

National Can Industries Limited

ABN 89 006 266 799

Half-year Report – 31 December 2005

Lodged with the ASX under Listing Rule 4.3A

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National Can Industries Limited

Half-year Report Half-year ended 31 December 2005

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities	Up	5.9%	to	98,947
Profit from ordinary activities after tax attributable to members	Up	63.1%	to	9,134
Net profit for the period attributable to members	Up	63.1%	to	9,134

Dividends/distributions	Amount per security	Franked amount per security
Interim dividend	4.0 cents	4.0 cents

Record date for determining entitlements to the dividend

April 13, 2006

Payment date for the dividend

April 27, 2006

National Can Industries Limited

**Consolidated Income Statement
For the Half-year ended 31 December 2005**

	Note	2005 \$'000	2004 \$'000
Revenue from continuing operations		98,947	93,379
Other income		228	1,446
Changes in inventories of finished goods and work in progress		(113)	1,909
Raw materials and consumables used		(42,327)	(45,122)
Employee benefits expense		(22,964)	(22,650)
Depreciation and amortisation expenses		(4,572)	(4,904)
Borrowing costs expense		(29)	(105)
Distribution expense		(4,315)	(4,095)
Repairs and maintenance of property, plant and equipment		(2,727)	(2,646)
Insurance		(1,187)	(1,153)
Rental expense relating to operating lease payments		(1,327)	(1,292)
Other expenses		(6,409)	(6,706)
Profits before income tax expense		13,205	8,061
Income tax expense		(4,071)	(2,462)
Net Profit attributable to members of NCI		9,134	5,599
Basic earnings per share		13.7	8.4
Diluted earnings per share		13.7	8.4

The above consolidated income statement should be read in conjunction with the accompanying notes.

National Can Industries Limited

**Consolidated Balance Sheet
As at 31 December 2005**

	Dec 31 2005 \$'000s	June 30 2005 \$'000
Current assets		
Cash and cash equivalents	15,604	2,846
Receivables	30,838	28,893
Inventories	35,009	39,197
Other	1,288	322
Total current assets	<u>82,739</u>	<u>71,258</u>
Non-current assets		
Property, plant and equipment	57,091	58,521
Investment properties	1,968	1,975
Deferred tax assets	4,222	4,560
Intangible assets	1,542	1,542
Deferred supply contract cost	210	312
Total non-current assets	<u>65,033</u>	<u>66,910</u>
Total assets	<u>147,772</u>	<u>138,168</u>
Current liabilities		
Payables	9,512	8,487
Current tax liabilities	3,056	1,614
Provisions	4,719	4,909
Total current liabilities	<u>17,287</u>	<u>15,010</u>
Non-current liabilities		
Deferred tax liabilities	2,399	2,418
Provisions	4,580	4,465
Total non-current liabilities	<u>6,979</u>	<u>6,883</u>
Total liabilities	<u>24,266</u>	<u>21,893</u>
Net assets	<u>123,506</u>	<u>116,275</u>
Equity		
Contributed equity	33,699	33,699
Reserves	6,822	6,387
Retained profits	82,985	76,189
Total equity	<u>123,506</u>	<u>116,275</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

National Can Industries Limited

**Consolidated Statement of Changes in Equity
 For the Half-year ended 31 December 2005**

	Note	2005 \$'000	2004 \$'000
Total equity at the beginning of the half-year		116,275	111,629
Exchange differences on translation of foreign operations		434	(294)
Net income recognised directly in equity		434	(294)
Profit for the half-year		9,134	5,599
Total recognised income and expense for the half-year		9,568	5,305
Transactions with equity holders in their capacity as equity holders:			
Dividends provided for or paid (Note 4)		(2,337)	(2,003)
Total equity at the end of the half-year		123,506	114,931

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

National Can Industries Limited

**Consolidated cash flow statement
For the Half-year ended 31 December 2005**

	2005	2004
	\$'000	\$'000
Cash flows from operating activities		
Receipts from trade and other debtors (inclusive of GST)	105,283	97,090
Payments to trade and other creditors and employees (Inclusive of GST)	(85,340)	(96,303)
Income tax paid	(2,297)	(1,324)
Interest paid	(29)	(105)
Interest received	255	192
Net cash inflow from operating activities	17,872	(450)
Cash flows from investing activities		
Payments for property, plant and equipment	(2,890)	(2,544)
Proceeds from sale of property, plant and equipment	40	194
Payments for trademarks and goodwill	(1)	(3)
Net cash outflow from investing activities	(2,851)	(2,353)
Cash flows from financing activities		
Dividends paid	(2,337)	(2,003)
Net cash outflow from financing activities	(2,337)	(2,003)
Net increase/(decrease) in cash held	12,684	(4,806)
Cash and cash equivalents at beginning of financial year	2,846	8,958
Effect of exchange rate change on cash	74	(27)
Cash and cash equivalents at end of period	15,604	4,125

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

National Can Industries Limited

Notes to the Consolidated financial statements For the Half-year ended 31 December 2005

1. Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by National Can Industries Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This interim financial report is the first National Can Industries Limited interim financial report to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of National Can Industries Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing National Can Industries Limited 2006 interim financial report for the half year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Consolidated Entity has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Consolidated Entity's equity and its net income are given in Note 3.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of National Can Industries Limited ('company' or 'parent entity') as at 31 December 2005 and the results of all subsidiaries for the half-year then ended. National Can Industries Limited and its subsidiaries together are referred to in this financial report as the Consolidated Entity.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

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Half-year ended December 31, 2005

b) Principles of consolidation (cont.)

(i) Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity (refer to Note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

c) Segment reporting

The Consolidated Entity's operations are predominantly packaging material processing and packaging manufacture, which represents a single industry and business segment. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entity's entities are measured using the currency of the primary economic environment in which the Entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is National Can Industries Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(iii) Consolidated Entity companies

The results and financial position of all the Consolidated Entity entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties / taxes paid.

f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. National Can Industries Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

g) Leases

Controlled entities lease property and vehicles where all the risks and benefits of ownership are effectively retained by the lessor and thus these leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement over the period of the lease. Lease income from operating leases is recognised in income over the lease term.

h) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(n)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

The group has taken the exemptions available under AASB 1 not to apply AASB 3 *Business combinations* to past business combinations.

i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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i) Impairment of assets (cont)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

k) Trade receivables

Trade accounts receivable is carried at amounts receivable at settlement. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

l) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

m) Derivatives

From 1 July 2004 to 30 June 2005

The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 and 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.

From 1 July 2005

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates all derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The Consolidated Entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

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(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(o) Property, plant and equipment

The Consolidated Entity has adopted the provisions available under AASB116, which allows the carrying value at 30 June 2004 under AGAAP to become the opening deemed cost for AIFRS at 1 July 2004.

All property, plant and equipment is stated at deemed cost less depreciation. Deemed cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	25 – 40 years
Plant and equipment	3 - 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Investment property

Investment properties, principally comprising freehold factory buildings and residential houses, are held for rental yields and is not occupied by the Consolidated Entity. Investment property is carried using the cost model. Depreciation on Investment properties is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	25 – 40 years
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q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Consolidated Entity's investment in each country of operation by each primary reporting segment.

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q) Intangible assets (cont)

(ii) Patents designs and trademarks

Patents, trademarks and designs have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of patents, trademarks and designs over their estimated useful lives, which vary from 8 to 16 years.

(iii) Research and development

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

r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the half-year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

s) Provisions

Provisions for claims are recognised when: the Consolidated Entity has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

t) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable. All contributions are made to lump sum accumulation superannuation funds and the company is not a party to any defined benefit superannuation arrangements.

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u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the half-year but not distributed at balance date.

w) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

x) Financial instrument transaction costs

The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Consolidated Entity has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the Consolidated Entity was nil.

y) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the ‘‘rounding off’’ of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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2. Segment Information

	Australia	New Zealand	Papua New Guinea	Fiji	Intersegment eliminations/ Unallocated	Consolidated
2005	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	74,321	22,849	2,527	731	(1,253)	99,175
Segment result	8,881	3,393	826	134	(29)	13,205
	Australia	New Zealand	Papua New Guinea	Fiji	Intersegment elimination's/ Unallocated	Consolidated
2004	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	78,965	22,905	2,016	683	(9,744)	94,285
Segment result	5,022	2,472	408	144	15	8,061

Geographical Segments

The entity operates in four geographical segments – Australia, New Zealand, Papua New Guinea and Fiji. Inter-segment transactions are conducted on an arms length basis.

Industry Segments

The entity's operations are predominantly in packaging material processing and packaging manufacture which represents a single industry.

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3. Explanation of transition to Australian equivalents to International Financial Reporting Standards

a) Recognition of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(i) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash assets		8,958		8,958
Receivables		26,606		26,606
Inventories		25,110		25,110
Other		360		360
Total current assets		61,034	0	61,034
Non-current assets				
Investment Properties	3(d)(v)		1,991	1,991
Property, plant and equipment	3(d)(v)	66,878	(1,991)	64,887
Deferred tax assets		4,166		4,166
Intangible assets		1,553		1,553
Deferred supply contract cost		656		656
Total non-current assets		73,253	0	73,253
Total assets		134,287	0	134,287
Current liabilities				
Payables		9,993		9,993
Interest bearing liabilities		2,518		2,518
Current tax liabilities		462		462
Provisions		4,183		4,183
Total current liabilities		17,156	0	17,156
Non-current liabilities				
Deferred tax liabilities	3(d)(ii)	2,177	230	2,407
Provisions	3(d)(iii)	2,945	150	3,095
Total non-current liabilities		5,122	380	5,502
Total liabilities		22,278	380	22,658
Net assets		112,009	(380)	111,629
Equity				
Contributed equity		33,699		33,699
Reserves	3(d)(i)	6,883	(1,263)	5,620
Retained profits	3(d)(i)-(iii)	71,427	883	72,310
Total equity		112,009	(380)	111,629

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3. Explanation of transition to Australian equivalents to IFRS (cont)

a) Recognition of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(ii) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash assets		4,153		4,153
Receivables		32,652		32,652
Inventories		30,751		30,751
Other		1,208		1,208
Total current assets		68,764	0	68,764
Non-current assets				
Investment Properties	3(d)(v)		1,983	1,983
Property, plant and equipment	3(d)(v)	63,845	(1,983)	61,862
Deferred tax assets		4,158		4,158
Intangible assets	3(d)(iv)	1,387	164	1,551
Deferred supply contract cost		484		484
Total non-current assets		69,874	164	70,038
Total assets		138,638	164	138,802
Current liabilities				
Payables		9,507		9,507
Interest bearing liabilities		2,546		2,546
Current tax liabilities		1,630		1,630
Provisions		4,697		4,697
Total current liabilities		18,380	0	18,380
Non-current liabilities				
Deferred tax liabilities	3(d)(ii)	2,156	178	2,334
Provisions	3(d)(iii)	3,007	150	3,157
Total non-current liabilities		5,163	328	5,491
Total liabilities		23,543	328	23,871
Net assets		115,095	(164)	114,931
Equity				
Contributed equity		33,699		33,699
Reserves	3(d)(i)	7,784	(1,263)	6,521
Retained profits	3(d)(i)-(iv)	73,612	1,099	74,711
Total equity		115,095	(164)	114,931

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3. Explanation of transition to Australian equivalents to IFRS (cont)

a) Recognition of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

**(iii) At the end of the last reporting period under previous AGAAP:
30 June 2005**

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash assets		2,846		2,846
Receivables		28,893		28,893
Inventories		39,197		39,197
Other		322		322
Total current assets		71,258	0	71,258
Non-current assets				
Investment Properties	3(d)(v)		1,975	1,975
Property, plant and equipment	3(d)(v)	60,496	(1,975)	58,521
Deferred tax assets		4,560		4,560
Intangible assets	3(d)(iv)	1,273	269	1,542
Deferred supply contract cost		312		312
Total non-current assets		66,641	269	66,910
Total assets		137,899	269	138,168
Current liabilities				
Payables		8,487		8,487
Current tax liabilities		1,614		1,614
Provisions		4,909		4,909
Total current liabilities		15,010	0	15,010
Non-current liabilities				
Deferred tax liabilities	3(d)(ii)	2,291	127	2,418
Provisions	3(d)(iii)	4,315	150	4,465
Total non-current liabilities		6,606	277	6,883
Total liabilities		21,616	277	21,893
Net assets		116,283	(8)	116,275
Equity				
Contributed equity		33,699		33,699
Reserves	3(d)(i)	7,650	(1,263)	6,387
Retained profits	3(d)(i)-(iv)	74,934	1,255	76,189
Total equity		116,283	(8)	116,275

Appendix 4D
Half-year report
Half-year ended December 31, 2005

3. Explanation of transition to Australian equivalents to IFRS (cont.)

b) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

(i) Reconciliation of profit for the half-year ended 31 December 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Revenue	3(d)(vi)	95,593	(2,214)	93,379
Other income	3(d)(vi)		1,446	1,446
Changes in inventories of finished goods and work in progress		1,909		1,909
Raw materials and consumables used		(45,122)		(45,122)
Employee benefits expense		(22,650)		(22,650)
Depreciation and amortisation expenses	3(d)(iv)	(5,068)	(164)	(4,904)
Borrowing costs expense		(105)		(105)
Distribution expense		(4,095)		(4,095)
Repairs and maintenance of property, plant and equipment		(2,646)		(2,646)
Insurance		(1,153)		(1,153)
Rental expense relating to operating lease payments		(1,292)		(1,292)
Other expenses from ordinary activities	3(d)(vi)	(7,474)	768	(6,706)
Profit before income tax expense		<u>7,897</u>		<u>8,061</u>
Income tax expense	3(d)(ii)	(2,514)	(52)	(2,462)
Net profit attributable to members of NCI		<u>5,383</u>		<u>5,599</u>

(ii) Reconciliation of profit for year ended 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Revenue	3(d)(vi)	184,286	(2,553)	181,733
Other income	3(d)(vi)		1,480	1,480
Changes in inventories of finished goods and work in progress		1,905		1,905
Raw materials and consumables used		(87,493)		(87,493)
Employee benefits expense		(44,338)		(44,338)
Depreciation and amortisation expenses	3(d)(iv)	(10,046)	(269)	(9,777)
Borrowing costs expense		(204)		(204)
Distribution expense		(7,921)		(7,921)
Repairs and maintenance of property, plant and equipment		(5,285)		(5,285)
Insurance		(2,259)		(2,259)
Rental expense relating to operating lease payments		(2,597)		(2,597)
Other expenses from ordinary activities	3(d)(vi)	(13,691)	1,073	(12,618)
Profit before income tax expense		<u>12,357</u>		<u>12,626</u>
Income tax expense	3(d)(ii)	(3,630)	(103)	(3,527)
Net profit attributable to members of NCI		<u>8,727</u>		<u>9,099</u>

Appendix 4D
Half-year report
Half-year ended December 31, 2005

3. Explanation of transition to Australian equivalents to IFRS (cont.)

c) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

d) Notes to the reconciliations

(i) Foreign currency translation reserve: cumulative translation differences and asset revaluation reserve

The Group has elected to apply the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial reporting Standards*. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRSs. The consolidated entity has also reset the cumulative revaluation's of fixed assets to zero and transferred the reserve to retained profits as the cost model has been adopted on transition, and the reserve will no longer be required. The effect is:

At 1 July 2004

For the group, the balance of the \$368,000 credit in the foreign currency translation reserve and the balance of \$895,000 credit in the asset revaluation reserve are reduced to zero. Retained earnings is increased by these amounts.

At 31 December 2004

For the group the balance in the foreign currency translation reserve is reduced by \$368,000 and the balance in the asset revaluation reserve is reduced by \$895,000. Retained earnings is increased by these amounts.

At 30 June 2005

For the group the balance in the foreign currency translation reserve is reduced by \$368,000 and the balance in the asset revaluation reserve is reduced by \$895,000. Retained earnings is increased by these amounts.

(ii) Deferred tax liability

Under previous AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 *Income taxes* has resulted in the recognition of deferred tax liabilities on revaluations of non current assets. A deferred tax liability has also been recognised for the deferred supply contract.

The effects are as follows:

At 1 July 2004, 31 December 2004 and at 30 June 2005

The effects on the deferred tax liability of the adoption of AIFRS are as follows (tax rate of 30%)

	1 July 2004 \$'000	31 Dec 2004 \$'000	30 June 2005 \$'000
Deferred Supply contract	197	145	94
Revalued Post CGT Land and buildings	33	33	33
	230	178	127

For the half-year ended 31 December 2004

For the group this has decreased income tax expense by \$ 52,000

For the year ended 30 June 2005

For the group this has decreased income tax expense by \$103,000

Appendix 4D
Half-year report
Half-year ended December 31, 2005

3. Explanation of transition to Australian equivalents to IFRS (cont.)

d) Notes to the reconciliations

(iii) Provisions

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, provisions associated with the retirement or disposal of long-lived assets are recognised whereas these were not recognised under AGAAP. Provisions amounting to \$150,000 covering the future estimated costs in relation to two of the consolidated entity's properties were taken up on transition to AIFRS.

The effects are as follows:

At 1 July 2004

For the group an increase in Non-current liabilities Provisions of \$150,000. Retained earnings is decreased by this amount.

(iv) Goodwill

Under the AASB 3 Business Combinations, amortisation of goodwill is prohibited, and has been replaced by annual impairment testing. This testing, which focuses on the future discounted cashflows of the related cash generating unit, ensures that the carrying value of goodwill is not greater than the recoverable amount.

Under AIFRS, the income statement will no longer include an expense for the amortisation of goodwill.

The effects are as follows:

At 31 December 2004

For the group an increase in intangible assets of \$164,000. Retained earnings has increased by this amount.

At 30 June 2005

For the group an increase in intangible assets of \$269,000. Retained earnings has increased by this amount.

(v) Investment properties

Under AASB 140 *Investment property* and AASB 101 *Presentation of financial statements* the carrying value of investment properties are required to be disclosed separately in the balance sheet. Under previous AGAAP the carrying value of investment properties was included as part of the carrying value of property, plant and equipment.

The effect of this is to decrease the carrying value disclosed as property, plant and equipment and increase the carrying value disclosed as investment properties by the following:

<i>At 1 July 2004</i>	\$1,991,000
<i>At 31 December 2004</i>	\$1,983,000
<i>At 30 June 2005</i>	\$1,975,000

(vi) Other income

Under AASB 118 *Revenue* and AASB 101 *Presentation of financial statements* the net gain on disposal of Property, plant and equipment are disclosed in the consolidated income statement under other income.

Under previous AGAAP the proceeds from disposal of property, plant and equipment was disclosed under other income.

Under AASB 118 *Revenue* and AASB 101 *Presentation of financial statements* the net gain on foreign exchange Transactions and insurance proceeds are disclosed in the consolidated income statement under other income. Under previous AGAAP these gains were disclosed as revenue.

Appendix 4D
Half-year report
Half-year ended December 31, 2005

3. Explanation of transition to Australian equivalents to IFRS (cont.)

d) Notes to the reconciliations

(vi) Other income (cont)

The effect on the consolidated income statement is as follows:

At 31 December 2004

Decrease revenue by the proceeds value from the disposal of property, plant and equipment	\$2,214,000
Increase other income by the net gain from the disposal of property, plant and equipment	\$1,446,000
Increase other expenses by the difference between the proceeds and net gain value	\$768,000

At 30 June 2005

Decrease revenue by the proceeds value from the disposal of property, plant and equipment	\$2,339,000
Increase other income by the net gain from the disposal of property, plant and equipment	\$1,266,000
Increase other expenses by the difference between the proceeds and net gain value	\$1,073,000

Decrease revenue by the net gain from foreign exchange transactions	\$62,000
Increase other income by the net gain from foreign exchange transactions	\$62,000

Decrease revenue by the insurance recovery proceeds from fire	\$152,000
Increase other income by insurance recovery proceeds from fire	\$152,000

4. Dividends

	2005	2004
	\$'000	\$'000
Ordinary shares		
Dividends provided for or paid during the half-year	<u>2,337</u>	<u>2,003</u>
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 4 cents per fully paid ordinary share (2004 – 3 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on out of retained profits at 31 December 2005, but not recognised as a liability at the end of the half-year, is	<u>2,671</u>	<u>2,003</u>

Directors' Report

Your directors present their report on the consolidated entity consisting of National Can Industries Limited and the entities it controlled at the end of, or during, the half-year ended December 31, 2005.

Review of Operations

Revenues for the six months to December 31, 2005 were \$98.9 million and profit after tax for the period was \$ 9.1 million.

The improved profit performance was due to the unexpected confluence of a number of favourable factors. In particular, demand in major markets was stronger than expected despite higher packaging prices which were implemented to recover raw material cost increases.

Another factor was the reduction in excess inventories, especially in our offshore operations, which had been held as a safeguard against possible tinplate shortages, which threat has now receded.

Forward Outlook

In the second half, Directors expect trading to revert to more normal patterns. Providing trading conditions and markets do not change from the present outlook then Directors expect a modest increase in earnings over the corresponding period last year.

Interim Dividend

Directors have declared an interim dividend of 4.0 cents per share fully franked to 30% and payable on Thursday April 27, 2006. Entitlement to the dividend will be on the basis of registrable transfers received up to 5.00 p.m. on Thursday April 13, 2006.

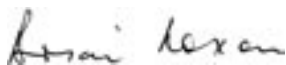
Directors advise that all dividend payments out of 2005/06 profits will be fully franked.

Directors

The following persons were directors of National Can Industries Limited during the whole of the half-year and up to the date of this report.

J.M. Bertei E.B. Noxon T.X. O'Brien R.G. Pitcher M.W. Tyrrell

This report is made in accordance with a resolution of the directors.



E. B. Noxon
Director



M. W. Tyrrell
Director

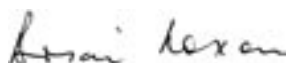
Melbourne
February 23, 2006

DIRECTORS' DECLARATION

In the directors' opinion:

- a) the financial statements and notes set out on pages 3 – 21 of the Half-yearly Report are in accordance with the *Corporations Act 2001*, including:
- i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at December 31, 2005 and of their performance, as represented by the results of their operations and their cashflows, for the half-year ended on that date; and
- a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



E.B. Noxon
Director



M.W. Tyrrell
Director

Melbourne
February 23, 2006

Independent audit report to the members of National Can Industries Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of National Can Industries Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the National Can Industries Group (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the National Can Industries Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both National Can Industries 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. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

**Independent audit report to the members of
National Can Industries Limited**

(continued)

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, 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 its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel
- analytical procedures applied to financial data.

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

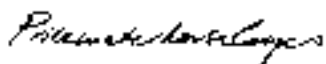
These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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.

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

Independence

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



PricewaterhouseCoopers



Len Hogan
Partner

Melbourne
23 February 2006

PricewaterhouseCoopers
ABN 52 780 433 757

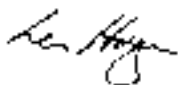
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Auditor's Independence Declaration

As lead auditor for the review of National Can Industries Limited for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review

This declaration is in respect of National Can Industries Limited and the entities it controlled during the period.



Len Hogan
Partner
PricewaterhouseCoopers

Melbourne
23 February 2006