

**National Can Industries Limited**  
ABN 89 006 266 799

**Half-year Report – 31 December 2010**

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 2010

#### Results for Announcement to the Market

|  |      |       |    | \$'000 |
|--|------|-------|----|--------|
| <b>Revenue</b> from ordinary activities                                  | Down | 11.0% | to | 84,725 |
| <b>Profit</b> from ordinary activities after tax attributable to members | Down | 44.3% | to | 2,161  |
| <b>Net profit</b> for the period attributable to members                 | Down | 44.3% | to | 2,161  |

| <b>Dividends/distributions</b> | Amount per security | Franked amount per security |
|--------------------------------|---------------------|-----------------------------|
| Interim dividend               | 1.0 cent            | 1.0 cent                    |

**Record date** for determining entitlements to the dividend

April 6, 2011

**Payment date** for the dividend

April 20, 2011

#### Commentary on financial result

Please refer to Review of Operations in the attached Directors' Report.

**National Can Industries Limited**

**Consolidated Statement of Comprehensive Income  
 For the Half-year ended 31 December 2010**

|   | Note | 2010<br>\$'000 | 2009<br>\$'000 |
|---|------|----------------|----------------|
| Revenue from continuing operations                              |      | 84,725         | 95,199         |
| Other income  |      | 148            | 98             |
| Changes in inventories of finished goods and work in progress   |      | 1,069          | (1,799)        |
| Raw materials and consumables used                              |      | (34,512)       | (41,047)       |
| Employee benefits expense                                       |      | (25,366)       | (23,245)       |
| Depreciation and amortisation expenses                          |      | (5,256)        | (5,482)        |
| Borrowing costs expense   |      | (72)           | (60)           |
| Distribution expense  |      | (4,678)        | (5,110)        |
| Repairs and maintenance of property, plant and equipment        |      | (3,226)        | (3,038)        |
| Insurance   |      | (1,361)        | (1,250)        |
| Rental expense relating to operating lease payments             |      | (1,252)        | (1,259)        |
| Other expenses  |      | (6,991)        | (7,569)        |
| <b>Profits before income tax expense</b>                        |      | <b>3,228</b>   | <b>5,438</b>   |
| Income tax expense  |      | (1,067)        | (1,557)        |
| <b>Net Profit attributable to members of NCI</b>                |      | <b>2,161</b>   | <b>3,881</b>   |
| <b>Other comprehensive income</b>                               |      |                |                |
| Exchange differences on translation of foreign operations       |      | (1,893)        | (80)           |
| Changes in fair value of cash flow hedge reserve                |      | (135)          | -              |
| Income tax relating to components of other comprehensive income |      | -              | -              |
| <b>Other comprehensive income for the period, net of tax</b>    |      | <b>(2,028)</b> | <b>(80)</b>    |
| <b>Total comprehensive income for the period</b>                |      | <b>133</b>     | <b>3,801</b>   |
| Basic earnings per share  |      | 3.2            | 5.8            |
| Diluted earnings per share                                      |      | 3.2            | 5.8            |

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

**National Can Industries Limited**

**Consolidated Statement of Financial Position**  
**As at 31 December 2010**

|                                      | Dec 31 2010    | June 30 2010   |
|--------------------------------------|----------------|----------------|
|                                      | \$'000         | \$'000         |
| <b>Current assets</b>                |                |                |
| Cash and cash equivalents            | 31,895         | 35,782         |
| Receivables                          | 27,235         | 26,332         |
| Inventories                          | 33,364         | 32,152         |
| Other                                | 1,749          | 365            |
| <b>Total current assets</b>          | <u>94,243</u>  | <u>94,631</u>  |
| <b>Non-current assets</b>            |                |                |
| Property, plant and equipment        | 53,559         | 54,290         |
| Investment properties                | 1,894          | 1,901          |
| Deferred tax assets                  | 5,085          | 4,758          |
| Intangible assets                    | 3,215          | 3,530          |
| <b>Total non-current assets</b>      | <u>63,753</u>  | <u>64,479</u>  |
| <b>Total assets</b>                  | <u>157,996</u> | <u>159,110</u> |
| <b>Current liabilities</b>           |                |                |
| Payables                             | 17,836         | 17,421         |
| Current tax liabilities              | 655            | 673            |
| Provisions                           | 8,535          | 8,707          |
| <b>Total current liabilities</b>     | <u>27,026</u>  | <u>26,801</u>  |
| <b>Non-current liabilities</b>       |                |                |
| Deferred tax liabilities             | 192            | 186            |
| Provisions                           | 734            | 877            |
| <b>Total non-current liabilities</b> | <u>926</u>     | <u>1,063</u>   |
| <b>Total liabilities</b>             | <u>27,952</u>  | <u>27,864</u>  |
| <b>Net assets</b>                    | <u>130,044</u> | <u>131,246</u> |
| <b>Equity</b>                        |                |                |
| Contributed equity                   | 33,699         | 33,699         |
| Reserves                             | 1,895          | 3,924          |
| Retained profits                     | 94,450         | 93,623         |
| <b>Total equity</b>                  | <u>130,044</u> | <u>131,246</u> |

The above consolidated statement of financial position 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 2010**

|   | Note | 2010<br>\$'000 | 2009<br>\$'000 |
|---|------|----------------|----------------|
| <b>Total equity at the beginning of the half-year</b> |      | <u>131,246</u> | 128,499        |
| Other comprehensive income for the half-year          |      | (2,028)        | (80)           |
| Profit for the half-year                              |      | <u>2,161</u>   | 3,881          |
| <b>Total comprehensive income for the half-year</b>   |      | <u>133</u>     | 3,801          |
| Dividends provided for or paid (Note 3)               |      | <u>(1,335)</u> | (668)          |
| <b>Total equity at the end of the half-year</b>       |      | <u>130,044</u> | 131,632        |

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 2010**

|   | <b>2010</b>     | 2009     |
|---|-----------------|----------|
|   | <b>\$'000</b>   | \$'000   |
| <b>Cash flows from operating activities</b>                               |                 |          |
| Receipts from trade and other debtors (inclusive of GST)                  | <b>91,724</b>   | 99,296   |
| Payments to trade and other creditors and employees<br>(Inclusive of GST) | <b>(88,343)</b> | (85,838) |
| Income tax paid   | <b>(1,013)</b>  | (1,636)  |
| Interest paid   | <b>(72)</b>     | (60)     |
| Interest received   | <b>825</b>      | 229      |
| <b>(Net cash outflow)/ inflow from operating activities</b>               | <b>3,121</b>    | 11,991   |
| <b>Cash flows from investing activities</b>                               |                 |          |
| Payments for property, plant and equipment                                | <b>(4,983)</b>  | (3,352)  |
| Proceeds from sale of property, plant and equipment                       | <b>17</b>       | -        |
| Payments for trademarks and goodwill                                      | <b>(15)</b>     | -        |
| <b>Net cash outflow from investing activities</b>                         | <b>(4,981)</b>  | (3,352)  |
| <b>Cash flows from financing activities</b>                               |                 |          |
| Dividends paid  | <b>(1,335)</b>  | (668)    |
| <b>Net cash outflow from financing activities</b>                         | <b>(1,335)</b>  | (668)    |
| <b>Net increase/(decrease) in cash held</b>                               | <b>(3,195)</b>  | 7,971    |
| Cash and cash equivalents at beginning of financial year                  | <b>35,782</b>   | 12,478   |
| Effect of exchange rate change on cash                                    | <b>(692)</b>    | (375)    |
| <b>Cash and cash equivalents at end of period</b>                         | <b>31,895</b>   | 20,074   |

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 2010**

**1. Basis of preparation of half-year report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2010 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 2010 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*.

The half-year financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

**Appendix 4D**  
**Half-year report**  
**Half-year ended December 31, 2010**

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**2. Segment Information**

|                           | Australia | New Zealand | Other  | Intersegment<br>eliminations/<br>Unallocated | Consolidated |
|---------------------------|-----------|-------------|--------|--|--------------|
| 2010                      | \$'000    | \$'000      | \$'000 | \$'000                                       | \$'000       |
| Total segment revenue     | 69,761    | 16,284      | 3,384  | (4,556)                                      | 84,873       |
| Segment result before tax | 1,491     | 1,016       | 793    | (72)   | 3,228        |
| 2009                      | Australia | New Zealand | Other  | Intersegment<br>eliminations/<br>Unallocated | Consolidated |
|                           | \$'000    | \$'000      | \$'000 | \$'000                                       | \$'000       |
| Total segment revenue     | 76,411    | 19,217      | 3,611  | (3,942)                                      | 95,297       |
| Segment result before tax | 2,726     | 1,909       | 863    | (60)   | 5,438        |

The entity's operating segments have been determined based on the internal management reporting structure and the nature of products and services provided by the consolidated entity. They reflect the business level at which financial information is provided to management for decision making regarding resource allocation and performance assessment. The segment information presented is consistent with internal management reporting.

The entity has three operating segments Australia, New Zealand and Other (Papua New Guinea and Fiji), each of which operate predominantly in packaging material processing and packaging manufacture which represents a single industry.

**3. Dividends**

|   | 2010         | 2009       |
|---|--------------|------------|
|   | \$'000       | \$'000     |
| <b>Ordinary shares</b>                              |              |            |
| Dividends provided for or paid during the half-year | <u>1,335</u> | <u>668</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 1.0 cent per fully paid ordinary share (2010 – 3.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2010, but not recognised as a liability at the end of the half-year, is

|            |              |
|------------|--------------|
| <u>668</u> | <u>2,003</u> |
|------------|--------------|

**4. Contingent Liabilities**

There has been no change in contingent liabilities since the last reporting date.

**5. Events Subsequent to Reporting Date**

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

## **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, 2010.

### **Review of Operations**

Revenues for the six months to December 31, 2010 were \$84.7 million and profit after tax for the period was \$2.2 million.

Sales in the 1<sup>st</sup> Half were sharply lower than the corresponding period last year. Metal packaging sales were adversely affected by a number of factors including the impact of strong local currencies on export demand and import levels, lower selling prices and increased competition from other packaging materials. Plastics packaging sales were also lower due to supply issues and capacity constraints.

Earnings were significantly affected by the lower sales level and one-off restructuring costs of \$1.4 million after tax, mainly to cover the costs of closing a manufacturing plant. Material costs were well controlled while fixed costs were lower than the previous year.

### **Forward Outlook**

The impact of recent weather events in Australia could temper demand in key markets in the near term although the recovery phase may stimulate improved demand in the long run. The Queensland flood has resulted in shortages in coking coal for steel manufacture which will lead to further rises in raw material costs during the 2<sup>nd</sup> Half.

### **Interim Dividend**

Directors have declared an interim dividend of 1.0 cent per share fully franked and payable on Wednesday April 20, 2011. Entitlement to the dividend will be on the basis of registrable transfers received up to 5.00 p.m. on Wednesday April 6, 2011.

Directors advise that all dividend payments out of 2010/11 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.

R. K. Horsburgh    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

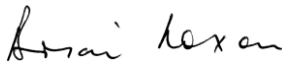
Melbourne      February 24, 2011

## **DIRECTORS' DECLARATION**

In the directors' opinion:

- a) the financial statements and notes set out on pages 3 – 8 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, 2010 and of its performance, as represented by the results of its operations, changes in equity and its 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 24, 2011

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## Independent Auditor's Review Report To the Members of National Can Industries Limited

We have reviewed the accompanying half-year financial report of National Can Industries Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of National Can Industries Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

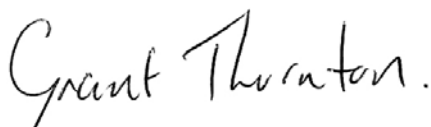
#### Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of National Can Industries Limited for the half-year ended 31 December 2010 included on National Can Industries Limited's web site. The Company's directors are responsible for the integrity of National Can Industries Limited's web site. We have not been engaged to report on the integrity of National Can Industries Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of National Can Industries Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



D.A. Ashmore  
Director - Audit & Assurance Services

Melbourne, 24 February 2011

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Auditor's Independence Declaration  
To The Directors of National Can Industries Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of National Can Industries Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



D.A. Ashmore  
Director - Audit & Assurance Services

Melbourne, 24 February 2011