Schedule 1
Capral Aluminium Limited
A.C.N. 004 213 692

Registered Office:
71 Ashburn Road
Bundamba, QLD 4304
PO Box 768
Booval BC QLD 4304
Telephone: 61 7 3816 7000
Facsimile: 61 7 3816 7111

Notice of Annual General Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Sixty-Eighth Annual General Meeting of Shareholders of CAPRAL ALUMINIUM LIMITED will be held at the Chifley at Lennons, 66 Queen Street Mall, Brisbane on Tuesday, 19 April 2005 at 2:30pm.

Agenda

ORDINARY BUSINESS

1. Receipt of accounts and reports

1.1 To receive and consider the financial statements of the Company, the reports of the directors and auditor for the financial year ended 31 December 2004.

2. Election of directors (Resolutions 1, 2 and 3)

2.1 To consider and, if thought fit, pass the following ordinary resolutions:

(1) Mr John Crabb who retires in accordance with Article 69 of the Company's Constitution and ASX Listing Rule 14.4 and being eligible, offers himself for re-election, be re-elected as a director.

(2) Mr Graeme J Cureton who retires in accordance with Article 69 of the Company's Constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election, be re-elected as a director.

(3) Mr Ronald G Pitcher who retires in accordance with Article 69 of the Company's Constitution and ASX Listing Rule 14.4, being eligible, offers himself for re-election, be re-elected as a director.

Refer to Item 1 of the Explanatory Memorandum for more information.

By order of the Board

Alan Schliemann
Secretary
Sydney, 18th March 2005

ATTENDANCE AND VOTING AT THE MEETING

In accordance with the law, the directors of the Company have made a determination that all the shares of the company are taken, for the purposes of determining the right of members to attend and vote at the meeting, to be held by persons who held them at 7:00 p.m. on 15 April 2005. If you are not the registered holder of a relevant share at that time you will not be entitled to vote in respect of that share.

You may vote by attending the meeting in person or by proxy (see below).

Ordinary resolutions require the support of more then 50% of those shareholders voting in person, by proxy, by representative or by attorney. Special resolutions require the support of at least 75% of those shareholders voting in person, by proxy, by representative or by attorney.

Every question arising at the Annual General Meeting will be decided in the first instance by a show of hands. A poll may be demanded in accordance with the Company's Constitution.

On a show of hands, every shareholder who is present in person or by proxy, or by representative or by attorney, will have one vote. Upon a poll, every person who is present in person or by proxy, or by representative or by attorney, will have one vote. Upon a poll, every person who is present in person or by proxy, or by representative or by attorney, will have one vote for each share held by that person.

PROXIES

A member who is entitled to attend and vote at the meeting may appoint a person, who need not be a member of the Company, as the member's proxy to attend and vote on behalf of the member.

A proxy form accompanies this notice. Should you wish to appoint a proxy, please complete the proxy form and return it at least 48 hours before the meeting:

- by mail to Capral Aluminium Limited share registry, Computershare Investor Services Pty Limited, GPO Box 7405, Sydney, NSW, 2001 Australia; or
- by delivery to Capral Aluminium Limited, 71 Ashburn Road, Bundamba, QLD 4304 Australia; or
- by facsimile to facsimile number: 61 2 8235 8220

If the appointment is signed by an attorney, the power of attorney or a certified copy of it must be sent with the proxy form.

EXPLANATORY MEMORANDUM

1. Election of Directors (Resolutions 1, 2 and 3)

1.1 Article 69(1) of the Company's Constitution (which is consistent with ASX Listing Rule 14.4) provides that no director shall hold office for a continuous period in excess of 3 years or past the third annual general meeting following the directors appointment, whichever is longer, without submitting for re-election. Article 69(2) provides that a retiring director shall be eligible for re-election without needing to give any prior notice of an interest to submit for re-election and shall hold office as a director until the end of the meeting at which the director retires.

1.2 Accordingly:

(1) each of Mr John Crabb, Graeme J Cureton and Ronald G Pitcher are obliged to retire in accordance with Article 69(1) of the Company's Constitution and Listing Rule 14.4; and

(2) are eligible for re-election.

1.3 Mr John Crabb is currently Chairman of the company. He was appointed as a non-executive director on 3 January 2002 and is a member of both the Remuneration and Nomination Committee and the Audit Committee of the Company.

1.4 Mr Crabb has extensive experience in the metals business. He was previously Managing Director and Chief Executive of Simsmetal Limited and a director of Bluescope Steel Limited. Under ASX guidelines, Mr Crabb is considered to be Independent.

1.5 Mr Graeme J Cureton was appointed a non-executive director in August 2001 and is a member of the company's Audit Committee. Graeme Cureton is also a member of the Remuneration and Nomination Committee.

1.6 Mr Cureton is also an executive director of Guinness Peat Group plc and a non-executive director of CPL Group Limited and Greens Foods Limited. Under the ASX guidelines Mr Cureton is considered to be Non-Independent.

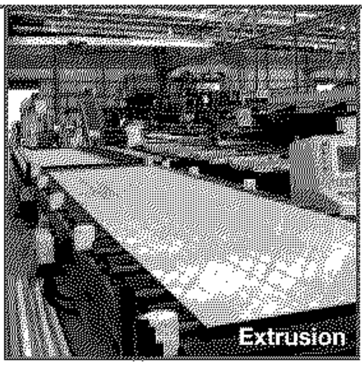
1.7 Mr Ronald G Pitcher was appointed a non-executive director in December 2001 and is a member of both the Remuneration and Nomination Committee and is the Chairman of the Audit Committee.

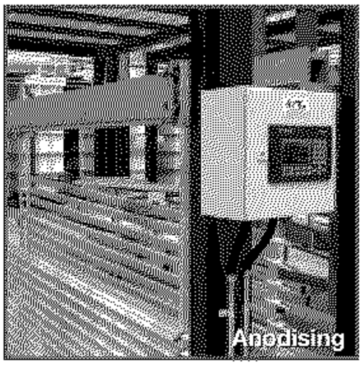
1.8 Mr Pitcher was a founder and former principal partner of Pitcher Partners, a leading Melbourne Accounting and Advisory firm. Mr Pitcher has wide experience in manufacturing industries. He is a non-executive director of National Can Industries Limited, Cellestis Limited, McMillan Shakespeare Limited and Reece Australia Ltd. Under the ASX guidelines, Mr Pitcher is considered to be Independent.

CAPRAL ALUMINIUM

CAPRAL ALUMINIUM LIMITED ANNUAL REPORT 2004

Annual Report 2004





Capral Aluminium has a proud tradition as a premium supplier of aluminium extrusion and sheet products in Australia and New Zealand, with operations dating back over sixty years. While this heritage is important, a recognition that to be successful in the future, Capral must modernise and adapt to change has underpinned the complete reorganisation of the company's operations that has been undertaken in recent years.

This has seen the company make major investments in new plant, facilities and technology. As this process draws close to completion, a new Capral Aluminium stands ready to take its place as a modern and dynamic Australian company of which all those involved can be proud.

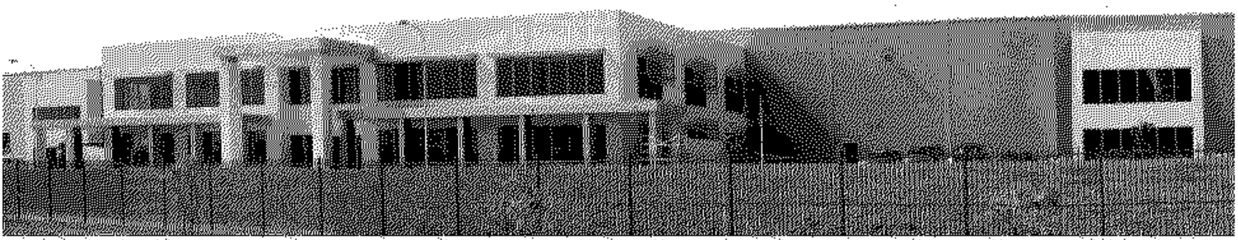
Notice of Annual General Meeting

The Sixty-Eighth Annual General Meeting of Shareholders of CAPRAL ALUMINIUM LIMITED will be held on 19th April 2005 at 2:30pm in The Queen Room on Level 5, The Chifley at Lennons, 66-76 Queen Street, Brisbane QLD.

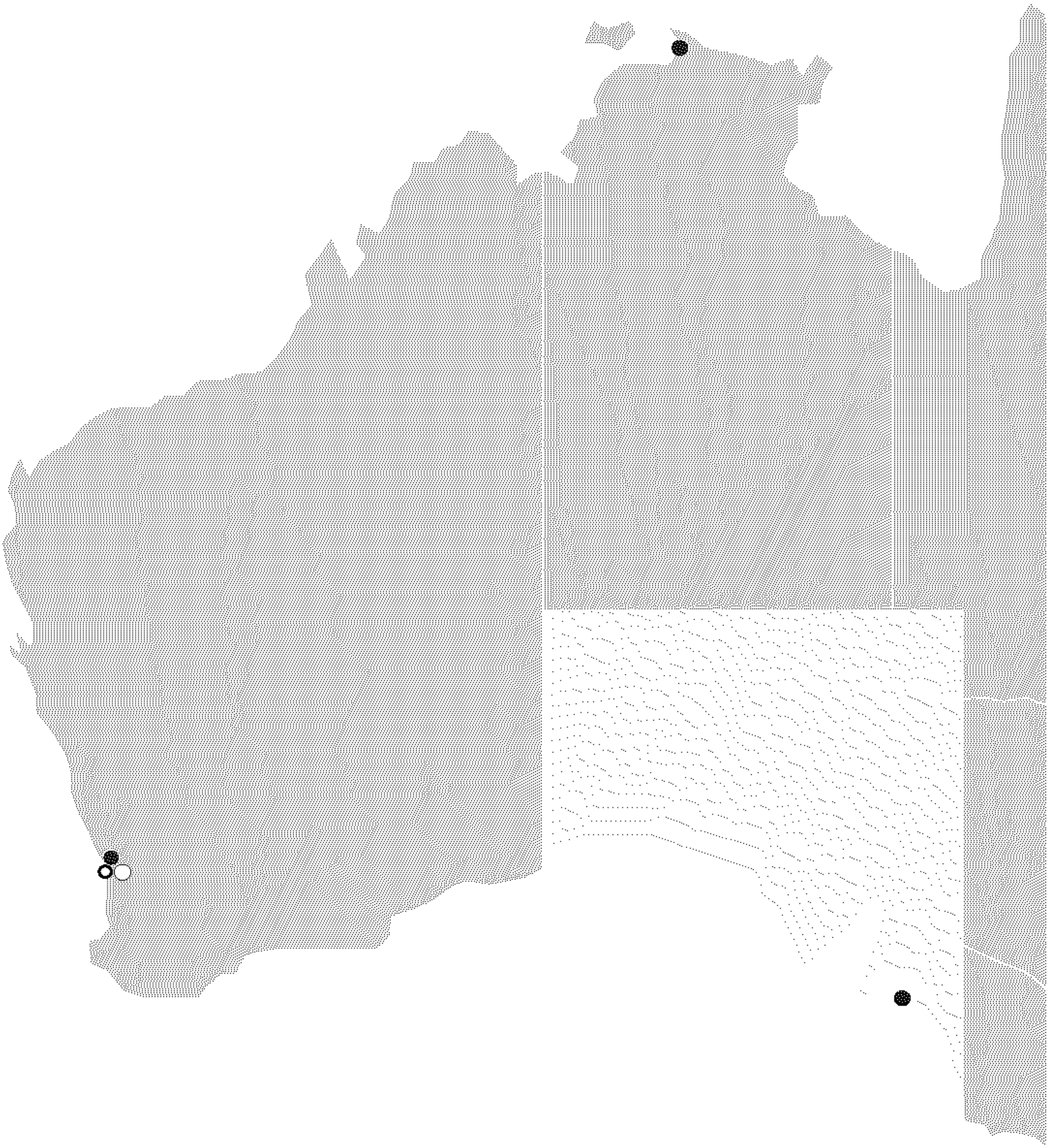
Quality Endorsed Company

ISO 9001 Lic6070 Lic3428 SAI Global

ISO9001 · QS9000



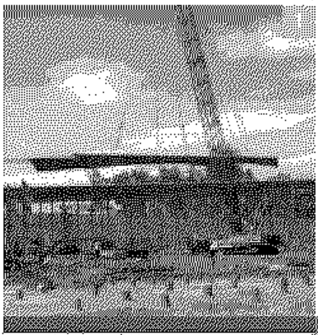
Capral locations



2

Capral has a long and proud tradition in Australia and New Zealand as a manufacturer and distributor of a range of high quality aluminium products.

Through our network of trade centres and manufacturing facilities, the company has a presence in each Australian state and territory and in major centres across New Zealand.



1 Fitting the roof

2 Construction underway

3 Bridge between extrusion and aging ovens, Bremer Park

4

Financial Overview

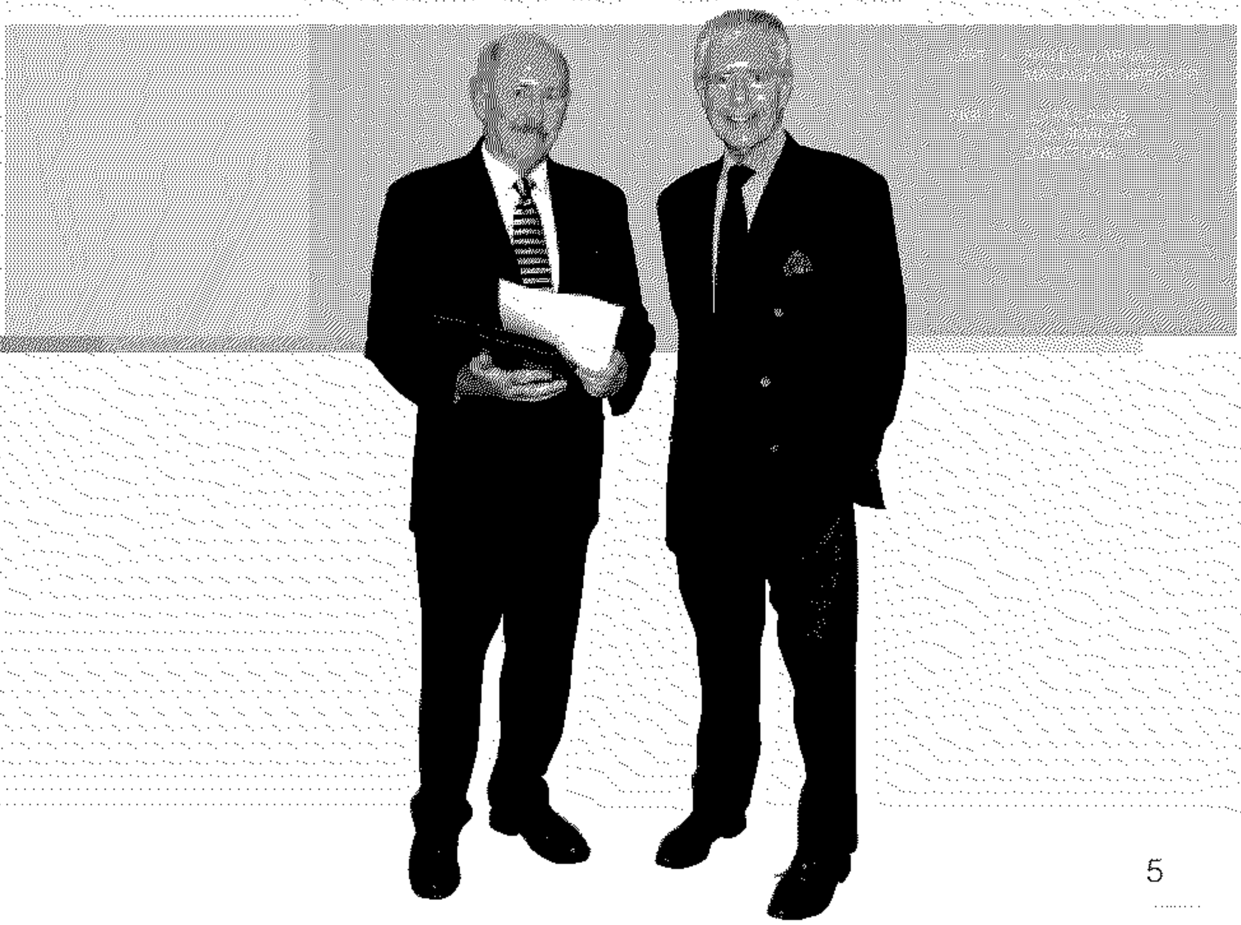
Construction was completed of the company's new Bremer Park facility near Ipswich in Queensland and commissioning and limited production has commenced. This will provide Capral with what the company needs to more effectively compete in the extrusion and finishing market.

As at 31 December 2004, two new extrusion presses and one of the two paint lines were operational at Bremer Park. During the first half of 2005, another two presses, the second paint line, an anodising line and warehouse will be commissioned, effectively completing the project. We expect production to ramp up in the last quarter of 2005.

While progress on the construction of Bremer Park has been pleasing, the commissioning process in the course of 2004 has seen the need to continue to operate the existing higher cost facilities in New South Wales and at Eagle Farm in Brisbane. This decision impeded the company's plans to effect cost reductions in 2004 by consolidating to one east coast production site for architectural sections.

The continuing higher cost structure and a highly competitive market were the major contributing factors to an extremely disappointing financial performance for the year.

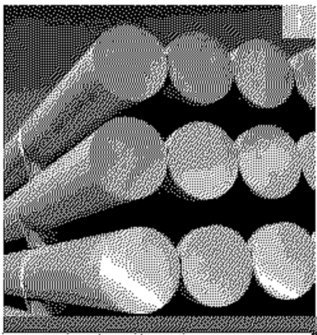
In 2004 the company recorded a net loss before tax of $43.4 million. Whilst this is in line with previous announcements, the company has also taken steps to de-recognise deferred tax assets from the Australian operations that were accumulated from 2003 and prior years. These tax adjustments were made in compliance with accounting standards and do not impact on Capral's ability to utilise these tax losses in the future. As a result of these tax adjustments the loss after tax for the period was $71.0 million. Revenue from operating activities was down by 6.7% at $356.8 million compared with $382.3 million in 2003.

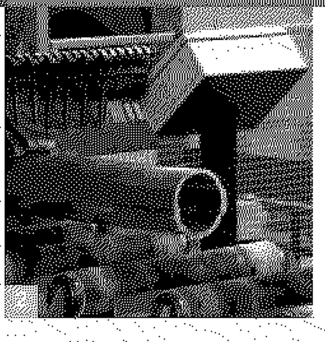


While imports were and will remain a constant and growing threat, issues around capacity management posed a significant challenge for Capral in 2004. As we move through 2005 and the full commissioning of Bremer Park, the organisation of production around three modern and efficient plants – Canning Vale in Western Australia, Campbellfield in Victoria and Bremer Park, will effectively eliminate this issue.

Notwithstanding capital expenditure on the construction and commissioning of new production capacity, the company has been able to contain debt levels as at 31 December 2004 in line with target.

However given the poor financial outcomes for the year, the Board has resolved to suspend the payment of dividends in 2004. While disappointing, the Board believes that this is prudent and necessary in order to preserve the company's Balance Sheet position. Further initiatives to strengthen the Company's Balance Sheet accompany this report. The Board is committed to resuming dividend distributions to shareholders once the company's operations return to an appropriate level of profitability.

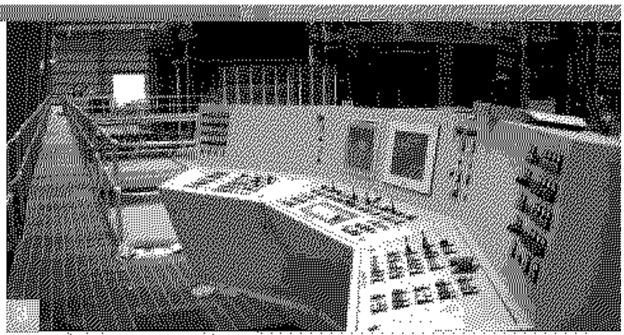




1 BILLETS STORED AT CAMPBELLFIELD

2 PRESS, CAMPBELLFIELD

3 CONTROL PANEL BRIDGE OVER AGEING OVENS BREMER PARK



Operational Overview

From an operational perspective, the major highlight of the year has undoubtedly been the construction and partial commissioning of Bremer Park. This facility represents a capital outlay of $92.9 million and is in every sense an investment in the future for this company. What this year has demonstrated, perhaps more clearly than any other, is the unsustainability of continuing with our old structure.

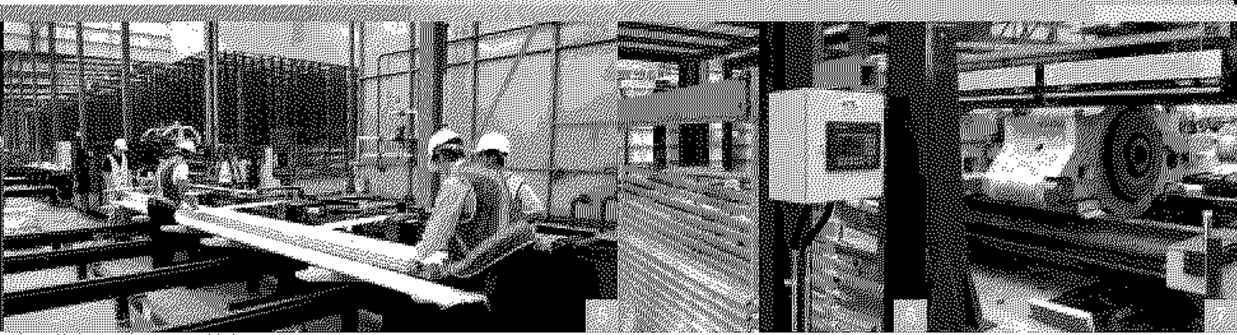
At Campbellfield, the large industrial press that was commissioned in late 2003 has required some re-engineering, thus further adding to the delays and costs and constraining capacity in certain product areas. The re-engineering process will ensure that production efficiency will be improved throughout 2005.

At Bremer Park, an enormous amount of work has taken place in a relatively short period of time. Again we would like to formally note the company's appreciation for the support we have received from the Queensland Government, the Queensland Department of State Development and Ipswich City Council.

Progress on the development of the site covering approximately 74,000 square metres has been impressive. Building work was completed ahead of schedule at the end of November 2004 and two extrusion presses and one vertical paint line were commissioned and fully operational by the end of the year.

While the installation of further manufacturing equipment at Bremer Park continues, production at the remaining sites will continue through the first half of the current year, at which time Bremer Park will be fully commissioned and capable of assuming all capacity from those existing facilities.

The continuing operation of these existing facilities while capacity is ramped up at Bremer Park has a cumulative adverse impact on the company's financial performance. It extends the company's reliance on higher cost facilities and further delays the point at which the company has the production capacity to efficiently and effectively meet customer demands and become truly competitive.



In 2004 we also saw the first full year of operation of the company's SAP operating system, which was introduced to replace the different systems that had previously been employed across the company's operations. The "One System" platform is working well and serves as the basis from which further refinements to our systems have been based to ensure consistency and efficiency across production, warehousing and customer relationship management functions.

Market Overview

As alluded to earlier, market conditions in Australia continued to be generally positive, although increasing competition from importers has placed pressure on pricing. While demand remained strong, for the reasons already cited relating to capacity issues, Capral's ability to grow volumes and respond effectively to customer demand was constrained.

In this context, an important focus during the early part of this year is to manage customer relationships and their expectations during this transition phase. The valued relationships that we have been able to build and preserve with customers will provide the foundation from which future growth can be based, once the restructuring of our production capacity is complete.

We very much appreciate the support of our local customers and are convinced that they see Capral playing an important role as a robust Australian based manufacturer and distributor of quality extruded aluminium products. Looking ahead, we will seek to further deepen our relationships with key customers by working with them to establish how the Capral of the future can add value at various points along the supply chain and in doing so, provide our customers with a product and level of input that is unavailable at present from an Australian manufacturer.

1 PRESS [illegible], BREMER PARK

2 CONSTRUCTION AT BREMER PARK

3 [illegible] THE PAINT LINE

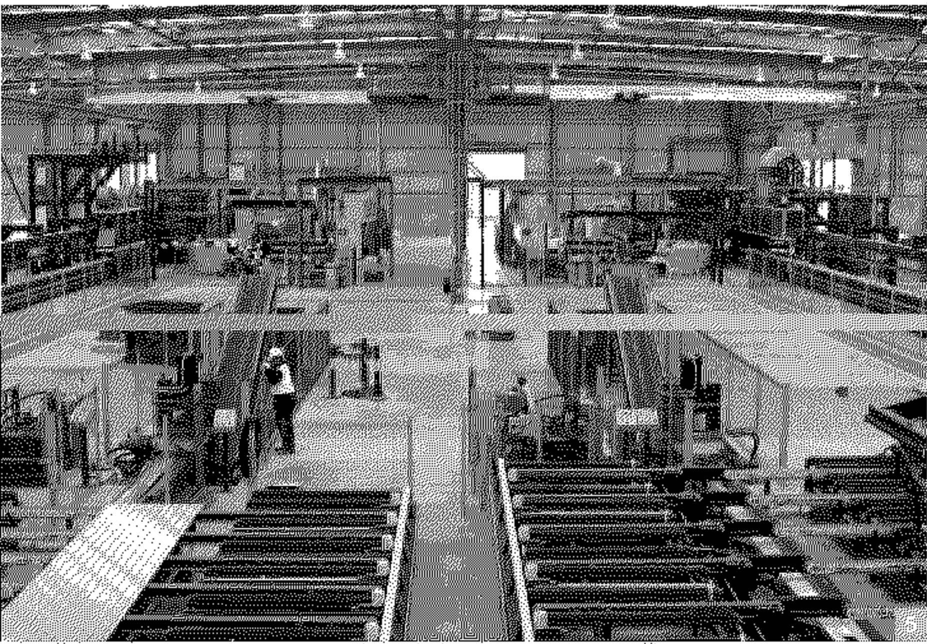
Board Composition

Following his acceptance of an invitation to join the Board of Directors in November 2003, Dr Gary Weiss retired in accordance with the Constitution of the company and was re-elected by shareholders at the Annual General Meeting held on 20 April 2004.

Effective on 30 December 2004, Mr Greg L'Estrange resigned from his position as Chief Executive Officer and Managing Director of the company. Having served with Capral in this position for over four years, Mr L'Estrange was instrumental in overseeing the plans to modernise and restructure the company's operations and we thank him for this vision and commitment to the company during this period.

The search for a suitable replacement for Mr L'Estrange continues. Until that candidate is found Mr Phillip Arnall, a non-executive director of the company since February 2002 will continue as Chief Executive Officer and Managing Director.

There were no other changes to the composition of the Board of Directors in 2004.

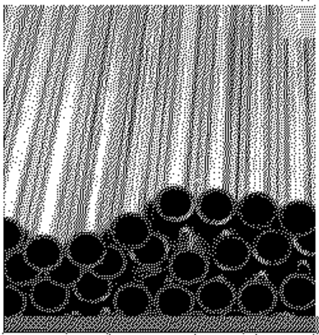


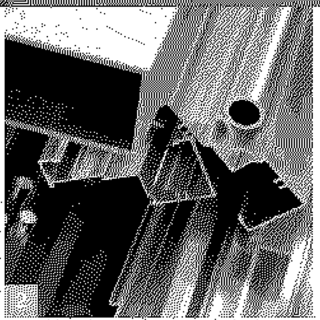
Outlook

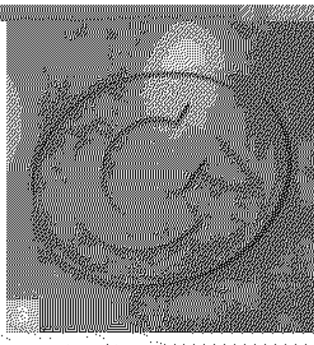
Despite operational difficulties and delays and the increasing threat posed by import competition, the strategic vision and our belief in the future success of this company remains unchanged. Indeed, the inroads that importers have made into Capral's major markets in recent years merely serves to underscore the need for Capral to undertake a restructuring of the scale and nature that is now reaching its completion.

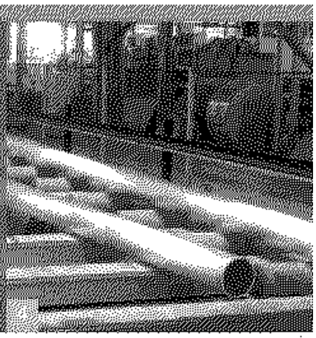
For shareholders and for everyone associated with the company, including many of our customers, we understand that this has been at times a frustrating and difficult period. This has required tough decisions to be made and implemented. However a stronger, more competitive and dynamic Australian manufacturer will emerge from this process.

In the first half of 2005, the company will complete the installation and commissioning of all remaining plant at Bremer Park. Therefore as we turn into the second half of 2005, Bremer park will be fully operational, which will also enable the closure of the Eagle Farm and Milperra plants to be completed – thereby focusing manufacturing activity to the company's three core sites at Canning Vale, Campbellfield and Bremer Park.









Capral Rights Issue

Whilst Capral will have Bremer operational by June of this year the Board has determined that it is critical to preserve the company's strong Balance Sheet to support the company through this transitional period.

The Board has decided to offer a 1 for 5 rights issue to all shareholders at a price of $1.70 per share which will raise approximately $32 million after issue costs. The issue will be underwritten by GPG, our largest shareholder. With over 4,000 shareholders the company hopes to repeat the high level of participation which occurred with the last capital raising.

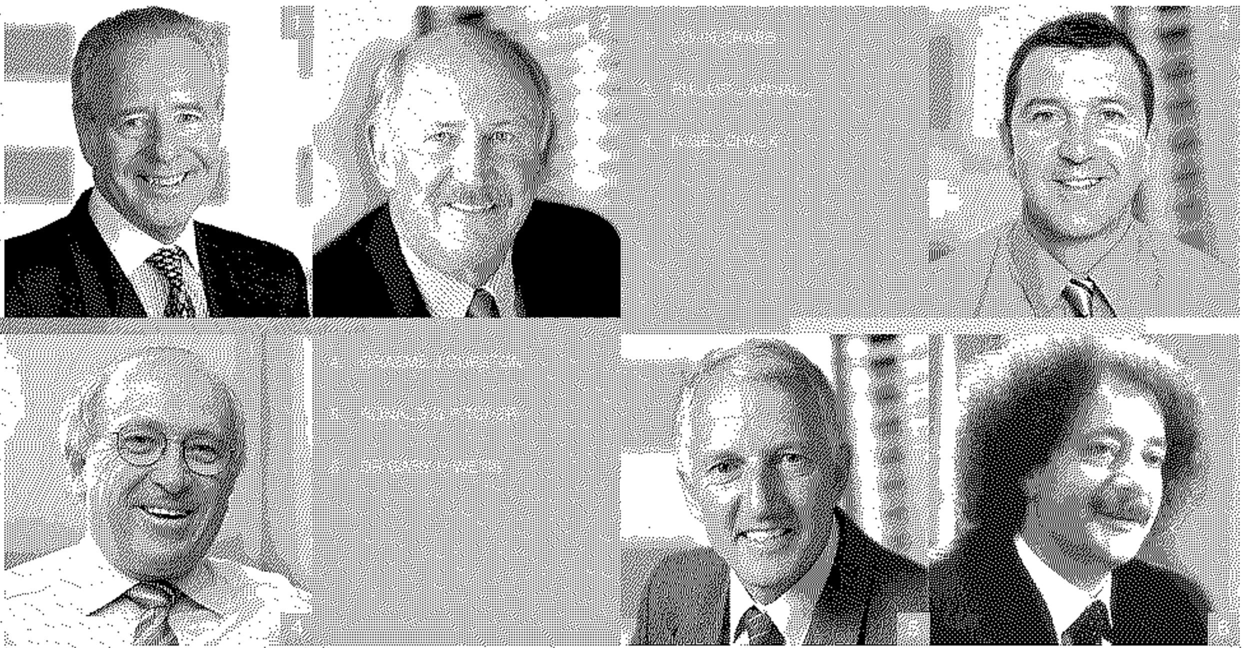
On behalf of the Board and management team, we thank shareholders for their patience and continuing support as the company undergoes this transformation into an efficient and competitive company of which we can all be proud.

We look forward to providing shareholders with further updates as we progress towards the completion of all outstanding operational changes and secure the foundation for the future growth and prosperity of our company.

The Board would also like to take the opportunity to acknowledge the level of commitment shown by all employees of the company during the remaining stages of the transition. Along with our shareholders and customers they have remained loyal throughout the tough times. Thank you.

J Crabb
Chairman of Directors

P J Arnall
Managing Director



Board of Directors

John Crabb
CHAIRMAN CAPRAL ALUMINIUM LIMITED

Appointed a non-executive director 3 January 2002. Member of Remuneration and Nomination Committee. Member of Audit Committee.

Mr Crabb has extensive experience in the metals business. He was previously Managing Director and Chief Executive Officer of Simsmetal Limited and a Director of BlueScope Steel Limited. Under ASX guidelines Mr Crabb is considered to be Independent.

Phillip J Arnall B. Comm
MANAGING DIRECTOR

Chairman of the Remuneration and Nomination Committee. Chairman of Kip McGrath Education Centres Limited and Director of Ludowici Limited and Bradken Resources Pty. Ltd. Mr Arnall has extensive experience in the metals business having held senior positions with Smorgon Steel Group Limited, Australian National Industries and Tubemakers of Australia Limited. Under ASX guidelines Mr Arnall is considered to be Non-Independent.

Nigel Chalk ACMA, CPA, ACIS, BA (Hons) (Econ)

Appointed finance director 21 August 2002. Previously Asia Pacific Finance Director for Case Corporation Inc. Mr Chalk has held senior financial roles in several Global manufacturing organisations. Under ASX guidelines Mr Chalk is considered to be Non-Independent.

Graeme J Cureton B Comm ASIA

Appointed a non-executive director August 2001. Member of Audit Committee. Executive director of Guinness Peat Group plc. Non-executive director of CPI Group Limited and Greens Foods Limited. Under ASX guidelines Mr Cureton is considered to be Non-Independent.

Ronald G Pitcher FCA, FCPA

Appointed a non-executive director December 2001. Member of Remuneration and Nomination Committee. Chairman of the Audit Committee.

Mr Pitcher was a founder and former principal partner of Pitcher Partners, a leading Melbourne Accountant and Advisory firm. Mr Pitcher has wide experience in manufacturing industries. He is a non-executive director of National Can Industries Limited, Cellestis Limited, McMillan Shakespeare Limited and Reece Australia Limited. Under ASX guidelines Mr Pitcher is considered to be Independent.

Dr Gary H Weiss LL.B. (Hons), LL.M. (Dist), J.S.D. (Cornell)

Appointed director 25 November 2003. Member of Remuneration and Nomination Committee. Member of Audit Committee.

Chairman Ariadne Australia Limited, Chairman Coats plc, Executive Director of Guinness Peat Group plc, Director of various public companies which include Australian Wealth Management Ltd, Canberra Investment Corporation Ltd, Premier Investments Limited, Tag Pacific Limited, Tower Limited and Westfield Management Limited. Under ASX guidelines Dr Weiss is considered to be Non-Independent.

Corporate Governance Statement

The Board is responsible for the overall corporate governance of the company, including setting the company's strategic direction, policies and practices, establishing goals for management and monitoring the achievement of those goals. Directors are accountable to the shareholders for the company's performance.

The Capral Aluminium Limited Board consists of 6 directors, including the Non-Executive Chairman, the Managing Director, 1 executive director (the Finance Director) and 3 other non-executive directors.

1. Directors

1.1 The details of the directors in office at the date of this report are set out in the Directors' report.

1.2 Independent directors
The directors considered by the board to be independent directors are Messrs John Crabb and Ronald Pitcher. The company's materiality threshold for determining whether a director is independent, as set out in clause 4 of the Board Charter, is a non-executive who satisfies the following criteria:

(1) is not a substantial shareholder of the company or an officer of, or otherwise associated directly with a substantial shareholder of the company (as defined in section 9 of the *Corporations Act 2001*);

(2) is not, and has not been, within the last 3 years, employed in an executive capacity by the company or another group member;

(3) is not, and has not been, within the last 3 years, a principal or employee of a material professional adviser or a material consultant to the company or another group member;

(4) is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;

(5) has no material contractual relationship with the company or another group member other than as a director of the company; and

(6) is free from any interest and any business or other relationship which could materially interfere with the director's ability to act in the best interests of the company.

1.3 Performance evaluation of directors
The performance evaluation of the board, its committees and its individual members was conducted in accordance with the Board Charter.

2. Board of Directors

(1) The Board will review the range of expertise of its members on a regular basis and ensure that it has operational and technical expertise relevant to the operation of the company.

(2) With the exception of the Managing Director,

(a) directors appointed by the Board are required by the constitution of the company to submit themselves for re-election by shareholders at the Annual General Meeting following their appointment; and

(b) no director shall hold office for a continuous period in excess of 3 years or past the third Annual General Meeting following the director's appointment, whichever is the longer, without submitting for re-election.

(3) The Board normally has at least 11 scheduled meetings per year, but also meets at other times to deal with specific issues.

(4) The Board had in place the policies listed below during the reporting period to 31 December 2004, which are available for review at the Corporate Governance page of the company's website (www.capral.com.au):

(a) Corporate Governance Statement;

(b) Board Charter;

(c) Audit Committee Charter;

(d) Remuneration and Nomination Committee Charter;

(e) Continuous Disclosure Policy, and

(f) All other documents which constitute the corporate governance section of the website.

3. Committees of the Board

To assist in the execution of the board's corporate governance responsibilities, the board has established two committees.

3.1 Audit Committee

(1) The purpose of the Audit Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by:

(a) monitoring and reviewing the integrity of financial statements, the effectiveness of internal financial controls, the independence, objectivity and competency of the external auditors, the policies on risk oversight and management; and

(b) making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

(2) The Audit Committee has the roles and responsibilities set out below:

(a) reviewing interim and annual financial statements;

(b) establishing and maintaining a framework of risk management;

(c) establishing internal controls and ethical standards for the management of the company;

(d) ensuring accounting records are maintained in accordance with statutory and accounting standards requirements;

(e) monitoring systems designed to ensure financial statements and other information provided is timely, reliable and accurate;

(f) reviewing asset values to ensure they are appropriate and meet the requirements of the Corporations Act and relevant accounting standards;

(g) reviewing the audit process with the external auditor to ensure full and frank discussion of audit issues in the absence of management;

(h) assessing the adequacy of the company's control systems, including accounting, financial and operating controls and the appropriateness of its accounting policies and practices;

(i) providing a link between the board and the external auditor, reviewing, on a half and full year basis, the financial results, and reports to the board on findings prior to publication and release to the market; and

(j) reviewing and evaluating the performance, independence and effectiveness of the external auditor and the audit fee arrangements.

(3) The external auditor and management attend meetings of the Audit Committee by invitation.

(4) Five directors have been appointed to the Audit Committee. The qualifications of these directors are set out in the Directors' Report.

(5) The Audit Committee held 3 meetings during the financial year ended 31 December 2004. The committee consists of the following members whose record of attendance at meetings of the committee is listed below.

- Mr Ronald Pitcher: 3 meetings attended out of 3 meetings. (Chair of the Committee).
- Mr John Crabb: 3 meetings attended out of 3 meetings.
- Mr Phillip Arnall: 3 meetings attended out of 3 meetings.
- Dr Gary Weiss: 3 meetings attended out of 3 meetings.
- Mr Graeme Cureton: 3 meetings attended out of 3 meetings.

3.2 Remuneration and Nomination Committee and Remuneration Policies

The purpose of the Remuneration and Nomination Committee is to review the remuneration of the directors and senior management, review the company's human resources policies and make recommendations to the Board, and to assess the necessary desirable competencies of Board members, review board succession plans, evaluate the Board's performance and provide recommendations for the appointment and removal of directors.

(1) Remuneration Policies

The Committee annually reviews the company's remuneration policies, senior management packages, including directors' remuneration, with reference to the company's performance, executive performance, comparable available information from competitors and other listed companies and independent advice.

The remuneration policies and practices of the company are designed to attract qualified and experienced candidates, retain and motivate senior management and employees.

The Committee annually reviews and recommends the remuneration packages of senior management.

The payment of bonuses and other incentive payments are reviewed annually by the Committee as part of the review of senior management remuneration and recommendations are put to the Board for its approval. All bonuses and incentives are linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving bonuses and incentives and may recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

The Committee may seek independent advice on the appropriateness of remuneration packages.

Remuneration for senior management is divided into three parts:

- a fixed remuneration which is made up of basic salary, benefits (such as a company car), superannuation and other salary sacrifices;
- short term incentives – paid in cash, directly earned upon the successful achievement of specific financial and operational targets. Incentives are based on performance hurdles which are set and reviewed by the Committee annually; and
- long term incentives – performance hurdles are set and reviewed by the Committee annually.

(2) Members

The Remuneration and Nomination Committee consists of the following members, whose attendance at meetings of the Committee is listed below.

– Mr Phillip Arnall: 1 meeting attended out of 1 meeting. (Chair of the Committee).
– Mr John Crabb: 1 meeting attended out of 1 meeting.
– Mr Ronald Pitcher: 1 meeting attended out of 1 meeting.
– Dr Gary Weiss: 1 meeting attended out of 1 meeting.
– Mr Graeme Cureton: 1 meeting attended out of 1 meeting.

(3) Non-executive director schemes

There are no schemes for retirement benefits, other than statutory superannuation, for non-executive directors.

4. Independent Advice to Directors

To facilitate independent judgement in decision-making, each director is entitled to seek independent professional advice, at the expense of the company, after approval of the chairman is obtained, which may not be unreasonably withheld.

5. Code of Conduct

The directors acknowledge the need for and continued maintenance of the highest standard of ethics, and seek to ensure that all directors, senior management and employees of the company act honestly, transparently, diligently and with integrity.The company has implemented a Code of Conduct for Directors and senior management which is intended to promote ethical and responsible decision-making in order to maintain confidence in the company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.The company's website (www.capral.com.au) sets out the current policies dealing with Business Conduct, Ethical Standards, Environment Policy, Equal Opportunity, Health & Safety and various other policies.

6. Dealings in Shares

Directors and senior management are prohibited from dealing in Capral's shares during designated close periods. Directors and relevant employees may only buy or sell Capral shares during three periods of one month each following the annual and half-year results announcements and the annual general meeting. Any dealings in Capral's shares by a Director are reported to the Board at its next meeting. The Australian Stock Exchange is notified of any such share dealing by a Director within applicable time limits. The Board of Capral is committed to ensuring that directors' transactions in the company's shares are publicly disclosed within five business days, in accordance with the ASX Listing Rules.

7. ASX Corporate Governance Council Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, requiring a listed company to provide a statement in its annual report disclosing the extent to which the company has followed the ASX Corporate Governance Council's Best Practice Recommendations during the relevant reporting period, the company provides the statement below for reporting period to 31 December 2004.

In addition, in accordance with the ASX Best Practice Recommendations, the company has posted copies of its Corporate Governance Statement, Board Charter, Audit Committee Charter, Remuneration and Nomination Committee Charter and Continuous Disclosure Policy on its website.

BPR No.	DESCRIPTION	STATUS	REASON FOR NON-COMPLIANCE
2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	Do not comply	The majority of the board are not independent directors. Given the size of the company, the current composition of the board and the skill set of the directors, the board considers there is no current need to change its composition.
4	**Safeguard integrity in financial reporting**		
4.3	Structure the Audit Committee so that it consists of:	Do not comply	The structure of the audit committee does not comply in all respects with all elements of best practice recommendation 4.3, principally because of the composition of the current board.
	▪ only non-executive directors;	Do not comply	The recently appointed Managing Director currently remains as a member. This matter is expected to be corrected in the second half of 2005.
	▪ a majority of independent directors;	Do not comply	The recently appointed Managing Director currently remains as a member. This matter is expected to be corrected in the second half of 2005.
	▪ an independent chairperson, who is not chairperson of the board;	Comply	
	▪ at least three members.	Comply	
9	**Remunerate fairly and responsibly**		
9.2	A majority of independent directors on the Remuneration and Nomination Committee.	Do not comply	The recently appointed Managing Director (previously independent) currently remains as Chairman. This reduced the number of independent directors to 2 out of 5 members. This matter is expected to be corrected in the second half of 2005.

Environmental Management

Capral Aluminium has designed and implemented environmental policies and management systems to deal with and minimise the environmental impacts of its extrusion activities.

At the heart of Capral Aluminium's environmental approach lie the following values:

- environmental management is an integral part of our business;
- environmental incidents and harm are preventable;
- management demonstrates leadership in environmental protection;
- everyone is responsible for protecting the environment;
- strive to continuously improve our environmental performance;
- we openly communicate our performance.

To ensure that these values are not empty promises, Capral Aluminium is committed to:

- establishing and maintaining an Environmental Management System which incorporates company requirements for planning, implementation and review, based on a risk management approach;
- acknowledging the importance of the impact of our operations on all major stakeholders by providing information, as appropriate, to employees, shareholders, government agencies and local communities;
- complying with all legal and statutory requirements;
- establishing action limits and maintaining monitoring systems;
- continually examining our operations for opportunities to reduce emissions;
- measuring and evaluating performance against the implementation of plans, policies and procedures; environment impact is a recognised key performance indicator;
- minimising adverse consequences of new plant, equipment and processes by assessing implications in the design, purchase and commissioning phases, ensuring prevention measures are taken prior to operation;
- effectively managing our waste materials using the hierarchy of reduce/reuse/recycle; any disposal will be to appropriate environmental standards;
- providing training to employees and contractors outlining their environmental responsibilities and the importance of their individual contributions to the integrity of our systems;

Overview of environmental aspects of products

Capral Aluminium is committed to practices and professional responsibilities in support of ecologically sustainable development. Towards this initiative, Capral Aluminium has introduced its Ecometal range of completely integrated aluminium products for use by the Australian architectural and building design professions.

The benefits of designing with Ecometal:

- Ecometal components are 100% recyclable, resulting in huge savings in raw materials and in energy during production;
- Recycling Ecometal uses only 5% of the energy required to produce the material initially, which represents a considerable environmental and financial advantage;
- Ecometal offers between 70% and 90% solar reflectance, making it the ideal material to help cooling loads;
- Ecometal contributes to the thermal efficiency of buildings, for example, due to the special extrusion designs and thermal breaks in window frames;
- Ecometal weighs only one third the weight of steel, resulting in low energy usage during machining, transportation and handling;

- Ecometal is corrosion resistant, able to withstand the effects of salt, water and most chemical and physical agents, which results in lower maintenance and extended product life; and
- Ecometal can be extruded into almost any cross-sectional shape, including curves, angles and flutes, which results in the elimination of seams, a reduction in fabrication, machining and joining requirements and increased efficiency and lower energy usage.

Conclusion

Capral Aluminium is committed to the minimisation and management of the environmental impacts which flow from its extrusion process. An integral part of this commitment is a belief in the need for transparency and accountability - particularly in relation to the community and other stakeholders.

Directors' Report

Your directors present their report on the consolidated entity consisting of Capral Aluminium Limited and the entities it controlled at the end of, or during, the year ended 31 December 2004.

Directors

The following persons were directors of Capral Aluminium Limited during the whole of the financial year and up to the date of this report: J Crabb, PJ Arnall, GH Weiss, GJ Cureton, RG Pitcher and NDB Chalk.

GP L'Estrange was a director from the beginning of the financial year until his resignation on 30 December 2004.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of the manufacturing, marketing and distribution of semi-fabricated aluminium products.

The following variations in activities of the consolidated entity occurred during the year: The Roofing Business was sold, the financial effects of the sale are included in note 3.

Dividends – Capral Aluminium Limited

The 2003 final dividend of $1,622,000 (2 cents per fully paid share) referred to in the directors' report dated 19 February was approved by shareholders and paid on 16 March 2004.

DETAILS OF DIVIDENDS PAID IN THE CURRENT YEAR ARE AS FOLLOWS:	**2004 $'000**	2003 $'000
No interim ordinary dividend paid (2003 - 2 cents)	-	1,412
Final special ordinary dividend of 2 cents (2003 - 4 cents) per fully paid share paid on 16 March 2004	**1,622**	2,812
Total dividends in respect of the year	**1,622**	4,224

Since 31 December 2003, no subsidiary has paid a dividend to or declared a dividend in favour of the company which has not been shown in the financial statements.

Review of operations

Review of operations of the consolidated entity are referred to in the Chairman's and Managing Director's Report.

Significant changes in the state of affairs

During the year manufacturing operations at the Bremer Park facility commenced and are nearing the final stages of commissioning. Manufacturing operations at our Minto facility ceased on 22 December 2004. Further details are referred to in the Chairman's and Managing Director's Report.

Other than the commencement of operations at Bremer Park and the closure of the Minto site, there were no significant changes in the state of affairs of the consolidated entity.

Matters subsequent to the end of the financial year

On 23 February 2005 Capral Aluminium Limited announced its intention to raise equity under a renounceable rights issue. The terms of the issue are 1 share for every 5 shares held at $1.70 per share. The approximate number of shares expected to be issued is 19,462,950 and is expected to raise approximately $32,000,000 after costs in shareholders equity. The issue will be fully underwritten by Guinness Peat Group (Australia) Pty Ltd, subject to the execution of an underwriting agreement, substantially in the same terms as the underwriting agreement in respect of the Company's rights issue made in 2004.

Except for the rights issue above, no other matter or circumstance has arisen since 31 December 2004 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Major developments which may affect the operations of the consolidated entity in subsequent financial years are referred to in the Chairman's and Managing Director's Report.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report as the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

Manufacturing licences and consents are in place at each Capral site as prescribed by laws and regulations and as advised by consulting with relevant environmental authorities.

Refer to the Environmental Management report for further information on environmental regulation.

Information on directors

Particulars on the Board of Directors are included on page 11 of this report. Directors' shareholdings in the company at the date of this report are as follows:

ORDINARY SHARES FULLY PAID IN THE COMPANY	
PJ Arnall	19,200
NDB Chalk	410,000
J Crabb	12,000
GJ Cureton	72,000
RG Pitcher	48,000
GH Weiss	12,000

Company secretary

The company secretary is Mr A Schliemann FCPA, Bbus, Grad Dip Tax, FTIA, AAICS. Mr Schliemann was appointed to the position of company secretary in August 2002 and has been with Capral since November 1997 when he was employed as Group Tax Manager, a role he still occupies.

Directors' meetings

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 31 December 2004, and the number of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		AUDIT COMMITTEE MEETINGS		REMUNERATION AND NOMINATION COMMITTEE MEETINGS	
DIRECTORS	No. held	No. attended	No. held	No. attended	No. held	No. attended
PJ Arnall	18	18	3	3	1	1
NDB Chalk	18	18	*	*	**	**
J Crabb	18	18	3	3	1	1
GJ Cureton	18	18	3	3	1	1
GP L'Estrange	18	18	*	*	**	**
RG Pitcher	18	18	3	3	1	1
GH Weiss	18	15	3	3	1	1

* Not a member of the audit committee

** Not a member of the remuneration and nomination committee

Retirement, election and continuation in office of directors

Mr GP L'Estrange was a director from the beginning of the financial year until his resignation on 30 December 2004.

Remuneration report

Directors of the Board who are not employees of Capral receive an annual fee for their services. The fees were $120,000 for the Chairman, $70,000 for the chairman of the audit committee and $55,000 for each other director with the exception of Dr GH Weiss who receives no directors fees.

Remuneration of non-executive directors and their terms of office are governed by Capral's Constitution and not by contract. Independent experts advise the Board on levels of remuneration for non-executive directors.

Capral's remuneration philosophy for its executive directors and senior managers is to ensure that salaries and benefits are competitive in the market place in which it operates. Senior managers' remuneration, apart from a base salary, includes the provision of a motor vehicle and non contributory superannuation. A variable annual incentive component dependent upon company, business unit and individual performance can also be paid. Annually, the Board approves the salary and incentive levels for senior managers.

The following table sets out the nature and amount of each element of the emoluments received by each director of Capral Aluminium Limited in 2004.

Non-executive directors

	PRIMARY			POST-EMPLOYMENT		EQUITY	
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	TERMINATION BENEFITS $	OPTIONS $	TOTAL $
J Crabb	$120,000	-	-	$10,800	-	-	$130,800
GJ Cureton	$55,000	-	-	-	-	-	$55,000
RG Pitcher	$70,000	-	-	$6,300	-	-	$76,300
GH Weiss	-	-	-	-	-	-	-

Executive directors

	PRIMARY			POST-EMPLOYMENT		EQUITY	
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	TERMINATION BENEFITS $	OPTIONS $	TOTAL $
PJ Arnall**	$55,000	-	-	$4,950	-	-	$59,950
NDB Chalk*	$317,088	$530,875	$52,274	$41,711	-	-	$941,948
GP L'Estrange*	$397,688	-	$279,688	$52,313	$1,863,969	-	$2,593,658

* Participant in the employee share scheme (note 36).

** Fees were received as a director, from 31 December 2004 he will be paid a package in compensation for the role of managing director.

Non-monetary benefits above include notional interest on interest free loans and motor vehicle benefits included in the remuneration package.

Loans to directors

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 34 to the financial statements.

Directors' benefits

No director of the company has, since 31 December 2004, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received by directors shown in the consolidated financial statement, or the fixed salary of a full time employee of the company or of a related body corporate as shown in note 34 or benefits dealt with in note 13) by reason of a contract made by the company or a related body corporate with the director or with a firm which they are a member, or with an entity in which they have a substantial financial interest.

CAPRAL ALUMINIUM

The following table sets out the nature and amount of each element of the emoluments received by the top executives of Capral Aluminium Limited in 2004 who had the greatest authority to manage the entity throughout the year.

Executives*

	PRIMARY			POST-EMPLOYMENT		EQUITY	
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	TERMINATION BENEFITS $	OPTIONS $	TOTAL $
R Michael **	$245,232	$18,053	$39,217	$29,101	-	-	$331,603
B Cooper ***	$220,404	$18,810	-	$40,418	$109,904	-	$389,536
K O'Neill ***	$178,980	$13,875	-	$13,420	$94,648	-	$300,923
T McEntee	$154,524	$15,283	$27,837	$29,563	-	-	$227,207
P Gregg **	$197,232	$18,026	$69,608	$25,184	-	-	$310,050
David Burgess	$187,944	$14,569	-	$14,092	-	-	$216,605

* The top officers of the company are also the top officers of the consolidated entity.

** Participant in the employee share scheme (note 36).

*** B Cooper and K.O'Neill were employed from the beginning of the financial year until their redundancy on 31 December 2004.

Directors' and officers' indemnities and insurance

During the financial year, Capral Aluminium Limited paid a premium of $120,216 (2003: $124,997) for directors' and officers' indemnity insurance. Directors covered were those in office at the date of this report and those who served on the Board.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Corporate practices and conduct

A statement on Corporate Governance is set out on page 12 of these financial statements.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars or nearest dollar.

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

J Crabb
CHAIRMAN OF DIRECTORS

PJ Arnall
MANAGING DIRECTOR

Sydney
23 February 2005

Statements of financial performance

FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTE	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT ENTITY 2004 $000	PARENT ENTITY 2003 $000
Revenues from operating activities		**356,837**	382,321	**355,799**	382,152
Revenue from outside the operating activities		**4,306**	22,120	**3,976**	24,442
Revenue from ordinary activities	3	**361,143**	404,441	**359,775**	406,594
Changes in inventories of finished goods and work in progress		**(5,466)**	(961)	**(5,438)**	(961)
Raw materials and consumables used		**(240,680)**	(242,511)	**(239,987)**	(242,351)
Employee benefits expense		**(96,085)**	(93,252)	**(95,863)**	(93,192)
Depreciation and amortisation expenses	2	**(12,412)**	(12,173)	**(12,384)**	(12,135)
Borrowing costs expense	2	**(726)**	(595)	**(4,200)**	(3,112)
Freight expense		**(15,490)**	(14,414)	**(15,490)**	(14,414)
Share of net profits after tax from associates accounted for using the equity method of accounting		**1,462**	2,204	–	–
Carrying amount of non-current assets sold		**(415)**	(19,106)	**(415)**	(19,106)
Operating lease rental		**(7,476)**	(5,727)	**(7,428)**	(5,719)
Other expenses from ordinary activities		**(27,215)**	(25,571)	**(27,330)**	(25,567)
(Loss) from ordinary activities before income tax	2	**(43,360)**	(7,665)	**(48,760)**	(9,963)
Tax expense/(benefit) on ordinary activities - current year		**435**	(3,346)	**(698)**	(4,295)
Write off of deferred tax assets from 31 December 2003 and prior years		**27,156**	–	**27,269**	–
Income tax expense/(benefit) from ordinary activities	4	**27,591**	(3,346)	**26,571**	(4,295)
Net (loss) attributable to members of Capral Aluminium Limited		**(70,951)**	(4,319)	**(75,331)**	(5,668)
Net increase/(decrease) in asset revaluation reserve	24	**451**	(4,965)	**884**	(4,965)
Net exchange differences on translation of financial report of self-sustaining foreign controlled entity and associate	24	**631**	(672)	–	–
Total revenues, expenses and valuation adjustments attributable to members of Capral Aluminium Limited recognised directly in equity		**1,082**	(5,637)	**884**	(4,965)
Total changes in equity other than those resulting from transactions with owners as owners		**(69,869)**	(9,956)	**(74,447)**	(10,633)
Basic earnings/(loss) per share	26	**(79.4c)**	(6.0c)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position

AS AT 31 DECEMBER 2004

	NOTE	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT ENTITY 2004 $000	PARENT ENTITY 2003 $000
Current assets					
Cash assets	6	**1,388**	2,646	**285**	1,436
Receivables	7	**52,989**	61,687	**54,103**	61,543
Inventories	8	**43,461**	48,132	**43,461**	48,104
Other	9	**4,928**	4,313	**4,928**	4,313
Total current assets		**102,766**	116,778	**102,777**	115,396
Non current assets					
Receivables	10	**6,965**	7,478	**6,965**	7,478
Other financial assets	11	**10,152**	8,321	**37,622**	37,622
Property, plant and equipment	14	**167,056**	139,924	**167,056**	139,465
Intangible assets	15	**4,862**	5,781	**4,862**	5,781
Deferred tax assets	16	**205**	31,024	**–**	30,740
Total non current assets		**189,240**	192,528	**216,505**	221,086
Total assets		**292,006**	309,306	**319,282**	336,482
Current liabilities					
Payables	17	**57,772**	54,274	**57,535**	53,814
Interest bearing liabilities	18	**26,121**	10,881	**87,454**	68,026
Provisions	19	**2,801**	3,656	**2,801**	3,656
Total current liabilities		**86,694**	68,811	**147,790**	125,496
Non current liabilities					
Interest bearing liabilities	20	**35,169**	26,638	**35,169**	26,638
Deferred tax liabilities	21	**–**	3,471	**–**	3,471
Provisions	22	**570**	1,104	**570**	837
Total non current liabilities		**35,739**	31,213	**35,739**	30,946
Total liabilities		**122,433**	100,024	**183,529**	156,442
Net assets		**169,573**	209,282	**135,753**	180,040
Equity					
Contributed equity	23	**156,446**	124,664	**156,446**	124,664
Reserves	24	**12,971**	13,802	**9,712**	8,828
Retained profits / (accumulated losses)	24	**156**	70,816	**(30,405)**	46,548
Total equity		**169,573**	209,282	**135,753**	180,040

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2004 $000	2003 $000	**2004 $000**	2003 $000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**399,154**	425,256	**398,129**	423,390
Payments to suppliers and employees (inclusive of GST)		**(419,256)**	(428,179)	**(415,477)**	(422,586)
		(20,102)	(2,923)	**(17,348)**	804
Interest received		**282**	239	**174**	119
Borrowing costs		**(726)**	(865)	**(4,201)**	(3,880)
Income taxes (paid) / refunds received		**(106)**	597	**–**	–
Other revenue received		**461**	300	**316**	135
		(89)	271	**(3,711)**	(3,626)
Net cash (outflow) from operating activities	38	**(20,191)**	(2,652)	**(21,059)**	(2,822)
Cash flows from investing activities					
Acquisition of property, plant and equipment	14	**(39,324)**	(64,977)	**(39,324)**	(64,977)
Proceeds from sale of property, plant and equipment	3	**1,078**	20,768	**1,078**	20,768
Proceeds from sale of business	3	**2,374**	–	**2,374**	–
Disposal related costs of property, plant & equipment		**–**	(1,048)	**–**	(1,048)
Payments for investments		**–**	(2,000)	**–**	(2,000)
Loan repayments on employee share scheme		**44**	856	**44**	856
Net cash (outflow) from investing activities		**(35,828)**	(46,401)	**(35,828)**	(46,401)
Cash flows from financing activities					
Advances from controlled entities		**–**	–	**2,755**	2,373
Repayments from associated entities		**1,841**	2,616	**–**	–
Advances to associated entities		**(950)**	(4,281)	**(950)**	(4,281)
Proceeds from borrowings		**52,019**	55,297	**52,019**	55,297
Repayment of borrowings		**(31,084)**	(32,000)	**(31,084)**	(32,000)
Net proceeds from share issue	23	**31,782**	24,917	**31,782**	24,917
Dividends paid	25	**(1,622)**	(4,224)	**(1,622)**	(4,224)
Net cash inflow from financing activities		**51,986**	42,325	**52,900**	42,082
Net (decrease) in cash held		**(4,033)**	(6,728)	**(3,987)**	(7,141)
Cash at the beginning of the financial year		**(1,528)**	5,249	**–**	4,403
Effect of exchange rate changes on cash		**(61)**	(49)	**(2,738)**	–
Cash at the end of the financial year	38	**(5,622)**	(1,528)	**(6,725)**	(2,738)
Financing arrangements	27				
Non cash financing and investing activities	39				

The above statements of cash flows should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

During the financial year, the consolidated entity incurred significant losses and cash outflows from operating activities. The consolidated entity projects operating losses will continue through 2005, predominantly in the first half. As a result, the Directors have renegotiated the covenants associated with its banking facilities (refer note 27) and have announced their intention to raise approximately $32m under a renounceable rights issue (refer note 37). On this basis the Directors consider that the consolidated entity has access to sufficient funds and accordingly have prepared the accounts on a going concern basis.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Capral Aluminium Limited ("company" or "parent entity") as at 31 December 2004 and the results of all controlled entities for the year then ended. Capral Aluminium Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. The controlled entities are listed in note 11.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, and its share of post-acquisition movements in the reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(b) Translation of foreign currencies

Transactions denominated in foreign currencies are translated at the rate prevailing on the day the transaction is recorded. Foreign currency receivables and payables are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

Exchange gains and losses and hedging costs arising on contracts entered into as hedges of specific commitments are deferred and included in the determination of the amounts at which the transactions are brought to account. Amounts receivable and payable on open contracts are included in other debtors and other creditors respectively. The consolidated entity does not undertake speculative foreign currency transactions.

As the foreign controlled subsidiary is self-sustaining, its assets and liabilities are translated into Australian currency at the exchange rate existing at balance date, whilst its revenues and expenses are translated at the average exchange rate ruling during the year. Exchange differences arising on translation are carried directly to a foreign currency translation reserve.

(c) Recoverable amount of non-current assets

The financial statements are prepared on the basis of historical cost, except for the revaluation of land and buildings.

Non-current assets have been reviewed to ensure their carrying value does not exceed their recoverable amount. The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining the recoverable amounts have not been discounted to their present value.

(d) Revaluations of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date.

Annual assessments will be made by the directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise. Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Revaluations do not result in the carrying value of land and buildings exceeding their recoverable amount.

(e) Depreciation of property, plant and equipment

Depreciation is calculated on the straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Profits and losses on the sale of property, plant and equipment have been included in determining the net results of the company and the consolidated entity.

The estimated useful lives are as follows:

Buildings	20 - 50 years
Plant and equipment	3 - 20 years

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

(f) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised in equal annual instalments over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

(g) Leased non-current assets

Leased assets are recorded as an asset where the lease substantially transfers ownership to the company.

The present value of the minimum lease payments due under such leases are recorded as liabilities. The leased assets are amortised on a straight-line method over the term of the lease or where it is expected that the consolidated entity will obtain ownership of the asset, depreciated over the life of the asset.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expenses over the period of the expected benefit.

(h) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision has been made for taxes on capital gains which could arise in the event of a sale of certain revalued non-current assets for the amounts at which they are stated in the financial statements as it is not expected that any such liability will crystallise.

Capral Aluminium Limited and its wholly owned Australian subsidiaries decided to implement the tax consolidation legislation as of 1 January 2003. As a consequence, Capral Aluminium Limited, as the head entity in the tax consolidated group recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own.

(i) Inventories

Inventories representing aluminium and other supplies are valued at the lower of cost and net realisable value. Aluminium billet and log is valued at moving average of direct purchase cost. Cost of rolled product has been determined principally on moving average of direct purchase costs. Manufactured product is valued at cost which includes: moving average metal cost, direct labour, and fixed and variable factory overhead.

(j) Revenue recognition

Sales revenue comprises sales of goods and services at net invoice values less applicable rebates.

A sale is recorded when goods have been dispatched to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

(k) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 60 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when doubt as to collection exists and the debt is uninsured.

(l) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when liabilities are settled.

(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. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on commonwealth government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(l) Employee benefits (cont'd)

(iii) Termination benefits

Liabilities for termination benefits are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

(iv) On-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(m) Intangible assets and expenditure carried forward

Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and currently amortised on a straight line basis over 5 to 10 years, being the period during which the benefits are anticipated to arise, with the remaining useful life reviewed on an ongoing basis.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the periods of their expected benefit, which is estimated to be 5 to 10 years.

(n) Capitalised interest

Interest paid on funds borrowed for capital projects with a cost in excess of $5 million and a project period in excess of one year is capitalised until completion of construction. Capitalised interest is amortised as part of the cost of the asset over the life of the related property, plant and equipment from the completion of construction.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(o) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred except where the are included in the cost of qualifying assets (see note 1(n)).

Borrowing costs include:

- interest on bank overdrafts and short term and long term borrowings
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- finance lease charges and
- certain exchange differences arising from foreign currency borrowings

(p) Trade & other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(q) Maintenance & repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1 (e) . Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(r) Derivative instruments

The consolidated entity's use of derivative instruments is currently limited to forward exchange contracts used to manage foreign currency exposures, and metal hedges used to cover aluminium price exposures.

The accounting for forward foreign exchange contracts is in accordance with note 1 (b).

From time to time the consolidated entity enters into metal hedge contracts to purchase and sell aluminium. These contracts are used to hedge commitments and reduce the market risk associated with movements in the price of aluminium.

Exchange gains and losses and hedging costs arising on contracts entered into as hedges of specific commitments are deferred and included in the determination of the amounts at which the transactions are brought to account.

Amounts receivable and payable on metal hedges contracts are included in other debtors and other creditors respectively.

(s) Dividend

Provision is only made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the year but not distributed at balance date.

(t) Earnings per Share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members 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.

(u) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(v) Comparative figures

Certain comparative figures have been adjusted to conform with the current year's disclosures.

(w) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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, to the nearest dollar.

International Financial Reporting Standards (IFRS)

From 1 January 2005 Capral Aluminium Limited will be required to apply Australian Equivalents to IFRS's. These Australian equivalents are Accounting Standards issued by the AASB that are equivalent to standards issued by the IASB, being AASB's 1-99 corresponding to the IAS series.

The adoption of IFRS's will be first reflected in the Group's Financial Statements for the half year ending 30 June 05 and the year ending 31 December 05.

The group has established a project team to manage the transition to IFRS's, including training of staff and system and internal control changes necessary to gather all required information. The project team reports three times a year to the audit committee and is currently on schedule to meet the reporting deadlines. To date the project team has analysed most of the accounting standards and has identified a number of accounting policy changes that will be required. In some cases, choices of accounting policies are available. Some of these choices are being analysed to determine the most appropriate accounting policy for the group.

As quantitative information cannot be reliably estimated at this stage, no statement will be made to that effect.

Major changes identified include the following:

(a) Intangible Assets – Goodwill

Under the Australian equivalent to IFRS, AASB 3, amortisation of goodwill will be prohibited and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over 10 years.

(b) Impairment of Assets

Under the Australian equivalent to IFRS, AASB 136, the cost of each asset will need to be reviewed and determined whether it's value is impaired. That is, to ensure its assets are carried at no more than their recoverable amounts. Assets can be grouped and assessed on a cash generating unit basis.

This will result in a change to the current accounting policy, under which only non current assets were assessed for their recoverable amount and there was no requirement to discount cash flows when using cash analysis for a value in use calculation.

(c) Income Tax

Under the Australian equivalent to IFRS, AASB 112, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax effected if they are included in the determination of pre tax accounting profit or loss and current and deferred taxes cannot be recognised directly in equity.

(d) Financial Instruments

Under the Australian equivalent to IFRS, AASB 139, an entity must categorise all financial instruments as either:

1. Fair Value – A financial instrument that is exposed to fluctuations in the asset or liability that it is hedging.
2. Cash Flow – A foreign exchange contract held for hedging purposes being accounted for as a cash flow hedge.

This will result in a change to the current accounting policy, in that changes in fair value will be recognised directly in equity until the underlying asset is de-recognised.

(e) Employee Benefits

Under the Australian equivalent to IFRS, AASB 119, prescribes general recognition criteria for employee benefits and prescribes specific recognition criteria for wages and salaries, compensated absency, profit sharing and bonus plans, termination benefits and post employment benefits.

It requires liabilities arising in respect of short term employee benefits to be measured at present values and requires immediate recognition of changes in employee benefits in the profit and loss, including actuarial gains and losses relating to defined benefit plans.

This will result in a change to the current accounting policy, where not all forms of consideration given by an employer in exchange for services rendered by an employee are recognised.

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT ENTITY 2004 $000	PARENT ENTITY 2003 $000
2. Operating profit				
(a) Profit from ordinary activities before income tax includes the following specific net gains and expenses:				
Net Gains				
Gain on disposal of property, plant and equipment	**280**	3,264	**280**	3,264
Gain on sale of business	**555**	15	**555**	15
Expenses				
Cost of sales of goods	**286,406**	307,733	**285,534**	307,623
Amortisation of				
Patents and trademarks	**452**	453	**452**	453
Goodwill	**467**	467	**467**	467
Total amortisation	**919**	920	**919**	920
Depreciation of				
Buildings	**630**	936	**602**	898
Plant & equipment	**10,863**	10,317	**10,863**	10,317
Total depreciation	**11,493**	11,253	**11,465**	11,215
Loss on disposal of property, plant and equipment	**115**	890	**115**	890
Borrowing costs				
Interest and finance charges paid/payable				
- Controlled entities	**–**	–	**3,052**	2,795
- Other persons	**4,198**	2,804	**4,198**	2,804
- Exchange (gains)/ losses on foreign currency borrowings	**–**	–	**422**	(278)
	4,198	2,804	**7,672**	5,321
Amount capitalised	**(3,472)**	(2,209)	**(3,472)**	(2,209)
Borrowing costs expensed	**726**	595	**4,200**	3,112
Losses on sale of trade bills	**556**	622	**556**	622
Amount set aside to provisions				
Employee entitlements	**2,981**	3,334	**2,981**	3,334
Warranty	**(267)**	–	**–**	–
Other charges against assets				
Write down / (write back) of inventories to net realisable value	**163**	–	**163**	–
Bad and doubtful debt - trade debtors	**550**	85	**550**	392
Controlled entity receivable	**–**	–	**(262)**	20
Loans to directors	**330**	–	**330**	–
Individually significant items reclassified below as disclosed in segment information (note 5)				
Australia continuing operations (gains) / expenses				
Restructuring costs	**20,041**	5,973	**20,041**	5,973
(Profit) from sale of property, plant and equipment	**(709)**	(2,367)	**(709)**	(2,367)
	19,332	3,606	**19,332**	3,606
Australia discontinued operations (gains) / expenses				
Restructuring costs	**–**	141	**–**	141
	–	141	**–**	141

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT ENTITY 2004 $000	PARENT ENTITY 2003 $000
2. Operating profit (cont'd)				
(b) Profit on sale of businesses				
The Roofing business was sold in 2004.				
(Tooling Services 2003).				
Details of the sales are as follows:				
Consideration received or receivable	**2,235**	694	**2,235**	694
Carrying amount of net assets sold				
Property, plant and equipment	**736**	786	**736**	786
Inventory	**963**	203	**963**	203
Leave liabilities	**(19)**	(310)	**(19)**	(310)
	1,680	679	**1,680**	679
Gain on sale before income tax	**555**	15	**555**	15
Income tax expense	**–**	5	**–**	5
Gain on sale after income tax	**555**	10	**555**	10
3. Revenue				
Revenue from operating activities				
Sales revenue	**322,696**	347,577	**321,658**	347,408
Other, mainly revenue from sale of scrap material	**34,141**	34,744	**34,141**	34,744
	356,837	382,321	**355,799**	382,152
Revenue from outside the operating activities				
Proceeds on sale of businesses	**2,235**	694	**2,235**	694
Interest	**259**	228	**151**	108
Interest from associates	**823**	220	**746**	–
Dividend income	**–**	–	**–**	2,827
Proceeds on disposal of property, plant and equipment	**528**	20,678	**528**	20,678
Other	**461**	300	**316**	135
	4,306	22,120	**3,976**	24,442
Revenue from ordinary activities (excluding share of equity accounted net profit of associate)	**361,143**	404,441	**359,775**	406,594

4. Income tax

The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
(Loss) from ordinary activities before income tax expense	**(43,360)**	(7,665)	**(48,760)**	(9,963)
Income tax calculated @ 30% (2003 - 30%)	**(13,008)**	(2,300)	**(14,628)**	(2,989)
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	**140**	223	**140**	187
Non-assessable income from dividends	**–**	–	**–**	(848)
Non-assessable profit on disposal of assets	**–**	(1,225)	**–**	(1,225)
Share of net profits of associates	**(448)**	(661)	**–**	–
Sundry items	**(18)**	56	**63**	50
Income tax adjusted for permanent differences	**(13,334)**	(3,907)	**(14,425)**	(4,825)
Effect of higher rates of tax on overseas income	**32**	22	**–**	–
Deferred tax benefits not recognised in relation to the current year	**13,737**	–	**14,416**	–
Deferred tax benefits not recognised in relation to the current year - transferred to controlled entities	**–**	–	**(689)**	–
Income tax applicable to current year profits	**435**	(3,885)	**(698)**	(4,825)
Under / (over) provision in prior years	**(113)**	539	**–**	530
De-recognition of deferred tax benefits from prior years	**27,269**	–	**27,269**	–
Tax expense / (benefit) on ordinary activities	**27,591**	(3,346)	**26,571**	(4,295)
Aggregate income tax expense comprises:				
Provisions for deferred income tax	**(3,471)**	(374)	**(3,471)**	(374)
Future income tax benefit	**31,175**	(3,511)	**30,042**	(4,451)
Under / (over) provision for income tax in prior years	**(113)**	539	**–**	530
	27,591	(3,346)	**26,571**	(4,295)

In accordance with the virtual certainty criteria of AASB 1020 the consolidated entity has de-recognised deferred tax assets accumulated in prior years in respect of the Australian operations and has not recognised any deferred tax benefits arising in the current period in relation to those operations. The Directors believe that the consolidated entity will be able to utilise these losses in the future once the company returns to profitability.

No part of future income tax benefit shown in note 16, which relates to the New Zealand operations, is attributable to tax losses. The directors estimate that the potential future income tax benefit at 31 December 2004 in respect of tax losses not brought to account is $38,774,000.

6. Segment Information

The consolidated entity's primary segment reporting is geographical as it has only one reportable business segment. In the current period the consolidated entity's reportable business segment is the business of extrusion and distribution of aluminium products. The data relating to that business is disclosed in Australia as continuing and New Zealand as discontinued. Discontinued operations in Australia refers primarily to former Hockney, Smelter, Foil, Sheet, and Remelt operations which became discontinued in prior periods.

	AUSTRALIA CONTINUING OPERATIONS $000	AUSTRALIA DISCONTINUED OPERATIONS $000	NEW ZEALAND DISCONTINUED OPERATIONS $000	ELIMINATIONS $000	CONSOLIDATED $000
31 December 2004					
Sales to customers outside the consolidated entity	322,696	–	–	–	322,696
Inter-segment sales	–	–	–	–	–
Other	37,365	–	–	–	37,365
	360,061	–	–	–	360,061
Unallocated revenue*					1,082
Total revenue					361,143
Segment result:					
Before significant items	(26,108)	262	–	–	(25,846)
Significant items (note 2)	(19,332)	–	–	–	(19,332)
Including significant items	(45,440)	262	–	–	(45,178)
Unallocated share of net profits from associate					1,462
Unallocated revenue less unallocated expenses**					356
Consolidated operating (loss) before income tax					(43,360)
Income tax expense					27,591
Net (Loss)					(70,951)
Segment assets	274,137	–	1,223	–	275,360
Unallocated assets***					16,646
Total assets					292,006
Segment liabilities	60,783	–	360	–	61,143
Unallocated liabilities****					61,290
Total liabilities					122,433
Acquisitions of property, plant and equipment	39,324	–	–	–	39,324
Investments in associates	–	–	–	–	–
Unallocated investments in associates					10,152
Total investments in associates					10,152
Depreciation and amortisation expense	12,412	–	–	–	12,412

* includes interest received.

** includes interest income and interest expense.

*** includes tax asset balances and loans and investments in equity accounted associate.

**** includes tax liability balances and borrowings.

5. Segment information (cont'd)

	AUSTRALIA CONTINUING OPERATIONS $000	AUSTRALIA DISCONTINUED OPERATIONS $000	NEW ZEALAND DISCONTINUED OPERATIONS $000	ELIMINATIONS $000	CONSOLIDATED $000
31 December 2003					
Sales to customers outside the consolidated entity	347,577	–	–	–	347,577
Inter-segment sales	–	–	–	–	–
Other	56,291	–	125	–	56,416
	403,868	–	125	–	403,993
Unallocated revenue*					448
Total revenue					404,441
Segment result:					
Before significant items	(6,094)	–	119	–	(5,975)
Significant items (note 2)	(3,606)	(141)	–	–	(3,747)
Including significant items	(9,700)	(141)	119	–	(9,722)
Unallocated share of net profits from associate					2,204
Unallocated revenue less unallocated expenses**					(147)
Consolidated operating (loss) before income tax					(7,665)
Income tax (benefit)					(3,346)
Net (loss)					(4,319)
Segment assets	262,126	–	1,367	–	263,493
Unallocated assets***					45,813
Total assets					309,306
Segment liabilities	58,467	–	567	–	59,034
Unallocated liabilities****					40,990
Total liabilities					100,024
Acquisitions of property, plant and equipment	64,977	–	–	–	64,977
Investments in associates	–	–	–	–	–
Unallocated investments in associates					8,321
Total investments in associates					8,321
Depreciation and amortisation expense	12,173	–	–	–	12,173

* includes interest received.

** includes interest income and interest expense.

*** includes tax asset balances and loans and investments in equity accounted associate.

**** includes tax liability balances and borrowings.

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
6. Current assets – Cash assets				
Short term deposits and cash at bank and on hand	**1,388**	2,646	**285**	1,436
7. Current assets – Receivables				
Trade debtors	**45,991**	53,161	**45,811**	52,992
Provision for doubtful debts	**(885)**	(1,001)	**(779)**	(861)
	45,106	52,160	**45,032**	52,131
Non-trade debts owing by controlled entities	**-**	-	**1,280**	5,233
Provision for doubtful debts	**-**	-	**-**	(3,371)
	-	-	**1,280**	1,862
Non-trade debts owing by related parties	**6,289**	6,468	**6,205**	4,491
Other debtors	**1,594**	3,059	**1,586**	3,059
	52,989	61,687	**54,103**	61,543
8. Current assets – Inventories				
Raw materials and stores - at cost	**10,673**	9,878	**10,673**	9,878
Work in progress - at cost	**1,567**	1,893	**1,567**	1,865
Finished goods - at cost	**32,416**	37,361	**32,416**	37,361
Less provision for obsolescence on finished goods	**(1,195)**	(1,000)	**(1,195)**	(1,000)
	43,461	48,132	**43,461**	48,104
9. Current assets – Other				
Prepayments and deferred charges	**4,928**	4,313	**4,928**	4,313
10. Non-current assets – Receivables				
Employee share scheme loans (note 36)	**1,289**	1,297	**1,289**	1,297
Loans to directors (note 13,36)	**5,260**	5,626	**5,260**	5,626
Other debtors	**416**	555	**416**	555
	6,965	7,478	**6,965**	7,478
11. Non-current assets – Other financial assets				
Other (non-traded) investments				
Shares in controlled entities at cost	**-**	-	**34,293**	34,293
Provisions for diminution in value	**-**	-	**(2,110)**	(2,110)
	-	-	**32,183**	32,183
Shares in associated entities at cost	**-**	-	**5,439**	5,439
Shares in associated entities accounted for using the equity method (note 12)	**10,152**	8,321	**-**	-
	10,152	8,321	**37,622**	37,622

11. Non-current assets – Other financial assets (cont'd)

	EQUITY HOLDING 2004 %	EQUITY HOLDING 2003 %	COUNTRY OF INCORPORATION
Details of controlled entities:			
Capral Staff Superannuation Pty Limited	**100**	100	AUST
Capral Wages Superannuation Pty Limited	**100**	100	AUST
Aluminium Distributors Pty Limited	**100**	100	AUST
Controlled entity: Hockney Pty Limited*	**100**	100	AUST
Australian Aluminium (Australuco) Pty Limited**	**0**	100	AUST
Unalex Pty Limited**	**0**	100	AUST
Capral Properties Pty Limited**	**0**	100	AUST
Capral Finance Pty Limited	**100**	100	AUST
Capral Aluminium NZ Limited	**100**	100	NZ
Controlled entities:			
Capral Fiduciary Limited	**100**	100	NZ
Horizon Aluminium Products Limited	**100**	100	NZ
Horizon Automatic Door Systems Pty Limited	**100**	100	AUST

* Entities are being liquidated during the financial year as a part of a corporate structure clean up, they were non-trading entities.

** Entities were deregistered during the financial year as a part of a corporate structure clean up, they were non-trading entities.

12. Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the associates is set out below:

NAME OF COMPANY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2004 %	OWNERSHIP INTEREST 2003 %	CONSOLIDATED CARRYING AMOUNT 2004 $000	CONSOLIDATED CARRYING AMOUNT 2003 $000	PARENT ENTITY CARRYING AMOUNT 2004 $000	PARENT ENTITY CARRYING AMOUNT 2003 $000
Other (non-traded)							
Bremer Business Park (C) Pty Limited	Property development	**50**	50	**2,000**	2,000	**2,000**	2,000
National Aluminium Limited	Aluminium extrusion	**50**	50	**8,152**	6,321	**3,439**	3,439

12. Investments in associates (cont'd)

	CONSOLIDATED 2004 $000	2003 $000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**8,321**	4,350
Investments made during the financial year	**–**	2,000
Share of profits from ordinary activities after income tax	**1,462**	2,204
Exchange difference on translation	**369**	(233)
Dividends received / receivable	**–**	–
Carrying amount at the end of the financial year	**10,152**	8,321
Results attributable to associates		
Profits from ordinary activities before income tax	**2,274**	2,883
Income tax expense	**812**	679
Profits from ordinary activities after income tax	**1,462**	2,204
Less Dividends received / receivable	**–**	–
	1,462	2,204
Retained profits at the beginning of the financial year	**2,929**	725
Retained profits attributable to associates at the end of the financial year	**4,391**	2,929
Reserves attributable to associates		
Foreign Currency Translation Reserve		
Balance at the beginning of the financial year	**77**	310
Arising on translation	**369**	(233)
Balance at the end of the financial year	**446**	77
Share of associate's contingent liabilities	**–**	1,144
Share of associate's expenditure commitments		
Capital commitments	**44**	24,415
Lease commitments	**1,971**	1,674
	2,015	26,089
Summary of the performance and financial position of associates		
The aggregate profits, assets and liabilities of associates are:		
Profits from ordinary activities after income tax expense	**3,227**	4,591
Assets	**91,164**	39,036
Liabilities	**74,303**	24,872

13. Related parties

Directors

The directors named in the attached Directors' Report each held office as a director of the company throughout the year ended 31 December 2004.

There were no transactions during the year with the directors other than the provision of remuneration set out in note 34 and the issue of company shares under Capral Aluminium Limited's employee share plan, the terms of which are set out on note 36. The aggregate number of ordinary shares issued to Directors under the Capral Aluminium Limited employee share plan and the aggregate number of shares held at the end of the year was as follows:

	NO. OF SHARES	
	2004	2003
Issued during the year	–	300,000
Held by recently resigned director*	**2,156,000**	–
Held at the end of the year by Directors	**573,200**	2,656,000

Dividends paid and their entitlements relating to ordinary shares held by Directors are the same as for other shareholders.

*Mr G.P. L'Estrange was a director from the beginning of the financial year until his resignation on 30 December 2004, the shares continued to be held at the end of the year.

Other related parties

As parent entity in the consolidated entity, the company advanced and was repaid loans and bought and sold goods to controlled entities within the consolidated entity. These transactions (with the exception of loans to executive directors (note 36)) were conducted on commercial terms and conditions at market rates.

	CONSOLIDATED		PARENT ENTITY	
	2004 $000	2003 $000	**2004 $000**	2003 $000
Current amounts receivable from related parties				
Controlled entities (note 7)	–	–	**1,280**	1,862
Associated entities (note 7)	**6,289**	6,468	**6,205**	4,491
Non-current amounts receivable from related parties				
Directors (note 10)	**5,260**	5,626	**5,260**	5,626
Current amounts payable to related parties				
Controlled entities (note 18)	–	–	**61,333**	57,145
Dividend revenue				
Controlled entities (note 3)	–	–	–	2,827
Interest expense				
Controlled entities (note 2)	–	–	**3,052**	2,795
Interest income				
Associated entities (note 3)	**823**	220	**746**	–
Underwriting fee - renounceable rights issue				
Guinness Peat Group (Australia) Pty Ltd a related entity of GPG Australia Nominees Pty Ltd (a substantial shareholder)	**624**	–	**624**	–

14. Non-current assets - Property, plant and equipment

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT ENTITY 2004 $000	PARENT ENTITY 2003 $000
Land and buildings				
Freehold land and buildings				
At cost	**–**	2,856	**–**	2,856
Provision for depreciation	**–**	(115)	**–**	(115)
	–	2,741	**–**	2,741
At independent valuation	**18,995**	12,902	**18,995**	12,902
Provision for depreciation	**–**	(491)	**–**	(491)
	18,995	12,411	**18,995**	12,411
Net freehold land and buildings	**18,995**	15,152	**18,995**	15,152
Leasehold property:				
At cost	**1,415**	1,338	**1,415**	1,338
Provision for amortisation	**(671)**	(460)	**(671)**	(460)
	744	878	**744**	878
At independent valuation	**–**	535	**–**	–
Provision for amortisation	**–**	(76)	**–**	–
	–	459	**–**	–
Net leasehold property	**744**	1,337	**744**	878
Net land and buildings	**19,739**	16,489	**19,739**	16,030
Plant, machinery and equipment:				
At cost	**107,239**	94,974	**107,239**	94,974
Provision for depreciation	**(58,546)**	(57,216)	**(58,546)**	(57,216)
	48,693	37,758	**48,693**	37,758
Construction work in progress at cost	**98,624**	85,677	**98,624**	85,677
Net plant, machinery and equipment	**147,317**	123,435	**147,317**	123,435
Net property, plant and equipment	**167,056**	139,924	**167,056**	139,465

Valuations of land and buildings

The valuations incorporated in the financial statements were performed as follows:

Valuations of freehold and leasehold land and buildings as at 31 December 2004 were undertaken by A. Robson AAPI, F. Julier AAPI, N. Satchell AAPI of Rushton Valuers Pty Ltd. The valuations were undertaken on the basis of Fair Value for Accounting Standard AASB 1041.

14. Non-current assets - Property, plant and equipment (cont'd)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	FREEHOLD LAND $'000	BUILDINGS $'000	LEASEHOLD IMPROVE-MENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	IN COURSE OF CONST-RUCTION $'000	TOTAL $'000
Consolidated							
Carrying amount at 1 January 2004	6,790	8,362	1,337	37,758	–	85,677	139,924
Additions	–	3,367	74	22,936	–	12,947	39,324
Disposals	–	(3)	(10)	(1,138)	–	–	(1,151)
Revaluation (decrements) / increments	900	(17)	(431)	–	–	–	452
Depreciation/amortisation expense (note 2(a))	–	(404)	(226)	(10,863)	–	–	(11,493)
Carrying amount at 31 December 2004	7,690	11,305	744	48,693	–	98,624	167,056
Parent entity							
Carrying amount at 1 January 2004	6,790	8,362	878	37,758	–	85,677	139,465
Additions	–	3,367	74	22,936	–	12,947	39,324
Disposals	–	(3)	(10)	(1,138)	–	–	(1,151)
Revaluation (decrements) / increments	900	(17)	–	–	–	–	883
Depreciation/amortisation expense (note 2(a))	–	(404)	(198)	(10,863)	–	–	(11,465)
Carrying amount at 31 December 2004	7,690	11,305	744	48,693	–	98,624	167,056

Construction work in progress at cost includes interest capitalised of $5,681,000 (2003: 2,209,000)

	CONSOLIDATED		PARENT ENTITY	
	2004 $000	2003 $000	**2004 $000**	2003 $000
15. Non-current assets - Intangible assets				
Goodwill at cost	**4,230**	4,230	**4,230**	4,230
Provision for amortisation	**(1,902)**	(1,435)	**(1,902)**	(1,435)
	2,328	2,795	**2,328**	2,795
Patents & trademarks	**3,885**	3,885	**3,885**	3,885
Provision for amortisation	**(1,351)**	(899)	**(1,351)**	(899)
	2,534	2,986	**2,534**	2,986
	4,862	5,781	**4,862**	5,781
16. Non-current assets - Deferred tax assets				
Future income tax benefit	**205**	31,024	**–**	30,740

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
17. Current liabilities - Payables				
Trade creditors	**52,460**	47,751	**52,223**	47,297
Other creditors	**5,312**	6,523	**5,312**	6,517
	57,772	54,274	**57,535**	53,814
18. Current Liabilities - Interest bearing liabilities				
Unsecured loans:				
Bank overdrafts (note 27)	**7,010**	4,174	**7,010**	4,174
Bank bill payable (note 27)	**10,000**	–	**10,000**	–
Bank long term funding facility (note 27)	**9,063**	6,659	**9,063**	6,659
Non-trade debts owing to controlled entities	**–**	–	**61,333**	57,145
Other loans	**48**	48	**48**	48
	26,121	10,881	**87,454**	68,026
19. Current liabilities - Provisions				
Employee entitlements (note 36)	**2,801**	3,656	**2,801**	3,656
20. Non-Current Liabilities - Interest bearing liabilities				
Unsecured loans:				
Bank long term funding facility (note 27)	**35,169**	26,638	**35,169**	26,638
21. Non-current liabilities - Deferred tax liabilities				
Provision for deferred tax liability	**–**	3,471	**–**	3,471
22 Non-current liabilities - Provisions				
Employee entitlements (note 36)	**570**	837	**570**	837
Extended warranty	**–**	267	**–**	–
	570	1,104	**570**	837

Extended Warranty

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at balance date.

Movements in provisions	**Extended Warranty**
	$000
Carrying amount at start of year	267
Write back as warranty period has expired	(267)
Carrying amount at end of year	–

	PARENT ENTITY 2004 Shares 000	2003 Shares 000	PARENT ENTITY 2004 $000	2003 $000
23. Contributed Equity				
(a) Share capital				
Ordinary shares: fully paid	**97,315**	81,095	**156,446**	124,664

(b) Movements in ordinary share capital

Date	Details	Notes	Number of Shares	Issue Price	$000
January-03	Opening balance		70,295,303		98,928
April-03	Issue of Shares	36	300,000	$2.73	819
November-03	Issue of Shares	(d)	10,500,000	$2.40	25,200
	Share issue transaction costs	(d)			(283)
June-04	Issue of Shares	(e)	16,219,446	$2.00	32,439
	Share issue transaction costs	(e)			(657)
December-04	Balance		97,314,749		156,446

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Share issue

During November 2003 Capral completed the placement of 10,500,000 ordinary shares at $2.40 per share, total consideration from the placement was $25,200,000. Transaction costs incurred in respect of the placement totalled $283,000 and was deducted from the ordinary shareholder equity.

(e) Share issue

During June 2004 Capral completed the issue of 16,219,446 ordinary shares at $2.00 per share, total consideration from the rights issue was $32,438,892. Transaction costs incurred in respect of the placement totalled $656,862 and was deducted from the ordinary shareholder equity.

	CONSOLIDATED 2004 $000	2003 $000	PARENT ENTITY 2004 $000	2003 $000
24. Reserves and retained profits				
Asset revaluation reserve	**9,322**	10,784	**9,712**	8,828
Foreign currency translation reserve	**3,649**	3,018	**–**	–
Retained profits	**156**	70,816	**(30,405)**	46,548
	13,127	84,618	**(20,693)**	55,376
Movements in reserves were:				
Asset revaluation reserve*				
Balance brought forward	**10,784**	37,267	**8,828**	35,311
Increment / (decrement) on revaluations	**451**	(4,965)	**884**	(4,965)
Transfer to distributable profits due to realisation	**(1,913)**	(21,518)	**–**	(21,518)
Balance carried forward	**9,322**	10,784	**9,712**	8,828

* The asset revaluation reserve is used to record increments and decrements on the revaluation of noncurrent assets, as described in accounting policy note 1(d).

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
24. Reserves and retained profits (cont'd)				
*Foreign currency translation reserve**				
Balance brought forward	**3,018**	3,690	**–**	–
Arising on translation of overseas controlled entities and associate	**631**	(672)	**–**	–
Balance carried forward	**3,649**	3,018	**–**	–

* Exchange differences arising on translation of the foreign controlled entity and associate are taken to the foreign currency translation reserve as described in accounting policy note 1 (b).

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Retained profits				
Balance brought forward	**70,816**	57,841	**46,548**	34,922
Net (loss) attributable to members of Capral Aluminium Limited	**(70,951)**	(4,319)	**(75,331)**	(5,668)
Asset revaluation reserves realised	**1,913**	21,518	**–**	21,518
Dividends provided for or paid	**(1,622)**	(4,224)	**(1,622)**	(4,224)
Balance carried forward	**156**	70,816	**(30,405)**	46,548
25. Dividends				
Ordinary shares				
4 cents per share special fully franked at 30%	**–**	2,812	**–**	2,812
2 cents per share special fully franked at 30%	**1,622**	1,412	**1,622**	1,412
	1,622	4,224	**1,622**	4,224
Franked Dividends				
Franking credits available for subsequent financial years based on a tax rate of 30% (2003 – 30%)	**27,105**	26,979	**27,105**	26,979
26. Earnings per share				
	Cents per Share			
Basic earnings/(loss) per share	(79.4c)	(6.0c)		

There are no existing securities with potential to dilute future earnings. The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 89,337,971 (2003: 71,963,434).

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000

27. Standby arrangements and credit facilities

Utilised	**61,242**	37,471	**61,242**	37,471
Unutilised	**51,547**	81,405	**51,547**	81,405
Total available facilities	**112,789**	118,876	**112,789**	118,876

Details of the principal facilities are:

(a) A$50 million (2003 A$50 million) Bill Facility committed to October 2005 of which A$10 million was utilised (2003: A$0 million utilised) at the end of the year.*

(b) A$49 million (2003: A$49 million) Loan Facility of which A$40 million (2003: A$29 million) was utilised at the end of the year.*,**

(c) A$4 million (2003: A$5 million) Loan Facility of which A$4 million (2003: A$4 million) was utilised at the end of the year.***

(d) A$10 million (2003: A$10 million) Overdraft Facility of which A$7 million (2002: A$2 million) was utilised at the end of the year.*

(e) A$0 million (2003: A$5 million) Overdraft Facility of which A$0 million (2003: A$2 million) was utilised at the end of the year.

* The bank has the right to terminate or alter the terms of the facility at any time should the company fail to comply with specific covenants, mainly financial ratio and information undertakings.

** Facility incorporates Italian Government export credit guarantees. Term of the loan is over 5 years with 6 monthly repayments. Interest is at floating interest rates but is covered by an interest rate swap from 1 April 2004. The fixed interest rate on the swap contract is 5.35%.

*** Facility incorporates German Government export credit guarantees. Term of the loan is over 5 years with 6 monthly repayments. Interest is at floating interest rates but is covered by an interest rate swap from 1 April 2004. The fixed interest rate on the swap contract is 5.35%.

28. Commitments for expenditure - capital

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:				
Within one year	**2,727**	21,556	**2,727**	21,556

29. Commitments for expenditure - operating lease

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**9,962**	7,779	**9,962**	7,735
Later than one year but not later than five years	**27,657**	27,881	**27,657**	27,867
Later than five years	**86,263**	91,814	**86,263**	91,814
	123,882	127,474	**123,882**	127,416

30. Commitments for expenditure - other

Operating expenditure commitments, primarily aluminium billet*, not provided for in the accounts amounted to:				
Within one year	**146,282**	151,011	**146,282**	151,011
Later than one year but not later than five years	**268,678**	12,489	**268,678**	12,489
Later than five years	**3,600**	5,220	**3,600**	5,220
	418,560	168,720	**418,560**	168,720

* Contracts for billet are based on the LME price prevailing at the time of purchase.

31. Superannuation commitments

During the year the consolidated entity operated one (2003: one) superannuation plan providing defined benefits on disability, death or retirement. Employees contribute at various percentages of their wages or salaries whilst companies within the consolidated entity contribute in accordance with recommendations made by actuaries.

The directors believe that at balance date, the assets of the Capral New Zealand plan were sufficient to satisfy all benefits which would have been vested under the plan in the event of its termination or in the event of the voluntary or compulsory termination of employment of each employee. Details of the plan at the date of the last actuarial assessment as stated, is as follows:

	ACCRUED BENEFITS	SURPLUS	NET MARKET VALUE OF ASSETS	VESTED BENEFITS
	$000	$000	$000	$000
Capral Retirement Fund (NZ) – 31 March 2002	7,970	3,245	11,215	6,925

An actuarial assessment was undertaken as follows:
31 March 2002– J Spooner BSc, FIAA, FNZSA of Watson Wyatt New Zealand Limited

Details of the plan at the date of the most recent financial report as stated, is as follows:

	NET MARKET VALUE OF ASSETS	VESTED BENEFITS
	$000	$000
Capral Retirement Fund (NZ) – 31 March 2004	9,261	6,490

32. Financial instruments

(a) Derivative instruments

Forward exchange contracts

The consolidated entity enters into forward foreign exchange contracts to sell or purchase specified amounts of various foreign currencies in the future at a pre-determined exchange rate. The contracts are entered into to hedge certain firm purchase and sale commitments denominated in foreign currencies.

The settlement dates and dollar amounts to be sold or purchased on outstanding contracts at balance date were:

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Contracts to purchase foreign exchange:				
United States dollars within 6 months	**1,059**	–	**1,059**	–
Euros within 6 months	**1,472**	13,206	**1,472**	13,206
	2,531	13,206	**2,531**	13,206

Trade accounts receivable and payable at balance date include aggregate net receivables of Consolidated $927,115 (2003: net receivables $3,410,818) Company $927,115 (2003: net receivables $3,410,818) in respect of sales and purchases due in foreign currencies, part of which have been hedged with forward foreign exchange contracts included above.

Metal hedges

The consolidated entity enters into metal hedge contracts to sell or purchase specific quantities aluminium in the future at a pre-determined metal price. During the current year, contracts were entered into to hedge the purchase price of aluminium rolled product, aluminium billet and the sale price of aluminium scrap.

32. Financial instruments (cont'd)

(a) Derivative instruments (cont'd)

The contract dollar amounts and tonnes to be sold or purchased on outstanding contracts at balance date were:

	PARENT ENTITY AND CONSOLIDATED		PARENT ENTITY AND CONSOLIDATED	
	2004	2003	**2004**	2003
	tonnes	tonnes	**$000**	$000
Contracts to sell aluminium:				
Aluminium billet	**–**	5,600	**–**	6,454
Contracts to buy aluminium:				
Aluminium billet	**774**	7,200	**1,845**	8,317

Gains and losses

As these foreign exchange contracts and metal hedge contracts are hedging anticipated future purchases and sales, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction Amounts receivable and payable on open foreign exchange contracts and metal hedge contracts are included in other debtors and other creditors respectively.

The following gains, losses and costs have been deferred at 31 December 2004:

	PARENT ENTITY AND CONSOLIDATED	
	2004	2003
Unrealised gains	**31**	146
Unrealised losses	**(97)**	(1,601)
Costs of contracts	**(67)**	–
Net gains and costs	**(133)**	(1,455)

(b) Interest rate risk

Exposures arise predominantly from assets and liabilities bearing variable interest rates.

Exposure to interest rate risk and the effective interest rates on financial instruments at balance date were:

2004	FLOATING INTEREST RATE $000	1 YEAR OR LESS $000	OVER 1 TO 5 YEARS $000	NON-INTEREST BEARING $000	TOTAL $000
Financial assets					
Cash	1,388	–	–	–	1,388
Receivables	–	–	–	59,954	59,954
Total financial assets	1,388	–	–	59,954	61,342
Weighted average interest rate	5.45%				
Financial liabilities					
Bank overdrafts and loans	7,010	–	–	–	7,010
Bills payable	10,000	–	–	–	10,000
Other loans	44,232	–	–	48	44,280
Trade and other creditors	–	–	–	61,143	61,143
Interest rate swaps	(41,000)	36,900	4,100	-	-
Total financial liabilities	20,242	36,900	4,100	61,191	122,433
Weighted average interest rate	6.31%	5.35%	5.35%		
Net financial assets/(liabilities)	(18,854)	(36,900)	(4,100)	(1,237)	(61,091)

32. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

2003	FLOATING INTEREST RATE $000	1 YEAR OR LESS $000	OVER 1 TO 5 YEARS $000	NON-INTEREST BEARING $000	TOTAL $000
Financial assets					
Cash	2,646	–	–	–	2,646
Receivables	–	–	–	69,165	69,165
Total financial assets	2,646	–	–	69,165	71,811
Weighted average interest rate	5.80%				
Financial liabilities					
Bank overdrafts and loans	4,174	–	–	–	4,174
Bills payable	–	–	–	–	–
Other loans	33,297	–	–	48	33,345
Trade and other creditors	–	–	–	58,767	58,767
Interest rate swaps	–	–	–	–	–
Total financial liabilities	37,471	–	–	58,815	96,286
Weighted average interest rate	6.31%				
Net financial assets/(liabilities)	(34,825)	–	–	10,350	(24,475)

Reconciliation of net financial assets / (liabilities) to net assets	PARENT ENTITY AND CONSOLIDATED **2004**	2003
Net financial liabilities as above	**(61,091)**	(24,475)
Non-financial assets and liabilities		
Inventories	**43,461**	48,132
Prepayments and deferred charges	**4,928**	4,313
Investments	**10,152**	8,321
Property, plant and equipment	**167,056**	139,924
Intangibles	**4,862**	5,781
Other Assets	**205**	31,024
Provisions	**-**	(3,738)
Net assets per statement of financial position	**169,573**	209,282

Trade debtors and creditors are reflected in the financial statements at the historical cost as they are short term in nature and are subject to normal trading terms and conditions.

(c) Net fair values

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(d) Credit risk

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The consolidated entity does not have any significant exposure to any individual customer or counterparty. Major concentrations of credit risk are in the construction, transport, consumer durable and electrical industries principally in Australasia.

32. Financial instruments (cont'd)

(e) Price risk

To the extent that price variations are not able to be passed on to end users, the consolidated entity is exposed to movements in the price of aluminium in respect of sales of aluminium. Generally the consolidated entity does not enter into forward purchase or sale agreements to hedge these exposures. From time to time, the consolidated entity will enter into a commodity derivative to specifically hedge the sale of aluminium where a fixed price has been agreed with the customer. Amounts which have been hedged at the end of the year are disclosed in (a) above.

33. Contingent liabilities

During the year ended, Capral Aluminium Limited has a trade bill facility with some of its major customers. The trade bill agreement may give rise to a liability of 10% of the amount, if the customers do not meet their obligations under the terms of the agreement. The aggregate amount that Capral may become liable for at the year end totalled $1,140,420 (2003: $1,337,077).

No material losses are anticipated in respect of the above contingent liability.

Claims and possible claims, indeterminable in amount, have arisen in the ordinary course of business against entities in the consolidated entity. Based on legal advice obtained, the directors of the company believe that any resulting liability will not materially affect the financial position of the economic entity.

34. Director and executive disclosures

Directors

The following persons we directors of Capral Aluminium Limited during the financial year:

Chairman - non-executive

J Crabb

Executive Directors

PJ Arnall, Managing Director (from 31 December 2004)

NDB Chalk, Finance Director

GP L'Estrange, Managing Director (from 1 January 2004 - 30 December 2004)

GP L'Estrange resigned as Managing Director on 30 December 2004.

Non - Executive Directors

GJ Cureton

RG Pitcher

GH Weiss

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the top executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

Name	Position
R Michael	General Manager - Bremer Start Up
B Cooper	General Manager - Sales and Marketing Industrial (from 1 January 2004 - 31 December 2004)
K O'Neill	General Manager - Sales and Marketing Architectural (from 1 January 2004 - 31 December 2004)
T McEntee	General Manager - WA Sales & Manufacturing
P Gregg	General Manager - Information Technology
D Burgess	General Manager - NSW

All of the above persons were also specified executives during the year ended 31 December 2004.

34. Director and executive disclosures (cont'd)

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

Directors of the Board who are not employees of Capral receive an annual fee for their services. The fees were $120,000 for the Chairman, $70,000 for the Chairman of the audit committee and $55,000 for each other director with the exception of Dr GH Weiss who receives no directors fees.

Remuneration of non-executive directors and their terms of office are governed by Capral's Constitution and not by contract. Independent experts advise the Board on levels of remuneration for non-executive directors.

Capral's remuneration philosophy for its executive directors and senior managers is to ensure that salaries and benefits are competitive in the market place in which it operates. Senior managers' remuneration, apart from a base salary, includes the provision of a motor vehicle and non contributory superannuation. A variable annual incentive component dependent upon company, business unit and individual performance can also be paid. Annually, the Board approves the salary and incentive levels for senior managers.

Details of remuneration

Details of the remuneration of each director are set out in the following tables.

	PRIMARY			POST-EMPLOYMENT		EQUITY	
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	TERMINATION BENEFITS $	OPTIONS $	TOTAL $
Non-Executive directors							
J Crabb	$120,000	-	-	$10,800	-	-	$130,800
GJ Cureton	$55,000	-	-	-	-	-	$55,000
RG Pitcher	$70,000	-	-	$6,300	-	-	$76,300
GH Weiss	-	-	-	-	-	-	-
Executive directors							
PJ Arnall **	$55,000	-	-	$4,950	-	-	$59,950
NDB Chalk *	$317,088	$530,875	$52,274	$41,711	-	-	$941,948
GP L'Estrange *	$397,688	-	$279,688	$52,313	$1,863,969	-	$2,593,658
Total	$1,014,776	$530,875	$331,962	$116,074	$1,863,969	-	$3,857,656

* Participant in the employee share scheme (note 36).

** Fees were received as a director. From 31 December 2004, PJ Arnall will be paid a package in compensation for the role of Managing Director.

Non-monetary benefits above include notional interest on interest free loans.

34. Director and executive disclosures (cont'd)

Specified executives of the consolidated entity*

	PRIMARY			POST-EMPLOYMENT		EQUITY	
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	TERMINATION BENEFITS $	OPTIONS $	TOTAL $
R Michael **	$245,232	$18,053	$39,217	$29,101	-	-	$331,603
B Cooper ***	$220,404	$18,810	-	$40,418	$109,904	-	$389,536
K O'Neill ***	$178,980	$13,875	-	$13,420	$94,648	-	$300,923
T McEntee	$154,524	$15,283	$27,837	$29,563	-	-	$227,207
P Gregg **	$197,232	$18,026	$69,608	$25,184	-	-	$310,050
D Burgess	$187,944	$14,569	-	$14,092	-	-	$216,605
Total	$1,184,316	$98,616	$136,662	$151,778	$204,552	-	$1,775,924

* The top officers of the company are also the top officers of the consolidated entity.

** Participant in the employee share scheme (note 36).

*** B Cooper and K O'Neill were employed from the beginning of the financial year until their redundancy on 31 December 2004.

Non-monetary benefits above include notional interest on interest free loans and motor vehicle benefits included in the remuneration package.

Service Agreements

Remuneration and other terms of employment for the Managing Director and Finance Director are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits including car allowances and participation, when eligible, in the Capral Aluminium employee share plan. Other major provisions of the agreements relating to remuneration are set out below.

Remuneration and other terms of employment for the specified executives are governed by Capral Aluminium's remuneration philosophy which is based on competitive market rates in which it operates. These rates are subject to annual review by the Board. The employment contracts are for an unspecified time period.

P J Arnall, Managing Director

- Term of agreement - 6 months commencing 1 January 2005.
- Base salary, inclusive of superannuation for the half year ended 30 June 2005 of $240,000, to be reviewed half year by the Board.

NDB Chalk, Finance Director

- Term of agreement - agreement to be terminated 30 June 2005.
- Base salary, inclusive of superannuation for the year ended 31 December 2005 of $358,800, to be reviewed annually by the Board.

34. Director and executive disclosures (cont'd)

Equity instrument disclosures relating to directors and executives

Share holdings

The number of shares in the company held during the financial year by each director of Capral Aluminium Limited and each of the specified executives of the consolidated entity, are set out below.

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Directors of Capral Aluminium Limited				
Ordinary shares				
J Crabb	10,000	-	2,000	12,000
GJ Cureton	60,000	-	12,000	72,000
RG Pitcher	40,000	-	8,000	48,000
GH Weiss	10,000	-	2,000	12,000
PJ Arnall	6,000	-	13,200	19,200
NDB Chalk	400,000	-	10,000	410,000
Specified executives of the consolidated entity				
Ordinary shares				
R Michael	300,000	-	-	300,000
B Cooper	-	-	-	-
K O'Neill	-	-	-	-
T McEntee	-	-	-	-
P Gregg	300,000	-	-	300,000
D Burgess	-	-	-	-

Loans to directors and executives

Details of loans made to directors of Capral Aluminium Limited and the specified executives of the consolidated entity, are set out below.

Aggregated for directors and specified executives

2004

GROUP	BALANCE AT THE START OF THE YEAR $	INTEREST PAID AND PAYABLE FOR THE YEAR $	INTEREST NOT CHARGED $	BALANCE AT THE END OF THE YEAR $	NUMBER IN GROUP AT END OF THE YEAR
Directors of Capral Aluminium Limited	5,626,284		331,962	5,260,913	2
Specified executives of the consolidated entity	1,296,961		81,280	1,288,133	2

Individuals with loans above $100,000 during the financial year

2004

GROUP	BALANCE AT THE START OF THE YEAR $	INTEREST PAID AND PAYABLE FOR THE YEAR $	INTEREST NOT CHARGED $	BALANCE AT THE END OF THE YEAR $	HIGHEST INDEBTEDNESS DURING THE YEAR
NDB Chalk	834,327		52,274	828,442	834,327
GP L'Estrange*	4,791,957		279,688	4,432,471	4,791,957
R Michael	625,928		39,217	621,514	625,928
P Gregg	671,033		42,063	666,619	671,033

* Mr GP L'Estrange was a director from the beginning of the financial year until his resignation on 30 December 2004.

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 36 to the financial statements.

35. Remuneration of auditors

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
PricewaterhouseCoopers - Australian firm				
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
Audit or review of financial reports of the entity or any entity in the consolidated entity	**315,000**	285,000	**315,000**	285,000
Other audit-related work	**2,100**	9,350	**2,100**	9,350
Other assurance services	**7,500**	20,080	**7,500**	20,080
Total audit and other assurance services	**324,600**	314,430	**324,600**	314,430
Advisory services	**2,750**	53,991	**2,750**	53,991
Taxation	**109,569**	56,525	**109,569**	56,525
Staff provided to support Capral internal audit function	**–**	13,451	**–**	13,451
Total remuneration	**436,919**	438,397	**436,919**	438,397
Related practices of PricewaterhouseCoopers - Australian firm (including overseas PricewaterhouseCoopers firm				
Advisory services	**–**	4,615	**–**	–
Taxation	**4,677**	15,060	**–**	–
Other Advisory services			**–**	–
Total remuneration	**4,677**	19,675	**–**	–

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek tenders for all major consulting projects.

36. Employee entitlement liabilities

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Provision for employee entitlements				
Current (note 17,19)	**8,113**	10,179	**8,113**	10,173
Non-current (note 22)	**570**	837	**570**	837
Aggregate employee entitlement liability	**8,683**	11,016	**8,683**	11,010
Employee numbers	**Number**		**Number**	
Number of employees as at 31 December 2004	**779**	863	**779**	863

Capral Aluminium employee share plan

Eligible employees as determined by the Board may participate in the Plan, currently four employees are eligible. Under the Plan monies are advanced to the participants to enable them to acquire ordinary shares of the parent company at a price determined by the Board. No interest or other charges shall be payable unless otherwise determined by the Board. During the year no interest was charged.

Participants are required to pay the net amount of dividends received on the shares (after allowing for income tax) as repayment of the loan. On termination of employment the participant is required to repay the loan within 7 days following the repayment date, unless otherwise determined by the Board. The amount advanced under the scheme during the year amounted to $0 (2003: $819,000).

The number of shares purchased under the plan by eligible employees during the current year is zero (2003: 300,000). At year end the total loans outstanding, included in receivables balances in note 10 are $6,549,000 (2003: $6,923,000).During the year loans were written down to recoverable amount, the calculation is based on a comparison of the current share price to the outstanding loan balance. The total value of loan write-downs was $330,000 (2003: $0). At year end the aggregate market value of the shares is $7,230,000 (2003: $8,040,000).

37. Events occurring after reporting date

On 23 February 2005 Capral Aluminium Limited announced its intention to raise equity under a renounceable rights issue. The terms of the issue are 1 share for every 5 shares held at $1.70 per share. The approximate number of shares expected to be issued is 19,462,950 and is expected to raise approximately $32,000,000 after costs in shareholders equity. The issue will be fully underwritten by Guinness Peat Group (Australia) Pty Ltd, subject to the execution of an underwriting agreement, substantially in the same terms as the underwriting agreement in respect of the Company's rights issue made in 2004.

The financial effects of the above transaction have not been brought to account at 31 December 2004.

38. Cash flow note

(i) For the purpose of this statement cash comprises short term deposits and investments, and cash at bank and on hand net of bank overdrafts. At the end of the year items in the balance sheet comprising cash were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Short term deposits and cash at bank and on hand (note 6)	**1,388**	2,646	**285**	1,436
Bank overdrafts	**(7,010)**	(4,174)	**(7,010)**	(4,174)
	(5,622)	(1,528)	**(6,725)**	(2,738)
(ii) Reconciliation of net cash provided by activities to operating profit				
Operating loss after income tax	**(70,951)**	(4,319)	**(75,331)**	(5,668)
Depreciation and amortisation	**12,412**	12,173	**12,384**	12,135
Provision for doubtful trade debts	**550**	85	**550**	392
Profit on sale of property, plant and equipment	**(280)**	(3,264)	**(280)**	(3,264)
Gain on sale of business	**555**	–	**555**	–
Loss on sale of property, plant and equipment	**115**	890	**115**	890
Loss/(Gain) on foreign currency loan transactions	**–**	–	**422**	(278)
Change in assets and liabilities:				
Decrease in income tax payable	**–**	(33)	**–**	–
Decrease/(Increase) in net deferred taxes	**27,348**	(3,202)	**27,269**	(3,358)
Decrease/(Increase) in current receivables	**4,034**	(1,402)	**6,769**	(55)
Decrease/(Increase) in inventories	**4,671**	(538)	**4,643**	(510)
Decrease/(Increase) in prepayments and deferred charges	**(615)**	(952)	**(615)**	(952)
Decrease/(Increase) in non current receivables	**(139)**	(555)	**(139)**	(555)
(Decrease)/Increase in trade creditors	**3,498**	(1,555)	**3,721**	(1,646)
(Decrease)/Increase in employee entitlement provisions	**(1,122)**	40	**(1,122)**	47
Increase/(Decrease) in other non current provisions	**(267)**	(20)	–	–
Net cash from operating activities	**(20,191)**	(2,652)	**(21,059)**	(2,822)

(iii) Details of finance facilities are included in note 27 to the Financial Statements.

Increases and decreases in assets and liabilities are after adjusting for the amounts of property, plant and equipment and inventory included in the sale of the Roofing Business (2003: Tooling Services Business).

39. Non-cash financing and investing activities

Shares issued to employees under the employee share scheme for no cash consideration amounted to: (note 36)	**–**	819	**–**	819

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 23 to 56 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 company's and consolidated entity's financial position as at 31 December 2004 and of their performance, as represented by the results of their operations and the cash flows, for the financial year ended on that date; and

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

This declaration is made in accordance with a resolution of the directors, in conjunction with a declaration by the chief executive officer and chief financial officer, in accordance with Section 295A of the Corporations Act.

J Crabb
CHAIRMAN OF DIRECTORS

PJ Arnall
MANAGING DIRECTOR

Sydney
23 February 2005

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Independent audit report to the members of Capral Aluminium Limited

Audit opinion

In our opinion, the financial report of Capral Aluminium Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Capral Aluminium Limited and the Capral Aluminium Limited Group (defined below) as at 31 December 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Capral Aluminium Limited (the company) and the Capral Aluminium Limited Group (the consolidated entity), for the year ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that 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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

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

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

Independence

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

PricewaterhouseCoopers

WHB Seaton
Partner

Sydney
23 February 2005

Shareholder Details

Details of Capral Aluminium Limited shares required by the Australian Stock Exchange Limited

1. Details of the twenty largest shareholders as at 14 February 2005 were as follows:

NAME	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
GPG Australia Nominees Pty Ltd	35,629,301	36.61
J P Morgan Nominees Australia Limited	14,381,486	14.78
Westpac Custodian Nominees Limited	6,302,255	6.48
Citicorp Nominees Pty Limited	4,330,950	4.45
National Nominees Limited	2,282,216	2.35
Mr Gregory Phillip L'Estrange	2,000,000	2.06
IAG Nominees Pty Limited	1,740,427	1.79
ANZ Nominees Limited	1,512,659	1.55
Queensland Investment Corporation	1,327,673	1.36
Huntley Investment Company Ltd	1,000,000	1.03
Rubicon Nominees Pty Ltd	619,700	0.64
IOOF Investment Management Limited	521,555	0.54
Mr Nigel David Brian Chalk	410,000	0.42
RBC Global Services Australia Nominees Pty Limited	359,087	0.37
Cogent Nominees Pty Limited	313,884	0.32
Mr Paul Gregg	300,000	0.31
Mr Richard Michael	300,000	0.31
AMP Life Limited	199,371	0.20
ASB Nominees Limited	170,622	0.18
Warbont Nominees Pty Ltd	157,430	0.16
	73,858,616	75.90
Total issued	97,314,749	100.00

2. The company's register of substantial shareholders recorded the following information as at 14 February 2005:

GPG Australia Nominees Pty Ltd	35,629,301	36.61
Challenger Financial Services	7,107,738	8.76
Perennial Value Management Limited	6,452,326	7.96

3. At 16 February 2005 there were 4,407 holders of ordinary shares. Voting rights attaching to the fully paid ordinary shares are, on a show of hands, one vote per person present as a member proxy, attorney, or representative thereof and on a poll, one vote per share for every member present in person or by proxy or by attorney or by representative.

4. At 16 February 2005 the distribution of ordinary shares was as follows:

RANGE OF SHARES	NUMBER OF HOLDERS
1 – 1,000	799
1,001 – 5,000	2,498
5,001 – 10,000	639
10,001 – 100,000	445
100,001 and over	26
Total	4,407

There are 51 shareholders holding less than a marketable parcel of shares.

Corporate Information

Senior Management

Phil Arnall	Managing Director
Nigel Chalk	Finance Director
Paul Gregg	General Manager - Information Technology
Georgina Plank	General Manager - Supply Chain Logistics
Richard Michael	General Manager - Bremer Start Up
Tony McEntee	General Manager - WA Sales & Manufacturing
Richard Axe	General Manager - VIC/SA/TAS
John Moorcroft	General Manager - QLD/NT
David Burgess	General Manager - NSW
Alan Schliemann	Company Secretary
Martin Bowman	General Manager - Product Development
Kristen Wilson	General Manager - Organisational Development & Human Resources

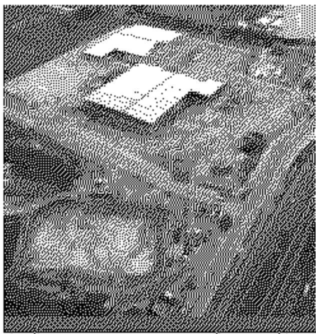
Financial Calendar

(dates subject to change)

23 February 2005	Annual results announcement
19 April 2005	Annual General Meeting
16 August 2005	Half year results announcement

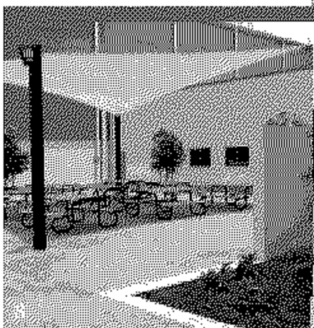
Corporate Directory

Registered Office:	71 Ashburn Road, Bundamba QLD 4305 PO Box 768, Booval BC QLD 4304 Telephone: 61 7 3816 7000 Fax: 61 7 3816 7111 Internet:www.capral.com.au Email: contact@capral.com.au
Share Register:	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street, Sydney NSW 2000 Tel: 61 3 9615 5970
Auditor:	PricewaterhouseCoopers Chartered Accountants Darling Park Tower 2, 201 Sussex Street, Sydney 1171
Solicitors:	Deacons Level 17, 175 Eagle Street, Brisbane QLD 4000
Bankers:	Australia and New Zealand Banking Corporation 20 Martin Place, Sydney NSW 2000
Stock Exchange Listing:	Capral Aluminium Limited shares are quoted on the Australian Stock Exchange.



4. DETAIL OF CONSTRUCTION WORK ON THE ADMINISTRATION BUILDING

5. HIGH OVERVIEW – STEEL FRAME

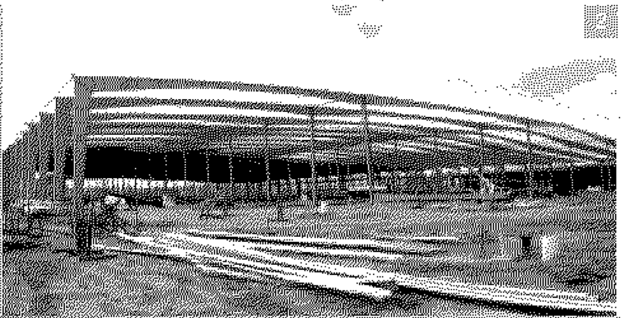


10. CLADDING WORK ONTO THE [illegible]

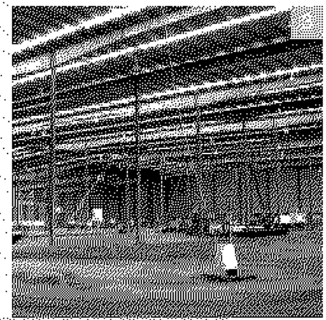
11. FINAL TOUCHES

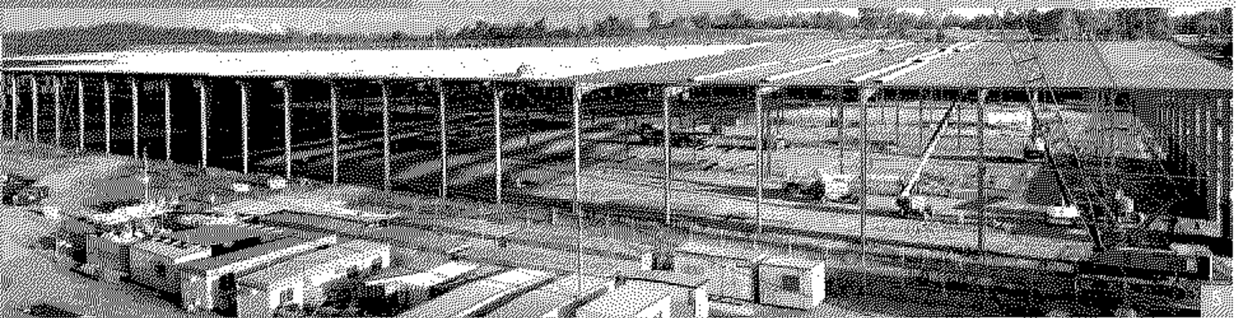
12. AERIAL SHOT – SEPT 2004

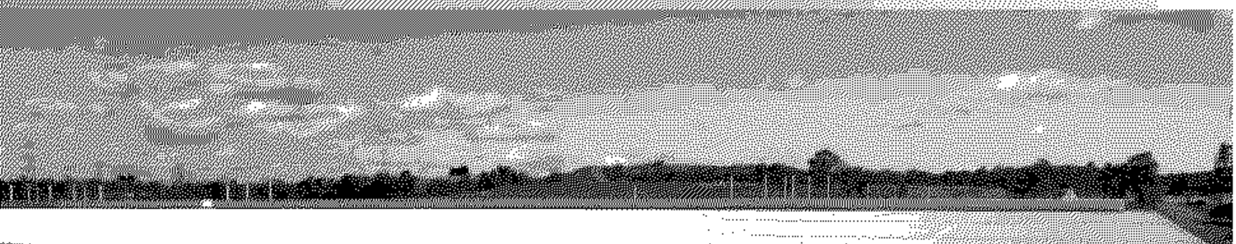
We've come a long way

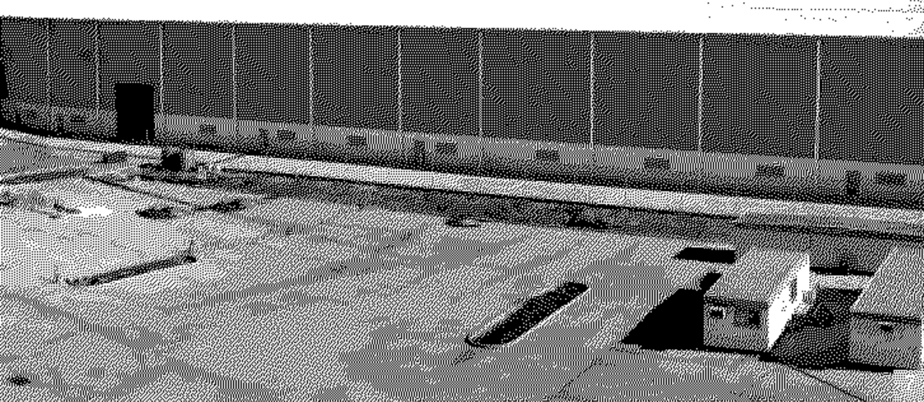


1. JAN 2004 – AERIAL VIEW BREMER PARK SITE CONSTRUCTION UNDERWAY
2. MAR 2004 – FRONT VIEW
3. JUN 2004 – STEEL FRAME OVER THE WAREHOUSE AREA

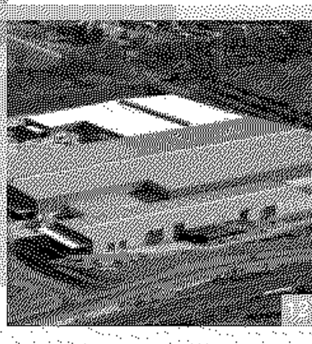








6. PROGRESS ON THE INTERNAL [illegible]
7. NOV 2004 – FRONT HIGH VIEW
8. WORK COMPLETED ON THE [illegible] AREA
9. ADMIN BUILDING RECEPTION AREA



Notes

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