduced by 1% during the period.

This improved performance reflects cost reductions stemming from the restructuring changes, as well as new marketing programmes, store redevelopment, more focused senior management incentives, improved store management and an enhanced focus on performance within the network.

Whilst the state of the underlying building market will continue to be a major influence on the earnings generated by Tradelink, recent changes made within the Tradelink distribution network provide a solid base from which continued performance improvements can be extracted.

CDNZ

CDNZ is New Zealand's leading plumbing and electrical supplier comprising the Mico Plumbing & Pipelines, MasterTrade and Corys brands.

Solid market conditions and strong sales and marketing programmes within the CDNZ distribution networks drove 1H05 sales 11% higher to \$236 million. CDNZ's EBITA of \$11.6 million was up 66% from the same period last year. This reflects excellent store management and the strong performance focus within each of the Mico, Corys and Mastertrade businesses. CDNZ's expense to sales ratio also fell by 2% during the period.

Given the strong market position and the recent changes made to further enhance efficiencies within the division, CDNZ is expected to continue to be a significant contributor to Crane Group earnings.

Iplex

Iplex is the leading supplier of plastic pipeline systems in Australasia servicing the building, rural, mining and telecommunication industries. It is 75% owned by Crane Group.

Sales revenue within Iplex was up 9% to \$286 million and EBITA was up 13% to \$29.6 million compared with the same period last year. Iplex had the benefit of full ownership of the recently acquired Milnes business during the period.

This improved performance reflected strong growth in rural and civil markets, approximately \$6.7 million of integration synergies relating to the acquisition of Milnes and other improvements made to the cost base of the division. These factors offset the impact of historically high prices for PVC resin as well as some relative softening in building related sales.

Despite high raw material prices and the likelihood of some slowdown in housing related activity in Australia, Iplex remains a very solid business with an excellent market position.

Metals Group

The Metals division comprises copper and brass manufacturing businesses (Crane Copper Tube and Conex), aluminium manufacturing and distribution businesses (Crane Aluminium Extrusions, Crane Aluminium Systems and Smart Aluminium) and metals distribution businesses (Austral Wright Metals and Mico Metals).

Overall, Metals division sales were up 7% on the same period last year to \$294 million, primarily due to higher metal prices during the period. However, EBITA was down 15% to \$15.8 million.

The distribution businesses within the division continue to perform well, contributing increased earnings over that of last year. This reflects relatively positive industry dynamics within these businesses and improvements delivered from recent restructuring changes in Austral Wright Metals and Mico Metals.

Contribution from the manufacturing businesses (copper, brass and aluminium), however, continued to decline, due in particular to high raw material prices and strong import competition.

Overall, the Metals division continues to provide strong cash returns and the restructuring changes being made are delivering improvements. However, given the nature of the industry and the dynamic market conditions in metals manufacturing, Crane will continue to explore all avenues to maximise shareholder value in this division.

Safety

The Group's overall safety performance improved compared with last year, with the Lost Time Injury Frequency Rate decreasing by 36% to 14. Further ongoing improvements in safety across all divisions remain a major priority for the Company.

Outlook

Demand for Crane's products remains largely dependent on the state of the building cycle in Australia and New Zealand. The outlook for the building sector remains uncertain. With some expectation of continued slowing in residential construction offset by stabilisation of commercial construction activity, Crane may be affected by softening in overall building activity over the next 12 months.

Offsetting these factors will be the improvements made across the Group, particularly with respect to cost reductions and the more efficient use of working capital. These are expected to deliver continued strong cash flows, reduced debt and some improvement in margins within Crane's operating divisions. Overall, at this stage, Crane expects FY05 operating earnings to be broadly in line with those of FY04.

Financial Summary

(For the six months to 31 December)	2004	2003	% change
Sales revenue (\$m)	1,127.3	1,047.6	+7.6%
Earnings before interest, tax, depreciation, amortisation and significant items (EBITDA) (\$m)	79.0	75.0	+5.4%
Profit from ordinary activities before interest, tax and significant items (EBIT) (\$m)	53.6	50.0	+7.2%
Net profit from ordinary activities after tax but before significant items and goodwill amortisation (\$m)	27.1	26.2	+3.5%
Net profit from ordinary activities after tax and before significant items (\$m)	22.6	22.2	+1.8%
Significant items after tax (\$m)	-	-	-
Net profit after tax (\$m)	22.6	22.2	+1.8%
Basic earnings per share (cents)	40.6	41.3	-1.7%
Interim dividend per share (cents – fully franked)	30	30	-

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Crane Group Limited

(ABN 91 008 410 302)

Appendix 4D

HALF YEARLY FINANCIAL REPORT

Half year ended 31 December 2004

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				<u>\$A'000</u>
Revenues from ordinary activities	up	7.6%	to	1,127,270
Profit from ordinary activities after tax attributable to members	up	1.8%	to	22,613
Net profit for the period attributable to members	up	1.8%	to	22,613

Dividends	<u>Amount per security</u>	<u>Franked amount per security</u>
Interim dividend	30 cents	30 cents (at 30%)
Previous corresponding period - Interim	30 cents	30 cents (at 30%)
Record date for determining entitlements to the dividend		25 February 2005

Explanation of Results

Please refer to the attached Press Release and commentary for an explanation of the results.

Crane Group Limited

(ABN 91 008 410 302)

Half Year Financial Report

31 December 2004

**CRANE GROUP LIMITED
AND ITS CONTROLLED ENTITES**

**DIRECTORS' REPORT
For the half Year ended 31 December 2004**

The directors present their report together with the consolidated financial report for the half year ended 31 December 2004 and the independent review report thereon.

1. **DIRECTORS:** The name of each of the directors of the Company in office during or since the end of the half year are:

Leo E Tutt FCA FAIM

Director since September 2001. Appointed Chairman in July 2002.

Gregory L Sedgwick B Comm M Comm FAIM

Managing Director since January 2004.

Mark I Fitzgerald B Comm FCPA

Finance Director since August 2003.

Cecil R Stubbs BE

Director since July 1998.

John B Harkness FCA

Director since September 2000.

Robert D Fraser BEc LLB (Hons)

Director since June 2004.

2. **REVIEW OF OPERATIONS**

A review of the operations of the consolidated entity for the half year and the results of those operations is included in the attached commentary.

3. **LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the half year ended 31 December 2004.

4. **ROUNDING AMOUNTS**

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

For and on behalf of the Board and signed in accordance with its resolution.



L.E. Tutt
Chairman

14 February 2005
Sydney, NSW

**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CRANE GROUP LIMITED**

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2004 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

A handwritten signature in black ink, appearing to read 'G J Boydell', written in a cursive style.

G J Boydell
Partner

Sydney, 14 February 2005

	Note	2004 \$A'000	2003 \$A'000
Consolidated Statement of Financial Performance			
for the half year ended 31 December 2004			
Revenue from ordinary activities	4	1,127,270	1,047,605
Expenses from ordinary activities, excluding borrowing costs	5	(1,073,111)	(997,014)
Borrowing costs	5	(14,043)	(12,698)
Share of net profits (losses) of associates		0	(12)
Profit from ordinary activities before income tax		40,116	37,881
Income tax expense relating to ordinary activities		13,993	12,074
Net profit from ordinary activities after income tax		26,123	25,807
Net profit attributable to outside equity interests		3,510	3,589
Net profit for the period attributable to members of Crane Group Limited		22,613	22,218
Net exchange difference on translation of financial reports of foreign controlled entities		1,276	145
Total changes in equity other than those resulting from transactions with owners		23,889	22,363
Earnings per security (EPS)			
Basic EPS (cents per share)	6	40.6	41.3
Diluted EPS (cents per share)	6	40.6	41.3

The consolidated statement of financial performance is to be read in conjunction with the notes to the half year financial statements.

	Note	December 2004 \$A'000	June 2004 \$A'000	December 2003 \$A'000
Consolidated Statement of Financial Position				
as at 31 December 2004				
Current assets				
Cash	9	30,173	42,633	23,205
Receivables		355,180	381,601	358,298
Inventories		302,982	301,176	319,554
Prepayments		9,020	9,061	8,402
Total current assets		697,355	734,471	709,459
Non-current assets				
Receivables		3,065	4,704	4,416
Investments equity accounted		0	0	43
Property, plant and equipment		229,087	240,463	258,068
Intangibles		136,020	138,902	148,201
Deferred tax assets		35,423	39,725	32,080
Deferred expenditure	10	45,840	48,048	69,520
Total non-current assets		449,435	471,842	512,328
Total assets		1,146,790	1,206,313	1,221,787
Current liabilities				
Payables		310,958	346,692	317,083
Interest bearing liabilities		42,615	30,974	153,735
Current tax liabilities		227	618	8,369
Provisions		43,979	57,011	39,554
Total current liabilities		397,779	435,295	518,741
Non-current liabilities				
Interest bearing liabilities		274,263	314,241	192,579
Deferred tax liabilities		15,651	15,934	25,169
Provisions		13,138	10,536	11,577
Total non-current liabilities		303,052	340,711	229,325
Total liabilities		700,831	776,006	748,066
Net assets		445,959	430,307	473,721
Equity				
Contributed equity		306,728	299,278	292,074
Reserves		64,452	63,176	58,725
Retained profits	8	32,778	26,677	80,263
Equity attributable to members of Crane Group Limited		403,958	389,131	431,062
Outside equity interests		42,001	41,176	42,659
Total equity		445,959	430,307	473,721

The consolidated statement of financial position is to be read in conjunction with the notes to the half year financial statements.

	Note	2004 \$A'000	2003 \$A'000
Consolidated Statement of Cash Flows			
for the half year ended 31 December 2004			
Cash flows related to operating activities			
Cash receipts in the course of operations		1,264,653	1,134,515
Cash payments in the course of operations		(1,206,973)	(1,072,869)
Interest received		428	392
Borrowing costs		(14,043)	(12,698)
Income taxes paid		(9,738)	(7,417)
		<u>34,327</u>	<u>41,923</u>
Cash flows related to investing activities			
Payments for property, plant and equipment		(11,153)	(21,916)
Acquisition of controlled entities and businesses (net of cash acquired)	11	(1,844)	(62,482)
Proceeds on disposal of controlled businesses	11	1,306	0
Proceeds from sale of non-current assets		5,691	1,119
Deferred expenditure		(1,560)	(10,743)
Other loan repayments		1,640	787
		<u>(5,920)</u>	<u>(93,235)</u>
Cash flows related to financing activities			
Proceeds from issues of shares		7,450	15,489
Capital contribution from outside equity interests		0	11,250
Proceeds from borrowings		66,487	63,527
Repayment of borrowings		(95,610)	(20,523)
Dividends paid		(16,512)	(18,505)
Dividends paid to outside equity interests		(2,763)	(1,395)
		<u>(40,948)</u>	<u>49,843</u>
Net increase (decrease) in cash held		(12,541)	(1,469)
Cash at beginning of period		42,633	19,678
Foreign currency movements on cash		80	21
Cash at end of period	9	<u>30,172</u>	<u>18,230</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Basis of preparation of half year financial report

The half year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Crane Group Limited and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

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

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half year report does not include full note disclosures of the type normally included in an annual financial report.

	2004	2003
	\$A'000	\$A'000

Note 2: Dividends

Dividends paid (fully franked at the 30% tax rate):

Final dividend at 30 cents per ordinary share (June 2003: 30.0 cents)	16,502	15,852
Final dividend at 2.5 cents per preference share (June 2003: 2.5 cents)	10	10
Special dividend at Nil cents per ordinary share (June 2003: 5.0 cents)	0	2,643
	<u>16,512</u>	<u>18,505</u>

Subsequent events

Since the end of the half year, the directors declared the following dividends:

Dividends declared (fully franked at the 30% tax rate):

Interim dividend at 30 cents per ordinary share	16,839
Interim dividend at 2.5 cents per preference share	<u>10</u>
	<u>16,849</u>

The financial effect of these dividends has not been brought to account in the consolidated entity financial statements for the half year ended 31 December 2004 and will be recognised in subsequent financial reports.

The dividend plan in operation is the Crane Group Limited Dividend Reinvestment Plan. The last date for receipt of election notices for the dividend plan is 25 February 2005.

Date the dividend is payable 21 March 2005

Record Date to determine entitlements to the dividend (ie. on the basis of registrable transfers received by 5.00 pm if securities are not CHESSE approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESSE approved)

25 February 2005

Note 3: Segment reporting

	Tradelink	CDNZ *	Iplex	Metals	Inter-segment transactions	Segment Totals	Unallocated items	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Business segments 2004								
Segment revenue	372,847	241,137	286,059	294,198	(67,153)	1,127,088	182	1,127,270
Consolidated profit from ordinary activities before interest and tax	10,169	12,406	27,708	14,691	0	64,974	(11,359)	53,615

* Included in the CDNZ segment revenue and consolidated profit from ordinary activities before interest and tax is revenue of \$5,287,000 and profit of \$1,214,000 relating to the sale of a freehold property.

2003

Segment revenue	369,893	212,444	261,504	273,983	(70,450)	1,047,374	231	1,047,605
Consolidated profit from ordinary activities before interest and tax	9,678	6,607	24,810	17,339	0	58,434	(8,403)	50,031

The major products and services from which the segments derive revenue are:

Segments	Products and services
Tradelink	Distribution of plumbers' supplies in Australia
Crane Distribution NZ (CDNZ)	Distribution of plumbers' and electricians' supplies in New Zealand
Iplex	Manufacture and distribution of: <ul style="list-style-type: none"> - plastic pipeline systems and supplies - cast and ductile iron pipe, fittings and valves
Metals	Manufacture and distribution of: <ul style="list-style-type: none"> - copper tube and aluminium extrusions - copper alloy rod and bar extrusions - aluminium products and window components - copper and copper alloy sheet and strip, nickel alloys and coin blanks - brass, copper and stainless steel tubing - stainless steel plate, sheet and coil - aluminium sheet and strip - fasteners
Unallocated items	Unallocated items mainly comprise interest or dividend earning revenue, borrowings and corporate expenses.

Geographic segments

The consolidated entity operates predominantly in Australasia. Inter-segment pricing is determined on an arms-length basis.

	2004	2003
	\$A'000	\$A'000

Note 4: Revenue from ordinary activities

Revenue from operating activities		
Sale of goods	1,117,584	1,044,283
Interest received from:		
Other parties	428	392
Bad debts recovered	206	196
Commission received	329	225
Debtor accommodation fees	327	263
Other revenues	2,705	1,127
	<u>1,121,579</u>	<u>1,046,486</u>
Revenue from outside operating activities		
Gross proceeds from sale of:		
Property, plant and equipment	5,691	1,119
	<u>5,691</u>	<u>1,119</u>
	<u>1,127,270</u>	<u>1,047,605</u>

Note 5: Expenses, borrowing costs and significant items

(a) Expenses from ordinary activities, excluding borrowing costs and before income tax expense comprises:

Raw materials, consumables and finished goods used	754,558	683,684
Change in inventories	568	30,786
Employee expenses	143,674	141,673
Depreciation and amortisation		
Property	2,718	2,879
Plant and equipment	15,583	15,980
Deferred expenditure	2,566	2,092
Goodwill	4,505	3,991
Total depreciation and amortisation	<u>25,372</u>	<u>24,942</u>
Written down value of property, plant and equipment sold	4,340	1,118
Operating lease rental expense	26,707	26,960
ERP operating costs	14,541	10,243
Other expenses from ordinary activities	103,351	77,608
	<u>1,073,111</u>	<u>997,014</u>

(b) Borrowing costs paid or payable to other persons comprises:

Interest		
Bank loans and overdraft	13,768	12,376
Finance leases	159	166
Other	116	156
	<u>14,043</u>	<u>12,698</u>

(c) Cost of goods sold

	<u>824,932</u>	<u>755,936</u>
Loss (gain) on sale of property, plant and equipment	<u>(1,351)</u>	<u>(1)</u>
Net movement in provision for doubtful debts	<u>3,585</u>	<u>1,302</u>

	2004	2003
	\$A'000	\$A'000

Note 5: Expenses, borrowing costs and significant items (continued)

(d) Significant items

Significant items included in the profit from ordinary activities are:

Nil	0	0
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Note 6: Earnings per security (EPS)

Calculation of the following in accordance with AASB 1027: Earnings per Share

(a) Basic EPS (cents)	40.6	41.3
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Adjusted weighted average number of ordinary shares.	55,721,803	53,809,110
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(b) Diluted EPS (cents)	40.6	41.3
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Adjusted weighted average number of ordinary shares.	55,721,803	53,814,019
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For comparative purposes, the figures for the previous corresponding period have been adjusted for the bonus element in issues during the current period.

Earnings reconciliation

Net profit before outside equity interests	26,123	25,807
Net profit attributable to outside equity interests	(3,510)	(3,589)
Preference dividends	(10)	(10)

Basic earnings	22,603	22,208
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Diluted earnings	22,603	22,208
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Note 7: NTA backing

Net tangible asset backing per ordinary security	\$4.77	\$5.23
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	2004 \$A'000	2003 \$A'000
Note 8: Retained profits		
Retained profits at the beginning of the financial period	26,677	76,550
Net profit attributable to members of Crane Group Limited	22,613	22,218
Total available for appropriation	49,290	98,768
Dividends:		
- Paid	16,512	18,505
Retained profits at end of financial period	32,778	80,263

Note 9: Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

Cash on hand and at bank	30,173	23,205
Bank overdraft	(1)	(4,975)
Total cash at end of period	30,172	18,230

Note: 10 Deferred expenditure

	December 2004 \$A'000	June 2004 \$A'000
Deferred expenditure:		
Systems re-engineering	53,194	52,892
Accumulated amortisation	(7,354)	(4,844)
	45,840	48,048

Systems re-engineering deferred expenditure relates to a major project to implement the enterprise-wide information system throughout the consolidated entity. This initiative, which commenced in 2000, includes the major re-engineering of business processes to world's best practice. The implementation program was completed in July 2004.

Note 11: Acquisition and disposal of controlled entities

	DATE ACQUIRED/ SOLD	INTEREST ACQUIRED/SOLD (CONSOLIDATED)	CONSID- ERATION \$A'000	NET TANGIBLE ASSETS ACQUIRED/SOLD \$A'000
2004				
During the half year the consolidated entity acquired the business and assets of:				
Aluminium Distributors	August 2004	100%	<u>1,844</u>	<u>1,009</u>
During the half year the consolidated entity sold through its 75% owned subsidiary Iplex Pipelines Australia Pty Limited:				
Certain ICON precast concrete business assets	July/August 2004	75%	<u>1,306</u>	<u>1,206</u>
2003				
During the half year the consolidated entity acquired through its 75% owned subsidiary Iplex Pipelines Australia Pty Limited a 100% interest in the following business:				
Milnes Holdings Limited	August 2003	75%	63,217	8,937
Other businesses acquired during the half year by the consolidated entity:				
Various distribution businesses		100%	<u>1,849</u>	<u>1,263</u>
			<u>65,066</u>	<u>10,200</u>

No entities were disposed in 2003.

Note 12: Contingent liabilities

There were no material changes in contingent liabilities since 30 June 2004.

Note 13: Event subsequent to reporting date

International financial reporting standards

Crane Group Limited and its controlled entities will be required to prepare for the first time financial statements that comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board when reporting during the year ending 30 June 2006.

This half year financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for the reporting period ending on 31 December 2004.

Transition

Crane Group Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to AIFRS. An AIFRS project group has been established which has where appropriate engaged expert consultants to conduct impact assessments to isolate key areas that will be impacted by the transition to AIFRS and to assist in the interpretation of AIFRS. As a result of these procedures, Crane Group has graded impact areas as high, medium or low and has allocated employees to address each of the areas in order of priority as represented by the gradings. As Crane Group has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to AIFRS as at 1 July 2004. This will form the basis of accounting in accordance with AIFRS in the future, and is required when Crane Group prepares its first fully AIFRS compliant financial report for the half year ending 31 December 2005, which will include comparatives for the half year ended 31 December 2004.

Impact of adopting AIFRS

The difference between Australian GAAP and AIFRS identified to date as having potentially a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not completed its project to assess the impact of the adoption of AIFRS and has not quantified the effects of all the differences discussed below.

Any assessments in respect of the transition to AIFRS may require adjustment before inclusion in the first complete annual/half year financial report prepared in accordance with AIFRS due to new or revised standards or interpretations, changes in the operations of the business, or additional guidance on the application of AIFRS in a particular industry or to a particular transaction.

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

- Goodwill with indefinite useful lives will not be amortised and will be replaced by an annual impairment test focusing on the cash flows of the related cash generating unit. This will result in a change in the group's current accounting policy, which amortises goodwill over its estimated useful life but not exceeding 20 years. If there is any impairment, it will be recognised immediately in the statements of financial performance.
 - Impairments of assets will be determined on a discounted cashflow basis, with strict tests for determining whether goodwill and the assets of cash generating operations have been impaired.
-

Note 13: Event subsequent to reporting date (continued)

Impact of adopting AIFRS (continued)

- Expenditure incurred in relation to the initial training associated with the installation and implementation of the consolidated entity's enterprise-wide information system will not be deferred as an intangible asset as it is specifically excluded under AIFRS and will be written off against opening retained earnings at 1 July 2004.
- Expenditure incurred in relation to systems re-engineering costs comprising development expenditure and associated implementation costs is disclosed in the balance sheet for AGAAP purposes as deferred expenditure. Under AIFRS this expenditure will be disclosed in the balance sheet as an intangible asset.
- Financial instruments must be recognised in the statements of financial position and all derivatives and most financial assets must be carried at fair value. The current foreign currency exposure policy, which permits the hedging of net exposures after off-setting the future proceeds from exports against the future payments of imports in the same currency, provides a highly effective hedge, but because of the off-setting, it will not qualify for hedge accounting under AIFRS. The current procedures for hedging foreign currency exposures are being reviewed to determine if there is a cost-efficient way that they can be changed so that they qualify for hedge accounting under AIFRS. If these procedures do not qualify as hedge accounting, any unrealised gain or loss on outstanding forward foreign money contracts with banks will be recognised in the statement of financial performance. The current policy for hedging interest rates will qualify for hedge accounting under IFRS and therefore there will not be any significant impact on the statements of financial performance.
- Income tax will be calculated based on the 'balance sheet' approach, which will result in more deferred tax assets and liabilities. The main impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not required to be recognised.
- Surpluses and deficits in the defined benefits superannuation plan sponsored by entities within the consolidated entity will be recognised in the statements of financial position and the statement of financial performance based on an actuarial calculation of the position of the fund.
- Costs expected to be incurred to restructure an acquired entity's activities must be treated as post-acquisition expenses, unless the acquired entity has a pre-existing liability for restructuring its activities. Existing rationalisation provisions arising on acquisition remain intact.
- Share-based compensation in the form of shares will be recognised as an expense in the periods during which the employee provides the related services. The expense will be based on the value of shares at grant date. On transition to AIFRS, only those shares unvested at 1 January 2005 are recognised.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

The preceding list of changes in accounting policies that will result from the transition to AIFRS should not be regarded as complete as not all standards have been finalised as yet, and some decisions have not been made by the Group where choices of accounting policies are available. For these reasons and others not all of which are reliant on the transition to AIFRS, it is not yet possible to accurately quantify fully the likely impact of the changes on the consolidated entity's financial position and reported results.

DIRECTORS' DECLARATION

In the opinion of the directors of Crane Group Limited:

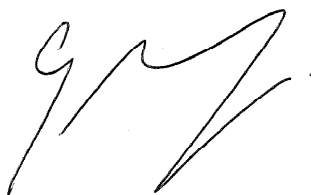
1. the financial statements and notes, set out on pages 10 to 20, are in accordance with the Corporations Act 2001, and:
 - (a) give a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) comply with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney, 14 February 2005

Signed in accordance with a resolution of the directors.



L E Tutt
Chairman



G L Sedgwick
Managing Director

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF CRANE GROUP LIMITED**

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes 1 to 13 to the financial statements, and the directors' declaration for the Crane Group Limited consolidated entity ("the consolidated entity"), for the half year ended 31 December 2004. The consolidated entity comprises Crane Group Limited ("the Company") and the entities it controlled during that half year.

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

Review approach

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

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

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

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

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

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

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

Independence

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

Statement

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

A handwritten signature in black ink, appearing to read 'G J Boydell', written in a cursive style.

G J Boydell
Partner

Sydney, 14 February 2005