

Crane Group Limited

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14 February 2006

CRANE GROUP INTERIM RESULT **(six months to 31 December 2005)**

Crane Group Limited today announced net profit after tax before significant items of \$28.5 million for the six months ended 31 December 2005, up 3% on the same period last year.

Net profit after tax, including significant items of \$22.2 million after tax, was \$50.7 million for the period compared with \$27.8 million for the previous corresponding period.

Greg Sedgwick, Managing Director of Crane Group commented, "This is a satisfactory result given the backdrop of a softer housing market and continued high commodity prices. Particularly pleasing is the significant progress made during the period in restructuring the business portfolio, improving business processes and reducing Group debt.

"CDNZ, Iplex and our Metals businesses delivered good earnings despite relatively flat sales. Tradelink, however, was adversely affected by a deteriorating housing market particularly in NSW, despite continued good cost control and better overall management of that business," Mr Sedgwick said.

The Board declared an interim dividend of 30 cents per share, fully franked. The Record Date for the interim dividend is 24 February 2006 and the dividend is payable on 23 March 2006.

Highlights of the interim results are:

- Sales revenue down 4% to \$1.1 billion;
- Net profit after tax \$50.7 million, including significant items of \$22.2 million after tax;
- Net profit after tax before significant items \$28.5 million, up 3% on the same period last year;
- Metals division restructuring complete;
- Continuing strong operating cashflows;
- Gearing at 19% after net debt reduction of 50% to \$113 million;
- Fully franked interim dividend of 30 cents per share; and
- Workplace safety continues to improve with LTIFR down 60% since December 2004.

Financial Overview

A significant slowdown in residential construction and renovation and further commodity price increases during the period impacted Crane Group's operations during the six months to 31 December 2005.

Sales for the period totaled \$1,078 million, down 4% on the same time last year, whilst net profit after tax before significant items rose 3% to \$28.5 million.

As part of a strategy to reduce the Group's exposure to metal manufacturing, Crane Group's Aluminium businesses were sold for \$124 million in October 2005 and the Conex brass manufacturing operation was closed in December 2005. Total significant items of \$22.2 million after tax for the period include an after tax profit from the sale of the Aluminium businesses of \$35.1 million and costs of \$12.9 million associated with restructuring, site rehabilitation and decommissioning of obsolete technology.

Net financing costs were \$10.4 million for the period compared with \$13.7 million last year. Reduced interest costs partially offset the lower operating earnings contribution from the Aluminum businesses. In total, these businesses contributed operating earnings before interest and tax (EBIT) of \$5.6 million in 1H06 compared with \$9.5 million in 1H05 and \$15.0 million for the full year in FY05.

The Group remained focused on working capital management during the period with inventory levels and trade debtors down compared with the same time last year. Group working capital was \$347 million at 31 December 2005, down \$28 million from the same time last year.

Cashflow related to operating activities was \$26 million for the period. Net debt at 31 December 2005 was down significantly to \$113 million from \$230 million at 30 June 2005. Gearing, measured as net debt to net debt plus equity stands comfortably at 19% as at 31 December 2005.

Results by Division

| (For the six months to 31 December) | Segment Revenue | | Segment EBIT* | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2005 \$million | 2004 \$million | 2005 \$million | 2004 \$million |
| Tradelink | 365.4 | 372.6 | 9.3 | 12.2 |
| CDNZ | 239.0 | 235.7 | 11.7 | 11.7 |
| Iplex | 285.7 | 285.3 | 31.5 | 30.2 |
| Metals - continuing | 164.1 | 154.4 | 7.1 | 6.3 |
| Metals – discontinued | 98.3 | 139.7 | 8.0 | 10.2 |
| Intercompany and unallocated | (74.4) | (66.5) | (6.9) | (10.6) |
| Total | 1,078.1 | 1,121.2 | 60.7 | 60.0 |

* before significant items

Tradelink

Tradelink was impacted negatively by the significant deterioration in construction and renovation activity in NSW. Sales revenue for the period was \$365 million, down 2% on the same time last year, whilst EBIT was \$2.9 million lower than the previous period.

As a result of previous changes made within the business, costs remain well controlled with improvements evident in product supply, ranging and pricing. Inventory and working capital management also continues to improve and cashflows remain solid.

Tradelink is now operating more efficiently and will benefit from any future market improvement.

CDNZ

CDNZ continues to perform well delivering EBIT of \$11.7 million, in line with the previous corresponding period. Earnings remain resilient despite signs that the New Zealand building sector is beginning to soften.

Strong management and excellent product and brand execution underpin the ongoing performance of CDNZ. The continuing focus for CDNZ is to make further improvements to product ranging and the management of its distribution channel as well as gaining an increasing presence in commercial and project work.

The key risk to the CDNZ business remains the degree to which the New Zealand building market softens over the next 12 months.

Iplex

Iplex sales revenue for the six months to 31 December 2005 was comparable to the same period last year. This reflected solid activity in rural and irrigation markets offsetting further slowing in the building sector. Earnings remain strong with EBIT increasing 4% to \$31.5 million for the period.

Margin pressure within Iplex remains due to continuing high prices for PVC resin and some softening in overall demand. Offsetting this is a continued strong focus on cost control, the introduction of material efficient products and better supply chain management.

Maintaining Iplex's leading position in pipeline technology is an important strategic imperative for the division and is reflected in the ongoing commitment to new product development within Iplex. In addition, increasing revenues from non-residential activities, specifically the irrigation and civil markets, remains a priority for the Iplex business.

Crane Group has an option until 31 March, 2006 to purchase the 25% of Iplex currently owned by Crane Group's joint venture partner. The Board is still considering Crane Group's position with respect to this option.

Metals

With the closure of the Conex manufacturing operation and the sale of the Aluminium businesses during the period, Crane Group retains the Metals Distribution and the Crane Copper Tube (CCT) businesses. Together, these latter businesses represent the continuing operations for Crane Group's Metals division.

Metals Distribution sales revenue increased by 8% in the six months to 31 December 2005 due primarily to higher commodity prices. EBIT of \$4.1 million was similar to the same period last year. As a result of good management and previous restructuring changes, costs remained well controlled despite tightening margins.

As a result copper prices hitting record levels during the period, CCT sales revenue increased 12% despite volumes falling 2% compared with the same period last year. CCT generated EBIT of \$2.8 million, substantially higher than the \$1.4 million generated last year. Increased earnings from CCT reflect the benefits flowing from improved efficiencies within the business and have offset some of the impact of higher raw material prices.

Metals Distribution will continue to be managed with a strong focus on return on capital as well as enhanced management discipline with respect to supply, pricing and inventory management. CCT will maintain a strong focus on return on capital, operating efficiencies and productivity.

Safety

Crane Group places a strong emphasis on improving safety standards across the Group. Compared with last year, the Group's overall safety performance again improved with the Lost Time Injury frequency rate decreasing by 60% since December 2004. Further improvements in safety are targeted across all of Crane Group's operating divisions.

Outlook

Crane Group re-affirms the previous earnings guidance issued at the AGM (November 2005) for the full year FY06.

The FY06 result will reflect the impacts of foregone earnings due to the sale of the Aluminium business in October 2005 and an expected lower interest expense compared with the previous year.

Given the strong influence of the level of building activity on Crane Group's businesses, the main risk to the full year earnings result remains any further weakening in the Australian and New Zealand building markets.

We are pleased with the progress of the restructuring programme and the significant improvement in the Group's financial position during the period. As the primary focus on business fundamentals takes effect, Crane Group's long term strategic focus will be to:

- differentiate its manufacturing capability through technology, process and product development; and
- leverage its major customer and network distribution capabilities through further growth.

Financial Summary

| (For the six months to 31 December) | 2005 | 2004 | % change |
|--|-------------|-------------|-----------------|
| Sales revenue (\$m) | 1,078.1 | 1,121.2 | -3.8% |
| Earnings before interest, tax, depreciation, amortisation and significant items (EBITDA (\$m)) | 79.7 | 78.8 | +1.1% |
| Earnings before interest, tax and significant items (EBIT (\$m)) | 60.7 | 60.0 | +1.2% |
| Net interest costs (\$m) | (10.4) | (13.7) | -24.1% |
| Tax expense (\$m) | (16.5) | (14.6) | +13.4% |
| Minority interests (\$m) | (5.3) | (3.9) | - |
| Net profit after tax before significant items (\$m) | 28.5 | 27.8 | +2.5% |
| Significant items after tax and minority interests (\$m) | 22.2 | - | - |
| Net profit after tax (\$m) | 50.7 | 27.8 | +82.5% |
| Earnings per share before significant items (cents) | 48.4 | 49.1 | -1.4% |
| Basic earnings per share (cents) | 86.2 | 49.1 | +75.6% |
| Total dividend per share (cents – fully franked) | 30 | 30 | - |

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Crane Group Limited

(ABN 91 008 410 302)

Appendix 4D

HALF YEAR FINANCIAL REPORT

Half year ended 31 December 2005

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | <u>\$000</u> |
|--|------------|---------------|
| Revenue - continuing businesses | steady at | 979,835 |
| - total | down 4% to | 1,078,100 |
| Profit after tax and minority interests but before significant items | | |
| - continuing operations | | 23,099 |
| - discontinued operations | | <u>5,399</u> |
| - total | up 3% to | <u>28,498</u> |
| Significant items after tax and minority interests | | |
| - continuing operations | | (7,431) |
| - net gain on sale/closure of discontinued operations | | <u>29,670</u> |
| - total | | <u>22,239</u> |
| Total profit for the period | up 83% to | 50,737 |

| 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 dividends | | 24 February 2006 |

Explanation of Results

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

**CRANE GROUP LIMITED
AND ITS CONTROLLED ENTITES**

**DIRECTORS' REPORT
For the half year ended 31 December 2005**

The directors present their report together with the consolidated financial report for the half year ended 31 December 2005 and the independent review report thereon.

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

Leo E Tutt FCA FAIM

Chairman since July 2002. Director (non-executive) since September 2001.

Gregory L Sedgwick B Comm M Comm FAIM

Managing Director (executive) since January 2004.

Mark I Fitzgerald B Comm FCPA

Finance Director (executive) since August 2003.

Cecil R Stubbs BE

Director (non-executive) since July 1998.

John B Harkness FCA

Director (non-executive) since September 2000.

Robert D Fraser BEc LLB (Hons)

Director (non-executive) since June 2004.

Susan Leppinus BEc LLB

Company Secretary and General Counsel since February 2003.

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 set out on pages 1 to 5. This commentary also forms part of this directors' report.

3. **LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 37 and forms part of the directors' report.

4. **ROUNDING OF 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 2006
Sydney, NSW

G.L. Sedgwick
Managing Director

Crane Group Limited
(ABN 91 008 410 302)

Condensed Consolidated Interim Financial Report

For the half year ended

31 December 2005

Condensed Consolidated Interim Income Statement for the half year ended 31 December 2005

| | Note | 2005 | | | 2004 | | |
|---|-------|-----------------------|-------------------------|-----------|-----------------------|-------------------------|-----------|
| | | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total |
| | | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue | 4 | 979,835 | 98,265 | 1,078,100 | 981,419 | 139,732 | 1,121,151 |
| Expenses | | 938,566 | 90,208 | 1,028,774 | 931,704 | 129,480 | 1,061,184 |
| Operating profit before financing activities | | 41,269 | 8,057 | 49,326 | 49,715 | 10,252 | 59,967 |
| Net financing costs | 5 (a) | 10,405 | - | 10,405 | 13,701 | - | 13,701 |
| Profit before tax | | 30,864 | 8,057 | 38,921 | 36,014 | 10,252 | 46,266 |
| Income tax expense | | 10,696 | 2,417 | 13,113 | 11,512 | 3,076 | 14,588 |
| Profit after tax but before net gain on sale/closure of discontinued operations, and minority interests | | 20,168 | 5,640 | 25,808 | 24,502 | 7,176 | 31,678 |
| Profit for the period attributable to minority interests | | 4,500 | 241 | 4,741 | 3,877 | - | 3,877 |
| | | 15,668 | 5,399 | 21,067 | 20,625 | 7,176 | 27,801 |
| Net gain on sale/closure of discontinued operations, net of tax | 6 | - | 29,670 | 29,670 | - | - | - |
| Profit for the period attributable to equity holders of Crane Group Limited | | 15,668 | 35,069 | 50,737 | 20,625 | 7,176 | 27,801 |
| Earnings per security (EPS) | | | | | | | |
| Basic EPS attributable to ordinary equity holders (cents per share) | 7 | 26.6 | | 86.2 | 36.4 | | 49.1 |
| Diluted EPS attributable to ordinary equity holders (cents per share) | 7 | 26.6 | | 86.2 | 36.4 | | 49.1 |

The condensed consolidated interim income statement is to be read in conjunction with the notes to the half year financial statements.

Condensed Consolidated Interim Balance Sheet as at 31 December 2005

| | December 2005 \$000 | June 2005 \$000 |
|---|---------------------------|-----------------------|
| Current assets | | |
| Cash and cash equivalents | 113,131 | 65,613 |
| Receivables | 308,674 | 360,205 |
| Inventories | 265,012 | 286,058 |
| Prepayments | 4,142 | 5,753 |
| Property, plant and equipment held for sale | 5,248 | - |
| Total current assets | <u>696,207</u> | <u>717,629</u> |
| Non-current assets | | |
| Receivables | 942 | 1,508 |
| Property, plant and equipment | 188,672 | 214,782 |
| Intangibles | 155,745 | 181,231 |
| Deferred tax assets | 39,491 | 34,721 |
| Total non-current assets | <u>384,850</u> | <u>432,242</u> |
| Total assets | <u>1,081,057</u> | <u>1,149,871</u> |
| Current liabilities | | |
| Payables | 265,864 | 332,211 |
| Interest bearing liabilities | 2,596 | 3,378 |
| Current tax liabilities | 11,842 | 2,615 |
| Provisions | 59,763 | 42,094 |
| Total current liabilities | <u>340,065</u> | <u>380,298</u> |
| Non-current liabilities | | |
| Interest bearing liabilities | 223,680 | 292,019 |
| Deferred tax liabilities | 13,856 | 13,582 |
| Provisions | 10,398 | 14,768 |
| Total non-current liabilities | <u>247,934</u> | <u>320,369</u> |
| Total liabilities | <u>587,999</u> | <u>700,667</u> |
| Net assets | <u>493,058</u> | <u>449,204</u> |
| Equity | | |
| Issued capital | 327,279 | 320,495 |
| Reserves | 7,009 | 5,815 |
| Retained earnings | 114,706 | 81,426 |
| Equity attributable to equity holders of Crane Group Limited | <u>448,994</u> | <u>407,736</u> |
| Minority interests | 44,064 | 41,468 |
| Total equity | <u>493,058</u> | <u>449,204</u> |

The condensed consolidated interim balance sheet is to be read in conjunction with the notes to the half year financial statements.

Consolidated Statement of Changes in Equity

Reconciliation of movement in consolidated capital and reserves attributable to equity holders of Crane Group Limited.

| | Reserves | | | | | | | | |
|--|-------------------------|--------------------------|-----------------------------------|--------------------------|--------------------------------------|-------------------------|----------------------------|-----------------------------|-----------------------|
| | Issued capital \$000 | Treasury shares \$000 | Foreign currency reserve \$000 | Hedging reserve \$000 | Equity compensation reserve \$000 | Total reserves \$000 | Retained earnings \$000 | Minority interests \$000 | Total equity \$000 |
| 2005 | | | | | | | | | |
| Balance at beginning of year | 325,697 | (5,202) | 4,633 | - | 1,182 | 5,815 | 81,426 | 41,468 | 449,204 |
| AASB 139 financial instruments adjustments on initial adoption net of tax (refer note 1) | - | - | - | (1,156) | - | (1,156) | 134 | - | (1,022) |
| Total recognised income and expense in equity | - | - | - | 155 | 790 | 945 | 50,737 | 4,741 | 56,423 |
| Foreign currency difference on translation | - | - | 1,532 | - | - | 1,532 | - | 117 | 1,649 |
| Shares issued | 6,503 | - | - | - | - | - | - | - | 6,503 |
| Share based payments | - | 281 | - | - | (127) | (127) | (107) | - | 47 |
| Dividends to shareholders | - | - | - | - | - | - | (17,484) | (2,262) | (19,746) |
| Balance at 31 December 2005 | <u>332,200</u> | <u>(4,921)</u> | <u>6,165</u> | <u>(1,001)</u> | <u>1,845</u> | <u>7,009</u> | <u>114,706</u> | <u>44,064</u> | <u>493,058</u> |
| 2004 | | | | | | | | | |
| Balance at beginning of year | 300,668 | (3,699) | 5,215 | - | 395 | 5,610 | 64,885 | 40,703 | 408,167 |
| Total recognised income and expense in equity | - | - | - | - | - | - | 27,801 | 3,877 | 31,678 |
| Foreign currency differences on translation | - | - | 1,276 | - | - | 1,276 | - | 78 | 1,354 |
| Shares issued | 7,450 | - | - | - | - | - | - | - | 7,450 |
| Share based payment transactions | 711 | (1,480) | - | - | 696 | 696 | - | - | (73) |
| Dividends to shareholders | - | - | - | - | - | - | (16,512) | (2,763) | (19,275) |
| Balance at 31 December 2004 | <u>308,829</u> | <u>(5,179)</u> | <u>6,491</u> | <u>-</u> | <u>1,091</u> | <u>7,582</u> | <u>76,174</u> | <u>41,895</u> | <u>429,301</u> |

During the period, the Company issued 637,501 fully paid ordinary shares issued at \$10.20 per share pursuant to the Crane Group Limited Dividend Reinvestment Plan.

The consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the half year financial statements.

Condensed Consolidated Interim Statement of Cash Flows for the half year ended 31 December 2005

| | Note | 2005 \$'000 | 2004 \$'000 |
|--|------|-----------------|-----------------|
| Cash flows related to operating activities | | | |
| Cash receipts in the course of operations | | 1,198,857 | 1,264,653 |
| Cash payments in the course of operations | | (1,147,625) | (1,203,173) |
| Cash generated from operations | | 51,232 | 61,480 |
| Interest received | | 740 | 428 |
| Interest paid | | (10,741) | (13,768) |
| Income taxes paid | | (15,071) | (9,738) |
| | | <u>26,160</u> | <u>38,402</u> |
| Cash flows related to investing activities | | | |
| Payments for property, plant and equipment | | (12,727) | (10,594) |
| Acquisition of controlled subsidiaries and businesses (net of cash acquired) | 10 | - | (1,844) |
| Proceeds on disposal of businesses | 10 | 124,710 | 1,606 |
| Working capital relating to businesses disposed/closed | | 6,315 | - |
| Payments related to sold/closed businesses | | (8,242) | - |
| Proceeds from sale of non-current assets | | 312 | 5,691 |
| Deferred expenditure | | - | (2,119) |
| Other loan repayments | | - | 1,640 |
| | | <u>110,368</u> | <u>(5,620)</u> |
| Cash flows related to financing activities | | | |
| Proceeds from borrowings | | 10,742 | 66,487 |
| Repayment of borrowings | | (81,451) | (95,610) |
| Dividends paid (net of reinvested dividends) | | (10,981) | (9,062) |
| Dividends paid to minority interests | | (7,512) | (7,138) |
| | | <u>(89,202)</u> | <u>(45,323)</u> |
| Net increase (decrease) in cash held | | 47,326 | (12,541) |
| Cash and cash equivalents at beginning of period | | 65,613 | 42,633 |
| Foreign currency movements on cash | | 117 | 80 |
| Cash and cash equivalents at end of period | | <u>113,056</u> | <u>30,172</u> |

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to the half year financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Note 1: Statement of Significant Accounting Policies

Statement of Compliance

Crane Group Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

The condensed consolidated interim financial report was authorised for issue by the directors on 14 February 2006.

International Financial Reporting Standards (“IFRS”) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (“AIFRS”). The interim financial report of the consolidated entity complies with AIFRS and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity’s first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and complies with AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of its preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRS in this financial report. This report must also be read in conjunction with any public announcements made by Crane Group Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRS has affected the consolidated entity’s reported profit and loss, total assets, total liabilities, retained earnings, total equity and cash flows is provided in note 12. This note includes reconciliations for comparative periods reported under previous Australian GAAP (AGAAP) to those reported for those periods under AIFRS.

Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on the basis of historical costs except that derivative financial instruments are stated at their fair value.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgments made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustments in the next year are discussed in the financial statements where appropriate.

This condensed consolidated interim financial report has been prepared on the basis of AIFRS on issue that are effective or available for early adoption at the consolidated entity’s first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ending 30 June 2006.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the year ending 30 June 2006 are

still subject to change and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to AIFRS, as required by AASB 1. The impact of the transition from previous AGAAP to AIFRS is explained in note 12.

The accounting policies have been applied consistently throughout the consolidated entity for the purposes of this condensed consolidated interim financial report.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company, being the parent entity, and its subsidiaries (“the consolidated entity”). Subsidiaries are entities controlled by the Company.

Where an entity either began or ceased to be controlled during the year, its results are included in the financial statements from the date control commenced or up to the date control ceased. Where control ceases, a gain or loss is recognised as the difference between net sales proceeds, if any, and the consolidated carrying amount (including post acquisition share of profits, goodwill and equity).

All balances and transactions between subsidiaries are eliminated in preparing the consolidated financial statements.

Minority interests in the equity and results of the subsidiaries that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Joint venture operation

The consolidated entity’s interest in an unincorporated joint venture operation is brought to account by including in the respective classification categories the consolidated entity’s proportional share of:

- the individual assets employed in the joint venture;
- liabilities incurred by and in relation to the joint venture;
- expenses incurred in relation to the joint venture; and
- revenue from sale of output.

Accounting estimates and judgments

The preparation of the interim financial report required management to make judgments, estimates and assumptions that effect the application of accounting policies. The development, selection and disclosure of the consolidated entity’s critical accounting policies and estimates and the application of these policies and estimates are approved by the Audit and Risk Management Committee.

These 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revenue recognition*Sale of goods*

Revenue from the sale of goods (net of returns, discounts and allowances) is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Taxation Office authorities. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from or payable to the Taxation Office authorities is included either as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Taxation Office authorities are classified as operating cash flows.

Foreign currency*Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling at balance date.

Exchange differences relating to amounts payable and receivable in foreign currencies are included in the income statement for the period in which the exchange rates change, as exchange gains or losses to the extent these amounts have not been hedged.

Translation of overseas entities

The net assets of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated to Australian currency at the rates of exchange ruling at balance date. The income statements are translated at a weighted average rate of exchange for the period. Exchange differences arising on translation of the net assets of the foreign subsidiaries are taken directly to the foreign currency translation reserve. These are released to the income statement on disposal.

Derivative financial instruments

The consolidated entity's borrowings and transactions in foreign currencies give rise to an exposure to market risks from changes in interest rates and foreign exchange rates. Certain other transactions create risks associated with changes in the price of commodities. Derivative financial instruments are utilised by the consolidated entity to reduce those risks.

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 139 from 1 July 2005. The consolidated entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Policy from 1 July 2004 to 30 June 2005.

Gains or costs arising from entering into a contract intended to hedge the purchase or sale of goods or services, together with the subsequent exchange gains or losses resulting from re-measurement of those contracts by reference to movements in spot exchange rates are deferred in the balance sheet from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

Gains and losses on speculative foreign currency transactions are brought to account as they arise. These gains and losses are measured by reference to movements in the forward exchange rates for the relative currencies.

Adjustments on 1 July 2005

The nature of the main adjustments to comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At 1 July 2005 changes in the carrying amounts of derivatives are taken to retained earnings. Further information concerning the adjustments at 1 July 2005 is contained later in this note under change in accounting policy.

Policy from 1 July 2005

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see hedging accounting policy).

The consolidated entity 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.

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

The types of derivatives which are used are interest rate swaps, forward rate agreements, interest rate options, foreign currency forward exchange contracts, foreign currency options, commodity futures contracts and commodity swaps.

Hedging

(i) Cash flow hedges

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, the effective hedging part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, 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. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e., when interest income or expense is recognised).

For cash flow hedges, 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 hedging part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(ii) Fair value hedges

When a derivative financial instrument hedges the changes in fair value of a recognised asset or liability (or an identified portion of such asset or liability) any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Net financing costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is also recognised in the income statement.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that 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 substantially enacted at the balance sheet 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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.

Classification of assets and liabilities

Assets and liabilities have been allocated into current and non-current portions. Current assets are cash and other assets that would in the ordinary course of business be consumed or converted into cash within 12 months.

Current liabilities are liabilities that would in the ordinary course of business be due and payable within 12 months.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less.

Receivables*Trade debtors*

Trade debtors are carried at amounts due and are usually settled within 60 days. At balance date collectibility is assessed and provision is made for any doubtful debts.

Other debtors

Other debtors consist mainly of rebates from suppliers and are carried at amounts due.

Inventories

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

Manufacturing activities

Cost is based on the method most appropriate to each business using either weighted average cost or first-in, first-out principles and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity. Costs arising from exceptional wastage are expensed as incurred.

Distribution activities

Cost is based on the method most appropriate to each business using either weighted average cost or first-in, first-out principles and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition.

Property, plant and equipment

Acquisition

Items of property, plant and equipment are recorded at cost or deemed cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment constructed by the consolidated entity includes the cost of materials, direct labour, and an appropriate proportion of directly attributable fixed and variable overheads. The cost of self-constructed and acquired assets includes:

- (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located; and
- (ii) changes in the measurement of existing liabilities recognised for those costs.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to AIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Depreciation and amortisation

Items of property, plant and equipment, excluding freehold land, are depreciated/amortised over their estimated useful lives using the straight-line method. Assets are depreciated/amortised from the time an asset is held ready for use.

The range of depreciation/amortisation rates used for each class of asset for the current and prior period is as follows:

- Buildings 3% to 4%
- Leasehold improvements 10% to 25%
- Plant, vehicles and equipment 7% to 33%

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

Leased plant and equipment

Leases of plant and equipment under which the Company or its controlled subsidiaries assume substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease or, where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are included in the income statement.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

Intangible Assets*(i) Goodwill*

Goodwill represents the excess of the purchase consideration and incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled subsidiary or business.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to the lowest cash generating unit (group of units) level and is no longer amortised, rather it is tested annually for impairment. If there is any impairment it will be recognised immediately in the income statement.

The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet at 1 July 2004. Business combinations since 1 July 2004 are accounted for by applying the purchase method.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

(ii) Trade names

Trade names acquired are included in the balance sheet at the lower of cost of acquisition and recoverable amount and tested annually for impairment.

Independent valuations of trade names are obtained at the date of acquisition and every three years thereafter. Those independent valuations are disclosed in the financial statements. Expenditure incurred in developing, maintaining and enhancing trade names is charged to the income statement in the year in which it is incurred.

No amortisation is provided against the carrying value of trade names on the basis that the useful and legal lives of these assets are considered unlimited at this point in time. If an event occurs which results in a permanent diminution in the value of a trade name then the difference between recoverable amount and book value is charged to the income statement.

(iii) Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure (excluding training expenditure) on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives in the current and comparative periods for capitalised development costs is 10 years.

Impairment

The carrying amounts of the consolidated entity's assets, other than inventories, employee benefit assets and deferred tax assets, are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated on a discounted cashflow basis.

For goodwill assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset of a cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill and indefinite-lived intangible assets were tested for impairment at 1 July 2004, the date of transition of AIFRS, even though no indication of impairment existed.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed to the income statement if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Payables

A liability for trade creditors and accrued expenditure is recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity at balance date. Trade creditors and accruals are usually settled within 60 days and are carried at the amounts owing.

Dividends

Dividends payable are recognised as a liability in the period in which they are declared.

Interest-bearing liabilities

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any

difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation. If the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee and directors' benefits

Liabilities are included in the financial statements for benefits which arise in respect of salaries, wages, short-term incentives, annual leave, long service leave and where relevant non-executive directors' retirement benefits.

Profit sharing and bonus plans

A liability is recognised for profit sharing and bonus plans, including benefits based on the future value of equity instruments.

Annual leave

The provision for employee benefits to annual leave represents the amount which the consolidated entity has an expected obligation to pay resulting from employees' services provided to balance date. The provision has been calculated using expected wage and salary rates and includes related on-costs.

Long service leave and retirement benefits

The liability for employees' benefits to long service leave and non-executive directors' retirement benefits represents the present value of the estimated future payments to be made by the consolidated entity resulting from their services provided to balance date. Liabilities for long service leave and retirement benefits which are not expected to be settled within 12 months are discounted using the rates attaching to national government guaranteed securities at balance date which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee benefits, consideration has been given to future increases in remuneration rates and to the consolidated entity's experience with employee departures. Related on-costs have also been included in the liability.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefits superannuation plan

The consolidated entity's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate (tax effected) is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed by a qualified actuary.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses as at 1 July 2004, the date of transition to AIFRS, were recognised as an adjustment to retained earnings. Actuarial gains and losses that arise subsequent to 1 July 2004 in calculating the consolidated entity's obligation in respect of the plan, are recognised in the income statement.

When the calculation results in plan assets exceeding liabilities to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Share-based compensation transactions

The share based compensation programme allows employees of the consolidated entity to acquire shares of the Company. The cost of the share based compensation transactions with employees is measured by reference to their fair value at the date at which they are granted. In valuing the transactions, the market price of the shares of Crane Group Limited is used.

The fair value of share based compensation transactions is recognised, together with a corresponding increase in equity, over the period commencing on the grant date of the share based compensation and ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for share based compensation transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired.

Shares in the Company held by the share based compensation plans are classified and disclosed as treasury shares and deducted from equity. The fair value of shares allocated under the CDSP is independently valued at grant date using Monte Carlo simulation to allow for the likelihood of meeting performance hurdles.

The Group has applied the requirements of AASB 1 First-time Adoption of Australian Equivalents to *International Financial Reporting Standards* in respect of share based compensation transactions and has applied AASB 2 Share Based Payments only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Provision for rationalisation

A provision for rationalisation is recognised when the consolidated entity has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. 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 activities. Future operating costs are not provided for.

Provision for warranties

Provision is made for the consolidated entity's estimated liability on claims received. The estimate is based on the consolidated entity's warranty cost experience over previous years and known claims.

Application and revision of accounting estimates and policies

The estimates and underlying assumptions used in the preparation of the financial statements are reviewed continually based on historical experience and various other factors. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods.

Changes in accounting policies are recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Change in accounting policy

In the current financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement*. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of equity (retained earnings and hedging reserve) at 1 July 2005 as detailed below.

| | Previous AGAAP \$000 | Impact of change in Accounting Policy \$000 | AIFRS \$000 |
|---------------------------------|-------------------------|---|----------------|
| Fair value – Unsecured US Notes | 91,659 | 4,844 | 96,503 |
| Fair value – Hedge liability | 34,240 | (4,844) | 29,396 |
| Future Income Tax Benefit | - | 427 | 427 |
| Hedging reserve | - | (1,156) | (1,156) |
| Retained earnings | - | 134 | 134 |

Rounding

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to rounding off of amounts in the financial report and directors' report. Unless otherwise stated, amounts have been rounded to the nearest thousand dollars.

Note 2: Segment reporting

| Business segments | Tradelink \$000 | CDNZ** \$000 | Iplex \$000 | Metals \$000 | Inter- segment transactions \$000 | Un- allocated Items \$000 | Total \$000 |
|---|--------------------|-----------------|----------------|-----------------|--|------------------------------------|------------------|
| 2005 | | | | | | | |
| Segment revenue | | | | | | | |
| Continuing | 365,430 | 238,978 | 285,725 | 164,056 | (74,354) | - | 979,835 |
| Discontinued | - | - | - | 98,265 | - | - | 98,265 |
| Total segment revenue | 365,430 | 238,978 | 285,725 | 262,321 | (74,354) | - | 1,078,100 |
| Consolidated profit before financing costs and tax | | | | | | | |
| Continuing * | 9,301 | 11,693 | 28,340 | (685) | - | (7,380) | 41,269 |
| Discontinued | - | - | - | 8,057 | - | - | 8,057 |
| Total consolidated profit before financing costs and tax | 9,301 | 11,693 | 28,340 | 7,372 | - | (7,380) | 49,326 |
| Net financing costs | | | | | | | (10,405) |
| Income tax expense | | | | | | | (13,113) |
| Minority interests | | | | | | | (4,741) |
| Gain on sale/closure of discontinued operations net of tax | | | | | | | 29,670 |
| Profit for the period | | | | | | | 50,737 |
| * includes significant item losses | - | - | (3,132) | (7,814) | - | (469) | (11,415) |
| 2004 | | | | | | | |
| Segment revenue | | | | | | | |
| Continuing | 372,574 | 235,732 | 285,331 | 154,393 | (66,611) | - | 981,419 |
| Discontinued | - | - | - | 139,732 | - | - | 139,732 |
| Total segment revenue | 372,574 | 235,732 | 285,331 | 294,125 | (66,611) | - | 1,121,151 |
| Consolidated profit before financing costs and tax | | | | | | | |
| Continuing | 12,185 | 12,896 | 30,221 | 6,268 | - | (11,855) | 49,715 |
| Discontinued | - | - | - | 10,252 | - | - | 10,252 |
| Total consolidated profit before financing costs and tax | 12,185 | 12,896 | 30,221 | 16,520 | - | (11,855) | 59,967 |
| Net financing costs | | | | | | | (13,701) |
| Income tax expense | | | | | | | (14,588) |
| Minority interests | | | | | | | (3,877) |
| Profit for the period | | | | | | | 27,801 |

**Included in the CDNZ 2004 segment profit before financing costs and tax is profit of \$1,214,000 relating to the sale of a freehold property.

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: - plastic pipeline systems and supplies - cast and ductile iron pipe, fittings and valves |

| | |
|------------------|--|
| Metals | Manufacture and distribution of: |
| (a) continuing | - copper tube extrusions |
| | - 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 |
| (b) discontinued | - aluminium extrusions |
| | - copper alloy rod and bar extrusions |
| | - aluminium products and window components |

Unallocated items mainly comprise corporate expenses.

Inter-segment pricing is determined on an arms-length basis.

Geographic segments

The consolidated entity operates predominantly in Australasia.

Note 3: Dividends

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Dividends paid (fully franked at the 30% tax rate): | | |
| Final 2005 dividend at 30 cents per ordinary share (December 2004: 30 cents) | 17,474 | 16,502 |
| Final 2005 dividend at 2.5 cents per preference share (December 2004: 2.5 cents) | <u>10</u> | <u>10</u> |
| | <u>17,484</u> | <u>16,512</u> |

Subsequent event

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 | 17,665 |
| Interim dividend at 2.5 cents per preference share | <u>10</u> |
| | <u>17,675</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 2005 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 24 February 2006.

Date dividend is payable 23 March 2006

Record Date to determine entitlements to the dividend (i.e. on the basis of registrable transfers received by 5.00pm if securities are not CHES approved, or security holding balances established by 5.00pm or such later time permitted by SCH Business Rules if securities are CHES approved) 24 February 2006

Note 4: Revenue

| | 2005 | | | 2004 | | |
|-----------------------------------|--------------------------|---------------------------------|------------------|--------------------------|---------------------------------|------------------|
| | Continuing Operations | Discont- inued Operations | Total | Continuing Operations | Discont- inued Operations | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue from operating activities | | | | | | |
| Sale of goods | 977,337 | 97,923 | 1,075,260 | 977,852 | 139,732 | 1,117,584 |
| Other revenues | 2,498 | 342 | 2,840 | 3,567 | - | 3,567 |
| | <u>979,835</u> | <u>98,265</u> | <u>1,078,100</u> | <u>981,419</u> | <u>139,732</u> | <u>1,121,151</u> |

Note 5: Net financing costs and significant items**(a) Net financing costs**

| | | | | | | |
|----------------------------------|---------------|----------|---------------|---------------|----------|---------------|
| Interest (income) | (740) | - | (740) | (428) | - | (428) |
| Interest expense | | | | | | |
| -bank loans/overdraft | 10,741 | - | 10,741 | 13,768 | - | 13,768 |
| -finance leases | 356 | - | 356 | 159 | - | 159 |
| | <u>10,357</u> | <u>-</u> | <u>10,357</u> | <u>13,499</u> | <u>-</u> | <u>13,499</u> |
| Net foreign exchange (gain)/loss | (41) | - | (41) | 86 | - | 86 |
| Other | 89 | - | 89 | 116 | - | 116 |
| Net financing costs | <u>10,405</u> | <u>-</u> | <u>10,405</u> | <u>13,701</u> | <u>-</u> | <u>13,701</u> |

Net financing costs have not been allocated to discontinued operations as the consolidated entity's debt is managed on an aggregated basis and assumptions on divisional gearing requirements would render the allocation arbitrary.

(b) Significant items

Significant items included in the profit after tax but before profit and loss of discontinued operations are:

| | | | | | | |
|---|---------------|----------|---------------|----------|----------|----------|
| Rehabilitation costs relating to the Penrith site | 7,091 | - | 7,091 | - | - | - |
| Restructure and redundancy costs | 3,149 | - | 3,149 | - | - | - |
| Impairment of plant and equipment | 1,175 | - | 1,175 | - | - | - |
| | <u>11,415</u> | <u>-</u> | <u>11,415</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Income tax expense (benefit) | (3,436) | - | (3,436) | - | - | - |
| Minority interests | (548) | - | (548) | - | - | - |
| | <u>7,431</u> | <u>-</u> | <u>7,431</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Note 6: Discontinued operations

| | 2005 \$000 | 2004 \$000 |
|--|---------------|---------------|
| The gain on sale and loss on closure included in the profit after tax and minority interests of discontinued operations comprises: | | |
| Gain on sale of Aluminium businesses and related restructure costs | 48,703 | - |
| Loss on closure of Consolidated Extrusions | (7,745) | - |
| | <u>40,958</u> | - |
| Income tax expense | 11,288 | - |
| Net gain on sale/closure of discontinued operations after tax | <u>29,670</u> | - |

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations. As stated in note 5(a) net financing costs have not been allocated to discontinued operations.

The discontinued Aluminium operations comprise the businesses of Crane Aluminium Extrusions, Crane Aluminium Systems and Smart Aluminium.

Subsequent Event - Assets held for sale

Subsequent to 31 December 2005 and following the closure of the Consolidated Extrusions manufacturing operation (a joint venture owned two thirds by Crane Group Limited and one third by Sims Group Limited) the joint venture's freehold property has been sold. Crane Group Limited's share of the expected gain on disposal of these assets is estimated to be \$5 million after tax.

The financial effects of the above asset sale have not been brought to account in the financial statements for the half year ended 31 December 2005.

Note 7: Earnings per security (EPS)

| | 2005 | 2004 |
|--|---------------|---------------|
| Earnings per share attributable to ordinary equity holders from continuing operations | | |
| (a) Basic EPS (cents) from continuing operations | 26.6 | 36.4 |
| Adjusted weighted average number of ordinary shares. | 58,866,090 | 56,589,408 |
| (b) Diluted EPS (cents) from continuing operations | 26.6 | 36.4 |
| Adjusted weighted average number of ordinary shares. | 58,866,090 | 56,589,408 |
| | \$000 | \$000 |
| Earnings reconciliation | | |
| Net profit before minority interests | 20,168 | 24,502 |
| Net profit attributable to minority interests | (4,500) | (3,877) |
| Preference dividends | (10) | (10) |
| Basic earnings | <u>15,658</u> | <u>20,615</u> |
| Diluted earnings | <u>15,658</u> | <u>20,615</u> |

| | 2005 | 2004 |
|---|---------------|---------------|
| Earnings per share attributable to ordinary equity holders | | |
| (a) Basic EPS (cents) attributable to ordinary equity holders | 86.2 | 49.1 |
| Adjusted weighted average number of ordinary shares. | 58,866,090 | 56,589,408 |
| (b) Diluted EPS (cents) attributable to ordinary equity holders | 86.2 | 49.1 |
| Adjusted weighted average number of ordinary shares. | 58,866,090 | 56,589,408 |
| | \$000 | \$000 |
| Earnings reconciliation | | |
| Net profit before minority interests | 55,478 | 31,678 |
| Net profit attributable to minority interests | (4,741) | (3,877) |
| Preference dividends | (10) | (10) |
| Basic earnings | <u>50,727</u> | <u>27,791</u> |
| Diluted earnings | <u>50,727</u> | <u>27,791</u> |

Note 8: NTA backing

| | December 2005 | June 2005 |
|--|------------------|---------------|
| Net tangible asset backing per ordinary security | <u>\$4.97</u> | <u>\$3.88</u> |

Note 9: Intangibles

| | December 2005 \$000 | June 2005 \$000 |
|--|---------------------------|-----------------------|
| Goodwill at cost | 132,165 | 157,916 |
| Accumulated amortisation and impairment losses | <u>(32,700)</u> | <u>(36,931)</u> |
| | 99,465 | 120,985 |
| Trade names at cost | 23,436 | 23,236 |
| Impairment losses | <u>(4,810)</u> | <u>(4,722)</u> |
| | 18,626 | 18,514 |
| Deferred expenditure: | | |
| Systems re-engineering and computer software at cost | 50,217 | 55,058 |
| Accumulated amortisation and impairment losses | <u>(12,563)</u> | <u>(13,326)</u> |
| | <u>37,654</u> | <u>41,732</u> |
| | <u>155,745</u> | <u>181,231</u> |

Note 10: Acquisition and disposal of controlled subsidiaries and businesses

| | Date Acquired/ Sold | Interest Acquired /Sold | Consideration \$000 | Net Tangible Assets Acquired/ Sold \$000 |
|---|------------------------|-------------------------------|------------------------|---|
| 2005 | | | | |
| During the half year the consolidated entity did not acquire any businesses. | | | | |
| During the half year the consolidated entity sold the business and assets of: | | | | |
| Aluminium businesses comprising Crane Aluminium Extrusions, Crane Aluminium Systems and Smart Aluminium | | | | |
| | October 2005 | 100% | <u>124,410</u> | <u>41,662</u> |
| 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> |

Note 10: Acquisition and disposal of controlled subsidiaries and businesses

| | 2005 | 2004 |
|---|-----------------|--------------|
| | \$000 | \$000 |
| Details of acquisitions in aggregate are as follows: | | |
| Cash consideration paid: | | |
| Purchase consideration | - | 1,789 |
| Costs incidental to the acquisitions | - | 55 |
| | <u>-</u> | <u>1,844</u> |
| Fair value of net assets acquired: | | |
| Property, plant and equipment | - | 200 |
| Inventories | - | 973 |
| Deferred tax assets | - | 70 |
| Provisions for employee entitlements | - | (234) |
| | <u>-</u> | <u>1,009</u> |
| Goodwill arising on acquisition | - | 835 |
| | <u>-</u> | <u>835</u> |
| Details of disposals in aggregate are as follows: | | |
| Cash consideration received | 124,410 | 1,306 |
| Deferred receipt (prior period disposal) | 300 | 300 |
| | <u>124,710</u> | <u>1,606</u> |
| Costs related to the disposal (including transactional costs) | (11,854) | - |
| Net assets disposed | <u>(64,153)</u> | <u>1,606</u> |
| Profit on disposal before tax | <u>48,703</u> | <u>-</u> |
| Net assets disposed: | | |
| Property, plant and equipment | 17,675 | 540 |
| Inventories | 27,129 | 890 |
| Deferred tax assets | 1,552 | 118 |
| Intangibles | 22,491 | 400 |
| Other assets | 556 | 51 |
| Provision for employee entitlements | (4,452) | (393) |
| Other creditors | (798) | - |
| | <u>64,153</u> | <u>1,606</u> |

Note 11: Contingent liabilities

There were no material changes in contingent liabilities since 30 June 2005 apart from a guarantee provided to a customer of Crane Aluminium pursuant to the sale of Crane Aluminium to Capral Limited whereby Crane agrees to compensate the customer up to a maximum of \$4 million for losses incurred in the event Capral is unable to meet its supply obligations to the customer in certain circumstances before 30 June 2008.

Note 12: Impact of adopting International Financial Reporting Standards

Crane Group Limited and its controlled entities are 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 financial report has been prepared in accordance with AIFRS.

Impact of transition to AIFRS

As stated in note 1, these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards – AIFRS.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004 and for the year ended 30 June 2005, and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In the preparation its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (AGAAP).

These financial statements have been prepared based on current interpretations of current AIFRS. These interpretations could change should additional guidance on the application of AIFRS to a particular industry or particular transaction arise in the future.

An explanation of how the transition from previous AGAAP to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

| | Note | Year ended 30 June 2005 \$000 | Half year ended 31 December 2004 \$000 |
|---|------|-------------------------------------|--|
| (i) Reconciliation of net profit under AGAAP to that under AIFRS. | | | |
| Net profit reported under AGAAP | | 38,654 | 22,613 |
| Amortisation of goodwill | (a) | 8,723 | 4,505 |
| Depreciation of impaired assets | | | |
| Property, plant and equipment | (b) | 2,406 | 1,203 |
| Deferred expenditure | (b) | 427 | 214 |
| Deferred expenditure — training costs | (d) | 1,186 | 592 |
| Defined benefit plan | (f) | (111) | (56) |
| Employee share plans | (g) | (180) | (90) |
| Other | | (210) | (218) |
| Income tax (expense) credit | (e) | (1,527) | (595) |
| Minority interests | | (811) | (367) |
| Total AIFRS adjustments | | <u>9,903</u> | <u>5,188</u> |
| Net profit reported under AIFRS | | <u>48,557</u> | <u>27,801</u> |
| (ii) Reconciliation of opening retained earnings as presented under AGAAP to that under AIFRS. | | | |
| Total reported under – AGAAP | | 33,315 | 32,778 |
| AIFRS adjustments per note (i) above | | 9,903 | 5,188 |
| AIFRS adjustments – as at 1 July 2004 | | (19,753) | (19,753) |
| Transfer from asset revaluation reserve | (h) | 29,154 | 29,154 |
| Transfer from realised capital profits reserve | (i) | 28,807 | 28,807 |
| | | <u>81,426</u> | <u>76,174</u> |

| Note | 30 June 2005 | | | 31 December 2004 | | | 1 July 2004 | | |
|--|--------------|-------------------|--------------|------------------|-------------------|--------------|--------------|-------------------|--------------|
| | Total assets | Total liabilities | Total equity | Total assets | Total liabilities | Total equity | Total assets | Total liabilities | Total equity |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| (iii) Reconciliation of total equity, total liabilities and total assets as presented under AGAAP to that under AIFRS | | | | | | | | | |
| Consolidated | | | | | | | | | |
| Total reported under AGAAP | 1,162,439 | 701,878 | 460,561 | 1,146,790 | 700,831 | 445,959 | 1,206,313 | 776,006 | 430,307 |
| Goodwill – amortisation | (a) 8,723 | - | 8,723 | 4,505 | - | 4,505 | - | - | - |
| – impairment | (a) (522) | - | (522) | (522) | - | (522) | (522) | - | (522) |
| Deferred expenditure – impairment | (b) (3,914) | (1,174)* | (2,740) | (4,127) | (1,238) | (2,889) | (4,341) | (1,302)* | (3,039) |
| – training | (d) (9,918) | (3,015)* | (6,903) | (9,901) | (3,010) | (6,891) | (11,104) | (3,376)* | (7,728) |
| Property, plant & equipment - impairment | (b) (6,046) | (1,832)* | (4,214) | (7,153) | (2,170) | (4,983) | (8,356) | (2,531)* | (5,825) |
| Make good, dismantling and restoration provision | (l) 460* | 1,409 | (949) | 487* | 1,409 | (922) | 423* | 1,409 | (986) |
| Defined benefit plan | (f) 568 | 171* | 397 | 623 | 187 | 436 | 679 | 204* | 475 |
| Employee share plans | (g) (2,265) | 141 | (2,406) | (2,183) | 89 | (2,272) | (2,102) | 37* | (2,139) |
| Impact of taxation – AASB 112 | (e) (7) | 2,946 | (2,953) | (6) | 2,959 | (2,965) | (5) | 2,972 | (2,977) |
| Other | 353 | 143 | 210 | (362) | (207) | (155) | 329 | (272) | 601 |
| Total AIFRS adjustments | (12,568) | (1,211) | (11,357) | (18,639) | (1,981) | (16,658) | (24,999) | (2,859) | (22,140) |
| Total reported under AIFRS | 1,149,871 | 700,667 | 449,204 | 1,128,151 | 698,850 | 429,301 | 1,181,314 | 773,147 | 408,167 |

*represents the tax effect of AIFRS adjustments.

(iv) Restated AIFRS Statement of cash flows for the half year ended 31 December 2005

There are no material impacts to the cash flows presented under previous AGAAP on adoption of AIFRS.

The key implications of the conversion to AIFRS (detailed in notes (i), (ii) and (iii) on the previous pages) on the consolidated entity, effective 1 July 2004 (except where indicated), including transitional elections in accordance with AASB 1 “First-time Adoption of Australian equivalents to International Financial Reporting Standards” are as follows:

- (a) Goodwill is not amortised, rather it is tested annually for impairment. If there is any impairment, it is recognised immediately in the income statement. This is a change in the consolidated entity’s previous accounting policy, which amortised goodwill over its estimated useful life but not exceeding 20 years. The impairment of goodwill is assessed using a present value of expected net cash flow approach and is completed at the lowest cash generating unit (group of units) level. The impact of the stricter AIFRS tests to the lowest cash generating unit level resulted in an asset impairment loss of goodwill on transition to AIFRS which has been charged to retained earnings.
- (b) Impairments of assets are determined on a discounted cash flow basis, with strict tests for determining whether goodwill and the assets of the cash generating unit (group of units) have been impaired.
- (c) Expenditure incurred in relation to development expenditure associated with the consolidated entity’s enterprise-wide information system comprising development expenditure and associated implementation costs, was disclosed in the balance sheet for AGAAP purposes as deferred expenditure. Under AIFRS, this expenditure is disclosed in the balance sheet as an intangible asset.
- (d) Expenditure incurred in relation to the initial training associated with the development of the consolidated entity’s enterprise-wide information system was capitalised under AGAAP. On adoption of AIFRS this has not been recognised as an intangible asset as it is specifically not allowed to be capitalised under AIFRS and has been written off against retained earnings.
- (e) On adoption of AASB 112, deferred tax balances are determined using the balance sheet method which calculates temporary differences between the carrying amount of assets and liabilities for accounts purposes and their associated tax values. As the income statement method applicable under the 1989 AASB 1020 only recognised deferred taxes for timing differences between accounting and taxable income, on adoption of AASB 112 more deferred tax assets and liabilities have been recognised.

Adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other AIFRS adjustments have been tax affected.

- (f) Surpluses and deficits in the defined benefits superannuation plan sponsored by entities within the consolidated entity are recognised in the balance sheet and the income statement based on an actuarial calculation of the position of the fund. The consolidated entity has elected to reflect any gain or loss immediately in the income statement. At 1 July 2004 the market value of the defined benefit superannuation plan was \$7,946,000 which reduced to \$4,191,000 at 30 June 2005 following the transfer of most of the remaining members to the accumulation fund.
 - (g) Share-based compensation in the form of shares is recognised as an expense in the periods during which the employee provides the related services, i.e. over the vesting periods. AIFRS requires that the issue of all shares under share based remuneration be accounted for based on the fair value at grant date and be amortised over the vesting periods. Share issues under the General Employee Share Plan (GESP) have been accounted for under AGAAP on the basis of the issue price and in respect of deferred shares issued as part of the long-term incentive arrangements (Crane Deferred Employee Share Plan) (CDSP) with executive directors and senior executives, on the cost of those shares. Deferred employee shares forming the CDSP are considered to have been reacquired by the Company and hence are treated as negative equity (treasury shares) until the shares ultimately vest with the executive. On transition to
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AIFRS, only those GESP shares unvested at 1 January 2005 have been recognised in the financial statements.

In accordance with AASB 1 “First-time adoption of Australian equivalents to International Financial Reporting Standards,” no retrospective adjustment has been made for previous share based compensation payments which vested before 1 January 2005.

- (h) On transition to AIFRS the consolidated entity derecognised items where AIFRS does not permit such recognition. As an election was made by the consolidated entity to adopt deemed cost as an accounting policy, the asset revaluation reserve has been derecognised as it is not a valid reserve under the deemed cost basis under AIFRS. The balance of the asset revaluation reserve amounting to \$29,154,000 (prior to AIFRS adjustments) has been transferred to retained earnings on transition to AIFRS.
- (i) The balance of the capital profits reserve amounting to \$28,807,000 has been transferred to retained earnings following the transfer of the asset revaluation reserve referred to in (h) above.
- (j) Financial instruments are recognised in the statement of financial position and all derivatives and most financial assets are carried at fair value (refer Note 1).

The foreign currency hedging policy and documentation qualify as cash flow hedges under hedge accounting and therefore there is no material impact on the income statement.

The current portfolio of US dollar cross currency swaps, Australian dollar interest rate swaps and New Zealand dollar interest rate swaps provides an effective economic hedge of a portion of the exposure to movements in interest rates. All of the US dollar cross currency swaps and New Zealand dollar interest rate swaps and a majority of the Australian dollar interest rate swaps qualify as either fair value or cash flow hedges under AIFRS hedge accounting and therefore have no material impact on the income statement. The remainder of the Australian dollar interest rate swaps not qualify for hedge accounting under AIFRS and therefore from 1 July 2005 movements in the fair value of these swaps were reflected in the income statement. All Australian dollar interest rate swaps were terminated upon the sale of the Crane Aluminium businesses.

- (k) Costs expected to be incurred to restructure an acquired entity's activities must be treated as post-acquisition expenses under AIFRS, unless the acquired entity has a pre-existing liability for restructuring its activities. There are no adjustments to existing rationalisation provisions arising on acquisition at transition date.
 - (l) AIFRS requires costs to be incurred for the future dismantling and removal of assets from a site on which the assets are located, to be provided for and capitalised where an obligation to incur such costs arises. The capitalised costs are depreciated over their useful lives. AIFRS also requires a provision for make good costs to be established.
 - (m) Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.
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DIRECTORS' DECLARATION

In the opinion of the directors of Crane Group Limited:

1. the financial statements and notes, set out on pages 7 to 34, 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 2005 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 Standards AASB 134 *Interim Financial Reporting*, and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



L E Tutt
Chairman



G L Sedgwick
Managing Director

14 February 2006
Sydney, NSW

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF CRANE GROUP LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes 1 to 12 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 2005. 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. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

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 134 *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.

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF CRANE GROUP LIMITED (continued)**

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half year financial report of 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 2005 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG



G J Boydell
Partner

Sydney, 14 February 2006.

**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 of the half year ended 31 December 2005 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

KPMG



G J Boydell
Partner

Sydney, 14 February 2006
