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

Notification to the ASX
21-Feb-06

The directors of Capral Aluminium Limited announce the financial results for the year ended 31 December 2005.

The following documents are attached:

1. Appendix 4E - Preliminary Final Report.

For further information, please contact:

Mr Richard Stephenson
Capral Aluminium Limited
(02) 9682 0657

Appendix 4E - Preliminary Final Report

Name of Entity	**CAPRAL ALUMINUIM LIMITED**
A.C.N	**004 213 692**
Year ended	**31/12/2005**
Reporting Period	1 January 2005 to 31 December 2005
Previous period	1 January 2004 to 31 December 2004

This report is based on accounts which have been subject to audit.

Results for announcement to the market

		up/down	%	$A'000
2.1	Revenues from ordinary activities	down	-5.2%	339,333
2.2	Loss from ordinary activities after tax attributable to members	N/A	N/A	(48,963)
2.3	Loss for the period attributable to members	N/A	N/A	(48,963)

		Amount per security	Franked amount per security
2.4	Final dividend - (Preliminary final report only)	0	0
	Interim dividend - (Half yearly report only)	0	0
	Previous corresponding period		
	Final dividend - (Preliminary final report only)	0.02	0.02
	Interim dividend - (Half yearly report only)	0	0

2.5	Record date for determining entitlements to the dividend	N/A to Capral Aluminium Limited in this full year period

		2005	**2004**
2.6	**Net Tangible Assets**		
	Net tangible assets per security	79.0c	169.0c

2.7 Commentary on results is attached in the 2005 FULL YEAR RESULTS REVIEW presentation.

CAPRAL ALUMINIUM LIMITED

(A.B.N. 78 004 213 692)

FINANCIAL REPORT

AT

31 December 2005

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 2005.

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, P.J. Arnall, G.H. Weiss, G.J. Cureton, R.G. Pitcher.
N.D.B. Chalk was a director from the beginning of the financial year until his resignation on 1 July 2005
R.W. Freeman was elected to the Board as Managing Director effective August 2005

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.

Dividends – Capral Aluminium Limited

No dividends have been declared for this year.

	2005	2004
	$'000	$'000
No Interim ordinary dividend paid	**0**	0
No special ordinary dividend paid (2004 - 2 cents)	**0**	1,622
Total dividends in respect of the year	**0**	1,622

Since 31 December 2005, 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

A review of operations of the consolidated entity are referred to in the Annexure A entitled 2005 Full Years Results review.

Significant changes in the state of affairs

1 for 5 Rights Issue

On 23 February 2005 Capral announced a 1 for 5 rights issue to all shareholders at a price of $1.70 per share to raise approximately $32 million after issue costs

2 for 3 Rights Issue

On 23 August 2005 Capral announced a 2 for 3 rights issue to all shareholders at an issue price of $1.50 per share that raised $113 million after costs which was used to acquire the the Smart Aluminium, Crane Aluminium Systems and Crane Aluminium Extrusions businesses

Acquisition

On 23 August 2005 Capral Aluminium Limited announced that it had entered into an agreement to acquire the Smart Aluminium, Crane Aluminium Systems and Crane Aluminium Extrusions businesses from Crane Enfield Metals Pty Limited, a subsidiary of Crane Group Limited (a company listed on the Australian Stock Exchange) for approximately $124 million. This acquisition was completed on 31 October 2005.

Board of Directors

Directors in office at the date of this report:

Mr Phillip J. Arnall	B Comm	Chairman, Capral Aluminium Limited. Appointed a non-executive director 20 January 2002. Chairman of Remuneration and Nomination Committee. Member of Audit Committee Chairman of Ludowici Limited and Non-Executive Director of Bradken 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. Non-executive Director Kip McGrath Education Centres Limited 2002 to 2004 Under ASX guidelines Mr Arnall is considered to be independent.
Mr Robin W Freeman	BA., FCA	Managing Director. Appointed August 2005. Mr Freeman has been Executive General Manager, OneSteel Distribution between 2001 and 2005 and has previously held the roles of Chief Financial Officer at Email Limited and General Manager Commercial at CSR Limited. Director of Steel & Tube Holdings Limited (a company listed on the New Zealand Stock Exchange) 2001 to 2005 Under ASX guidelines Mr Freeman is considered to be non-independent.
John Crabb		Non-executive Director 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 is a Director of CMA Corporation Limited and was previously Managing Director and Chief Executive Officer of Simsmetal Limited and a Director of BlueScope Steel Limited Non-executive Director MIM Holdings Limited 2001 and BlueScope Steel Limited (previously BHP Steel Limited) 2002 and 2003. Under ASX guidelines Mr Crabb is considered to be 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. Non-executive Director Rattoon Holdings Ltd. Non-executive Director MEM Group Limited and Non-executive Director Joe White Maltings Limited in 2001 Under ASX guidelines Mr Cureton is considered to be non-independent.
Ronald G. Pitcher	FCA, FCPA	Appointed a non-executive director December 2001. Chairman of the Audit Committee and member of Remuneration and Nomination Committee Mr Pitcher was a founder and former principal partner of Pitcher Partners, a leading 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, Reece Australia Limited and McMillan Shakespeare Limited Non-executive Director Joe White Maltings Limited 2001 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 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 Canberra Investment Corporation Ltd, Premier Investments Limited, Tag Pacific Limited, Tower Limited and Westfield Management Limited. Under ASX guidelines Mr 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, and 4 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 Phillip Arnall, 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 2005, 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 2005. The committee members and their record of attendance at meetings of the committee is listed elsewhere in this report.

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 and 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

(2) Members
The committee members and their record of attendance at meetings of the committee is listed elsewhere in this report.

(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 announcements and the annual general meeting.
Any dealings in Capral's shares by a Director are required to be reported to the Company Secretary within 3 business days. 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

This information is supplied 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 period.

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 Policies on its website at www.capral.com.au.

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 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:		
	• only non-executive directors;	Complies	
	• a majority of independent directors;	Complies*	
	• an independent chairperson, who is not chairperson of the board;	Complies	
	• at least three members.	Complies	
9	**Remunerate fairly and responsibly**		
9.2	A majority of independent directors on the Remuneration and Nomination Committee	Complies*	

*It is the view of the CEO and CFO and the directors of the Board that Mr Arnall conducts himself as director and Chairman in an independent way and with the exception of his period as acting MD satisfies all other criteria for a test of independence as defined by the Board Charter.

Matters subsequent to the end of the financial year

Except for matters referred to in the financial statements, no other matter or circumstance has arisen since 31 December 2005 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.

Information on Key Management Personnel, Directors and specified executives
Particulars on the Board of Directors are included elsewhere in this report.
Details of holdings of shares in the company for the Key Management Personnel, Directors and specified executives at the date of this report are as follows:

Ordinary shares fully paid in the company		Balance at start of year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year.
P.J. Arnall	Director and Chairman	19,200		19,200	38,400
R.W.Freeman*	Managing Director			114,000	114,000
J. Crabb	Director	12,000		2,400	14,400
G.J. Cureton	Director	72,000		72,000	144,000
R.G. Pitcher	Director	48,000		48,000	96,000
G.H.Weiss	Director	12,000		12,000	24,000

* These shares were purchased privately by Mr Freeman and in accordance with the Capral Share Trading Policy

Ordinary shares fully paid in the company		Capral employee share scheme			Capral employee share scheme
N.D.B. Chalk*	CFO and Director	410,000		(10,000)	400,000
D Burgess**		-	-	-	-
E Pollard		-	-	-	-
M Haszard		-	-	-	-
P Gregg		300,000	-	-	300,000
R Michael **		300,000	-	(300,000)	-
R Stephenson		-	-	-	-
S Wisnowski		-	-	-	-
T McEntee		-	-	-	-

* left employment in July 2005
** left employment in November 2005

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 2005, 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
P.J. Arnall	14	14	3	2	3	3
N.D.B Chalk* and ** resigned 1 July 2005	6	6				
R Freeman * and ** (commenced August 2005)	6	6				
J. Crabb	14	14	3	3	3	3
G.J. Cureton	14	12	3	3	3	2
R.G. Pitcher	14	14	3	3	3	3
G.H.Weiss	14	8	3	2	3	2

* not a member of the audit committee
** not a member of the remuneration and nomination committee

Company Secretary
The company secretary is Mr A Schliemann FCPA, Bbus, Grad Dip Tax, FTIA. 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.

Remuneration report

The Remuneration and Nominations Committee

The Remuneration and Nominations Committee is responsible for reviewing and making recommendations to the Board on remuneration policies for the company including, in particular, those governing the directors, the Managing Director, and Senior Managers.
The Remuneration and Nominations Committee seeks independent advice in setting the structure and levels of remuneration.
The advice of independent remuneration consultants is taken to ensure that the directors' fees are in line with market levels.
Non-executive Directors do not receive any shares, options or other securities as part of their remuneration nor are they eligible to participate in the company's employee share plan or any other incentive plan. They do not receive any retirement benefits other than statutory superannuation if appropriate.
Compensation of non-executive directors and their terms of office are governed by Capral's Constitution and not by contract.
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 G.H. Weiss who has waived receiving any fees.

The Company's remuneration process and philosophy.

The Company has a process to formally evaluate and discuss performance and development plans bi-annually with all salaried employees. This two way process between the employee and their immediate supervisor is referred to as Performance Planning and Review (PPR).
The PPR is a 4-Step process covering:-

Step 1 - An agreement of deliverables for the year ahead and the setting of Key Performance Measures against which the achievement of those deliverables will be assessed
Step 2 - A review of performance against the previously agreed deliverables for the period under review and against the achievement of corporate capabilities.
Step 3 – Employee comment and feedback on the previous year, their manager and team dynamics.
Step 4 – Short and long term training and development needs and career aspirations.

Within the Company all managers have a responsibility to provide prompt and constructive feedback to staff on performance, behaviour and attitudes. The PPR process supports the achievement of the Company's objectives by enabling managers to evaluate and develop employee skills and performance and identify future development needs. Employees benefit through recognition, performance feedback and career guidance.
Remuneration administration is an integral part of the overall management of our people.
An in-house job evaluation system and market remuneration surveys are used to determine broadband salary ranges. Actual salary levels are determined on the basis of job responsibilities and individual performance and annual remuneration reviews occur with regard to the PPR outcome.
The system aims to be consistent across all salaried employees and externally competitive within the industries in which Capral operates, for the type and level of work each employee is performing.
In addition to a base salary and additional superannuation contributions, all salaried employees are eligible to participate in a Short Term Incentive Plan (STIP). .
The STIP gives employees the opportunity to earn a cash bonus, based on a specified percentage of their Total Employment Cost. Bonus payments are dependant upon the achievement of predetermined company, business unit and functional targets. At least 90% of these targets relate to Profit, Cash and Safety.
Incentives are generally related to meeting departmental budgets and are not directly linked to company perfomace .budget

Since 31 December 2005 Capral has finalised the structure of a Long Term Incentive Plan (LTIP). During 2006 selected members of the Senior Management Team will be invited to participate in this plan, which will allocate a number of share acquisition rights on annual basis.
The acquisition rights will then be subject to periodic Performance Hurdles, where the Company's Total Shareholder Return (TSR) is calculated. The number of rights that actually vest will depend upon the company's TSR in comparison to the TSR of companies in a specified comparator group.

Employee entitlement liabilities

Capral Aluminium Employee Share Plan

Capral Aluminium had in place an employee share plan which has closed and been replaced by a new Long Term Incentive Plan which is reported separately in this report. Eligible employees as determined by the Board were able to participate in the Plan and as at the date of the report there are only two issues of shares that remain in the hands of one current employee and one ex-employee.
Under the Plan monies were 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 was/is 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 the prevailing share price is less than the loan balance applicable to the shares.
The amount advanced under the scheme during the year amounted to $0 (2004: $0).
The number of shares purchased under the plan by eligible employees during the current year is Nil (2004:Nil). At year end the total loans outstanding, included in equity balances are $1,495,061 (2004: $6,549,000).

Key Management personnel

The following table sets out the nature and amount of each element of the compensation received/ receivable by:
1. Key management personnel
2. The 5 Key executives who received the greatest remuneration payment in the year of Capral Aluminium Limited in 2005 with comparisons where relevant for 2004.

Name	Year	Title	Short Term Employee Benefits			Post - employment benefits	Other long term benefits	Termination benefits	Share based payments.	
DIRECTORS			Cash salary and fees $	Cash bonus $	Non - monetary benefits $	Superannuation $		Termination benefits $	Share Acquisition Rights	Total $
J Crabb (1)	**2005**	Non-executive Director	$110,636		$0	$9,825				$120,461
	2004	Non-executive Director and Chairman	$120,000			$10,800				$130,800
GJ Cureton	**2005**	Non-executive Director	$55,000							$55,000
	2004	Non-executive Director	$55,000							$55,000
RG Pitcher	**2005**	Non-executive Director and Chairman of the Audit Committee	$70,000			$6,300				$76,300
	2004	Non-executive Director and Chairman of the Audit Committee	$70,000			$6,300				$76,300
GH Weiss	**2005**	Non-executive Director	-							$0
	2004	Non-executive Director	-							$0
PJ Arnall (2)	**2005**	Non-executive Director and Chairman and Chairman of the Remuneration and Nominations Committee	$356,645			$32,098				$388,743
	2004	Non-executive Director and Chairman of the Remuneration and Nominations Committee	$55,000			$4,950				$59,950
NDB Chalk (3)	**2005**	CFO and Executive Director	$159,764		$88,560	$21,016		$162,250		$431,590
	2004	CFO and Executive Director	$317,088	$530,875	$52,274	$41,711				$941,948
RW Freeman (4)	**2005**	CEO and Executive Director	$278,985			$25,109	$4,635		$97,000	$405,729
Executives										$0
R Michael (5)	**2005**	General Manager Special Projects	$224,796	$125,000		$26,676		$400,678		$777,150
	2004	General Manager Bremer Start up	$245,232	$18,053	$39,217	$29,101	$6,097			$337,700
D Burgess (5)	**2005**	General Manager -Bremer Park	$176,980	$0	$1,959	$14,744		$227,022		$420,705
	2004	General Manager- NSW	$187,944	$14,569		$14,092				$216,605
T McEntee (6)	**2005**	General Manager-WA	$165,158	$173,058	$27,005	$31,292				$396,513
	2004	General Manager-WA	$154,524	$15,283	$27,837	$29,563				$227,207
P Gregg (7)	**2005**	Executive General Manager Planning and Logistics	$197,232		$98,806	$25,184	$17,570			$338,792
	2004	General Manager Information Technology	$197,232	$18,026	$69,608	$25,184				$310,050
M Haszard (8)	**2005**	Executive General Manager Manufacturing	$44,402			$2,398	$729			$47,529
E Pollard (9)	**2005**	General Manager Human Resources	$105,873			$14,060	$2,427			$122,360
S Wisnowski (10)	**2005**	Executive General Manager Sales & Marketing	$22,936			$2,064	$377			$25,377
R Stephenson (11)	**2005**	Chief Financial Officer	$78,160		$12,161	$7,989	$1,148			$99,458
		Total 2005	$2,046,567	$298,058	$228,491	$218,755	$26,886	$789,950	$97,000	$3,705,707

1 Mr Crabb stepped down as Chairman of the Board effective 1 November 2005
2 Fees were received by Mr Arnall as a director and from January 2005 until August 2005 he was paid a package in compensation for the role of acting managing director. From 1 November 2005 Mr Arnall took up the role as Chairman of the Board.
3 Mr N Chalk was employed as CFO from the beginning of the year until his resignation on 1 July 2005
Participant in the 2003 employee share scheme
4 Mr Freeman commenced as Managing Director and CEO effective 8th August 2005
5 R Michael and D Burgess were employed from the beginning of the financial year until 30 November 2005.
6 Mr McEntee (General Manager WA operations) received a one-off agreed incentive payment for exceptional services.
7 Participant in the 2003 employee share scheme
8 Commenced 1 November 2005
9 Commenced her employment in December 2004 and the role as General Manager Human Resources in December 2005
10 Commenced employment in November 2005
11 Commenced employment in August 2005

4,7,8,9,10,11 Capral Key Management Personnel

Note. 1) Non monetary benefits is composed of motor vehicle benefits and where applicable notional interest on interest free loans that relate to the Employee Share Scheme.
2) Other long term benefits include long service leave accrued
3) Termination benefits include long service leave and other severance payments in accordance with the Capral redundancy policy.
Mr Michael and Mr Burgess both had served with the company for many years.
4) Share Acquisition Rights- the amount of $97,000 was calculated as the benefit that had accrued to Mr Freeman in relation to the share acquisition rights granted to him although not vested.

Employment contracts

Remuneration and other terms of employment for a number of the Key Management Personnel 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 Long Term Incentive Plan. Other major provisions of the agreements relating to remuneration are set out below.

R. W.Freeman, Managing Director

1 A short term incentive based on agreed key performance indicators of 50% of base salary in the event of meeting agreed performance targets up to a maximum of 100% for superior performance and

2 A grant of 1.2 million share rights that will vest over the course of the 4 year contract depending on the total shareholders return of Capral relative to the total shareholders return of ASX S&P 200 companies. There are 3 testing dates the first of which will be November 2007.

R Stephenson, M Haszard, P Gregg , S Wisniowski and E Pollard

1 A short term incentive 'objective' target of 25% of Total Employment Cost (which is base salary plus super) and 50% for the achievement of 'stretch' targets.

2 These employees will be able to participate in the new Long Term Incentive Plan and will be granted a number of share acquisition rights that will vest depending on the total shareholders return of Capral relative to the total shareholders return of ASX S&P 200 companies. The first testing date will be November 2007.

Directors' benefits

No director of the company has, since 31 December 2005, 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 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.

Directors' and officers' indemnities and insurance

During the financial year, Capral Aluminium Limited paid premiums for directors' and officers' insurance. Current and former directors, company secretaries and officers of Capral Aluminium and its subsidiaries were covered by the insurance. The policies prohibit disclosure of the nature of the liability insured against and the amount of the premium.

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.

Non-audit Services

The company may decide to employ the auditor on assignements additional to their statutory audit services where the auditor's expertise and experience with the company and the consolidated entity are important.
The Board of Directors has considered the position and in accordance with the advice received from the Audit Committee it is satisfied that the provision of these services during the year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the Corporations Act 2001 for the following reasons:

1) the non-audit services provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the company;
2) all non-audit services have been reviewed by the Audit Committee to ensure they do not affect the integrity and objectivity of the auditor; and
3) none of the services undermine the general principle relating to auditor independence as set out in Professional Statement F1.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 37 of the financial statements.
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14

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.

P.J. Arnall
Chairman of Directors

Robin Freeman
Managing Director

Sydney
21/02/2006

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Auditor's Independence Declaration

As lead auditor for the audit of Capral Aluminium Limited for the year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Capral Aluminium Limited and the entities it controlled during the period.

WHB Seaton
Partner
PricewaterhouseCoopers

Sydney
21 February 2006

Income statements

For the year ended 31 December 2005

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Parent entity 2005 $000	Parent entity 2004 $000
Revenue from continuing operations	3	339,333	357,919	307,585	356,696
Other income		701	1,181	552	1,036
Changes in inventories of finished goods and work in progress		(684)	(5,466)	3,846	(5,438)
Raw materials and consumables used		(231,866)	(240,680)	(216,727)	(239,987)
Employee benefits expense		(80,715)	(96,110)	(74,604)	(95,888)
Depreciation and amortisation expense	2	(15,982)	(11,945)	(14,961)	(11,917)
Finance costs - net	2	(5,360)	(726)	(8,584)	(4,200)
Freight		(14,634)	(15,490)	(13,493)	(15,490)
Share of net profits after tax from associates accounted for using the equity method of accounting	13	2,331	1,613	-	-
Lease rental		(10,595)	(7,526)	(9,977)	(7,478)
Other expenses from continuing operations		(31,269)	(30,344)	(29,110)	(30,499)
Loss before income tax		(48,740)	(47,574)	(55,473)	(53,165)
Income tax expense	4	223	25,791	-	24,452
Loss attributable to members of Capral Aluminium Limited		(48,963)	(73,365)	(55,473)	(77,617)
Loss per share for loss from continuing operations attributable to members of Capral Aluminium Limited					
Basic loss per share	28	(39.0c)	(81.5c)		
Diluted loss per share	28	(39.0c)	(81.5c)		

The weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share was 125,523,177 (2004: 89,337,971).

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

Balance sheets

As at 31 December 2005

		Consolidated		*Parent entity*	
		2005	2004	2005	2004
ASSETS		$000	$000	$000	$000
Current assets	Note				
Cash and cash equivalents	6	3,451	1,388	156	285
Receivables	7	88,792	62,220	191,539	63,334
Inventories	8	87,983	43,461	61,591	43,461
Prepayments	9	4,639	4,626	2,470	4,626
Total current assets		184,865	111,695	255,756	111,706
Non current assets					
Receivables	10	308	432	308	432
Retirement benefit asset	11	1,891	1,963	-	-
Investments accounted for using the equity method	12	12,273	10,303	5,439	5,439
Investments	12	-	-	32,185	32,183
Property, plant and equipment	15	161,345	150,390	144,191	150,544
Intangible assets	16	103,839	14,589	14,857	14,435
Deferred tax assets	17	369	205	-	-
Total non current assets		280,025	177,882	196,980	203,033
Total assets		464,890	289,577	452,736	314,739
LIABILITIES					
Current liabilities					
Payables	18	91,473	57,579	62,734	57,342
Interest bearing liabilities	19	78,390	35,352	140,723	96,685
Provisions	20	4,724	2,801	2,267	2,801
Total current liabilities		174,587	95,732	205,724	156,828
Non current liabilities					
Interest bearing liabilities	21	29,400	34,867	29,400	34,867
Deferred tax liabilities	22	624	569	-	-
Provisions	23	1,975	1,516	1,842	1,516
Deferred income	24	1,395	-	1,395	-
Total non current liabilities		33,394	36,952	32,637	36,383
Total liabilities		207,981	132,684	238,361	193,211
Net assets		256,909	156,893	214,375	121,528
EQUITY					
Contributed equity	25	298,562	149,583	298,562	149,583
Reserves	26	6,330	7,854	4,852	7,035
Accumulated losses	26	(47,983)	(544)	(89,039)	(35,090)
Total equity		256,909	156,893	214,375	121,528

The above balance sheets should be read in conjuction with the accompanying notes.

Statement of recognised income and expense

As at 31 December 2005

		Consolidated		Parent entity	
		2005	2004	2005	2004
	Note	$000	$000	$000	$000
Gain/(loss) on revaluation of freehold land and buildings, net of tax		(659)	451	(659)	884
Exchange differences on translation of foreign operations	26	733	701	-	-
Actuarial gains/(losses) on defined benefit plan	26	(74)	508	-	-
Net income recognised directly in equity		-	1,660	(659)	884
Loss for the year		(48,963)	(73,365)	(55,473)	(77,617)
Total recognised income and expense for the year		(48,963)	(71,705)	(56,132)	(76,733)

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

Cash flow statements

For the year ended 31 December 2005

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Parent entity 2005 $000	Parent entity 2004 $000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		343,897	399,154	336,247	398,129
Payments to suppliers and employees (inclusive of GST)		(392,575)	(419,256)	(383,800)	(415,477)
		(48,678)	(20,102)	(47,553)	(17,348)
Interest received		263	282	205	174
Borrowing costs		(5,558)	(726)	(5,360)	(4,201)
Income taxes (paid) / refunds received		(341)	(106)	-	-
Other revenue received		308	461	222	316
		(5,328)	(89)	(4,933)	(3,711)
Net cash outflow from operating activities	40	(54,006)	(20,191)	(52,486)	(21,059)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(9,187)	(39,174)	(8,808)	(39,174)
Payments for software assets		(1,801)	(150)	(1,801)	(150)
Payments for product development costs		(1,802)	-	(1,802)	-
Acquisition of business assets	42	(129,356)	-	-	-
Proceeds from sale of property, plant and equipment		3,168	1,078	3,168	1,078
Proceeds from sale of business		-	2,374	-	2,374
Net cash outflow from investing activities		(138,978)	(35,872)	(9,243)	(35,872)
Cash flows from financing activities					
Advances from controlled entities		-	-	-	2,755
Advances to controlled entities		-	-	(129,320)	-
Proceeds in relation to employee share scheme	25	3,710	44	3,710	44
Repayments from associated entities		-	1,841	-	-
Advances (to)/from associated entities		1,960	(950)	1,960	(950)
Proceeds from borrowings		156,214	52,019	153,755	52,019
Repayment of borrowings		(112,461)	(31,084)	(112,461)	(31,084)
Net proceeds from share issue	25	145,269	31,782	145,269	31,782
Dividends paid	27	-	(1,622)	-	(1,622)
Net cash inflow from financing activities		194,692	52,030	62,913	52,944
Net increase / (decrease) in cash held		1,708	(4,033)	1,184	(3,987)
Cash and cash equivalents at beginning of year		(5,622)	(1,528)	(6,725)	(2,738)
Effect of exchange rate changes		16	(61)	-	-
Cash and cash equivalents at end of year	40	(3,898)	(5,622)	(5,541)	(6,725)
Financing arrangements	29				
Non cash financing and investing activities	41				

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

Note 1. Summary of significant accounting policies

This general purpose financial report for the year ended 31 December 2005 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes separate financial statements of for Capral Aluminium Limited as an individual entity and the consolidated entity consisting of Capral Aluminium Limited and its subsidiaries.

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

These financial statements are the first Capral Aluminium Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Capral Aluminium Limited until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Capral Aluminium Limited financial statements for the year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement* from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 43.

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

Note 1. Summary of significant accounting policies (continued)

Going concern

Included in current interest bearing debt (note 19) is an amount of $59.033 million relating to commercial bills drawn under a facility from the consolidated entity's banker. During 2005 this facility was entered into on a short term rather than a long term basis for commercial reasons. This facility expires on 30 November 2006.
The directors believe that prior to its expiry adequate alternative funding will be put in place. No commitment to renew or replace the facility has been entered into by the consolidated entity and its banker, however the banker has provided a letter stating that it would be prepared to consider the extension of the current facilities if Capral's performance is in line with forecasts provided by the consolidated entity, subject to the bank's usual credit criteria.

Based on the consolidated entity's relationships with its banker the directors are confident that adequate funding will be made available to it. In particular the directors have considered:

- the ability of the consolidated entity to offer security over its assets, which are presently unencumbered
- the existence of other facilities with the banker which do not expire in the 12 months following the date of this report
- an offer received in February 2006 from the banker proposing an additional facility to fund working capital peaks which, if negotiated between the parties, will not expire in the 12 months following the date of this report
- that at 31 December 2005 the consolidated entity has complied with all financial and other undertakings given to the banker. Under the terms of the facility new financial undertakings have to be negotiated from that date onwards. These negotiations are yet to be finalised. The Directors anticipate the negotiations will result in new undertakings with which the consolidated entity will continue to comply.

Accordingly the directors have prepared the financial report on a going concern basis.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Capral Aluminium Limited ("Company" or "Parent entity") as at 31 December 2005 and the results of all subsidiaries for the year then ended. Capral Aluminium Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Note 1. Summary of significant accounting policies (continued)

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 13).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Capral Aluminium Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Note 1. Summary of significant accounting policies (continued)

(d) Foreign currency translation (con't)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Sales revenue comprises sales of goods and services at net invoice values less returns, trade allowances and 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.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. At the date of these financial statements the directors do not believe that the probability test has been met in respect of the Australian operations.

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

Capral Aluminium Limited and its wholly-owned Australian entities have implemented the tax consolidation legislation.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Note 1. Summary of significant accounting policies (continued)

(i) Cash and cash equivalents

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

(j) Trade receivables

Trade debtors are recognised initially at fair value.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the assets carrying value and estimated furutre cash flows and is recognised in the income statement.

(k) 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.

(l) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives), is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(m) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(m) Property, plant and equipment (con't)

Increases in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against asset revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(n) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. Cash-generating units represent the Group's investment in each of its customer segments.

(ii) Other intellectual property
Other intellectual property comprises trademarks, designs, patents and product development which have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost over the assets estimated useful lives, which vary from 5 to 10 years.

(iii) Software
Software assets including system development costs have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost over the assets estimated useful lives, which which vary from 5 to 10 years.

(o) Trade and other payables

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

Note 1. Summary of significant accounting policies (continued)

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. In 2005, the rate of capitalisation was 6.78% (2004: 6.78%).

Loan application fees are netted off against the borrowings to which the fees relate.

(q) Provisions

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

(r) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the Capral Aluminium employee share scheme. Eligible employees as determined by the Board may participate in the Plan. 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. Amounts lent to employees are deducted from equity.

Shares granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these shares. The shares are recognised when they are sold and the proceeds received allocated to share capital.

(iv) Retirement benefit assets
A liability or asset in respect of defined benefit plans is recognised in the balance sheet, and is measured as the difference between the present value of the defined benefit obligation at the reporting date less and the fair value of the superannuation fund's assets at that date and any unrecognised service cost (refer note 33).

Actuarial gains and losses are recognised immediately and are taken directly to a reserve.

(s) Contributed equity

Ordinary shares are classified as equity.

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

Note 1. Summary of significant accounting policies (continued)

(t) Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants related to the purchase of property, plant and equipment are deferred and amortised over the useful life of the assets to which the grants relate.

(u) Derivatives

From 1 January 2004 to 31 December 2004
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 January 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Previous AGAAP
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.

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.

From 1 January 2005
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The Group's derivative contracts do not qualify for hedge accounting. Changes in the fair value of any derivative instrument are recognised immediately in the income statement.

(v) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assest (including business combinations). Cost is measured as the fair value of the assets given, plus directly attributable costs. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquistion date. The excess of acquisition cost over the fair value of identifiable net assets acquired is recognised as goodwill (refer to note 1(n)).

(w) Earnings per share

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

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Rounding of amounts

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

	Consolidated 2005 $000	Consolidated 2004 $000	Parent entity 2005 $000	Parent entity 2004 $000
2 Expenses				
(a) Loss before income tax includes the following specific net expenses:				
Expenses				
Cost of sales of goods	276,917	286,406	276,901	285,534
Amortisation of other intellectual property	602	452	602	452
Amortisation of software	2,729	2,729	2,729	2,729
	3,331	3,181	3,331	3,181
Depreciation :				
Buildings	455	404	418	404
Leasehold improvements	668	226	668	198
Plant and equipment	11,528	8,134	10,544	8,134
Total depreciation	12,651	8,764	11,630	8,736
Finance costs - net				
Interest and finance charges paid/payable				
- Controlled entities	-	-	3,294	3,052
- Other persons	5,558	4,198	5,360	4,198
- Exchange losses on foreign currency borrowings	-	-	128	422
	5,558	4,198	8,782	7,672
Amount capitalised	(198)	(3,472)	(198)	(3,472)
Finance costs - net	5,360	726	8,584	4,200
Loss on sale of trade bills	-	556	-	556
Rental expenses relating to operating leases:				
Minimum lease payments	10,595	7,526	9,977	7,478
Amount set aside to provisions				
Employee entitlements	6,147	3,046	6,147	3,046
Warranty	-	(267)	-	-
Other charges against assets				
Write down of inventories to net realisable value	869	163	869	163
Bad and doubtful debt - trade debtors	625	550	625	550
Controlled entity receivable	-	-	-	(262)
Material items				
Restructuring costs	6,162	20,041	6,162	20,041
(Profit) from sale of property, plant and equipment	(393)	(709)	(393)	(709)
	5,769	19,332	5,769	19,332
3. Revenue and other income				
Revenue from continuing operations				
Sales revenue	310,874	322,696	279,184	321,658
Other, mainly revenue from sale of scrap material	28,196	34,141	28,196	34,141
	339,070	356,837	307,380	355,799
Other revenue				
Interest	221	259	163	151
Interest from associates	42	823	42	746
	339,333	357,919	307,585	356,696
Other income				
Net gain on disposal of property, plant and equipment	393	165	393	165
Gain on sale of business	-	555	-	555
Other	308	461	159	316
	701	1,181	552	1,036

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
4 Income tax expense				
(a) Income tax expense				
Decrease in deferred tax balances	223	25,915	-	24,452
Under / (over) provision for income tax in prior years	-	(124)	-	-
	223	25,791	-	24,452
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	(48,740)	(47,574)	(55,473)	(53,165)
Income tax calculated @ 30% (2004 - 30%)	(14,622)	(14,273)	(16,642)	(15,950)
Tax effect of non-deductible items:				
Share of net profits of associates	(699)	(493)	-	-
Sundery items	(49)	(18)	-	63
Income tax adjusted for permanent differences	(15,370)	(14,784)	(16,642)	(15,887)
Effect of higher rates of tax on overseas income	69	32	-	-
Deferred tax benefits not recognised in relation to the current year	15,524	15,516	17,743	15,878
Deferred tax benefits not recognised in relation to the current year - transferred to subsidiaries	-	-	(1,101)	(689)
	223	764	-	(698)
Under / (over) provision in prior years	-	(124)	-	-
Deferred tax assets de-recognised in relation to prior years	-	25,150	-	25,150
Income tax expense	223	25,790	-	24,452
(c) Net deferred tax debited/(credited) directly to equity (note 26)	55	250	-	-
(d) Tax losses				
Accumulated unused gross tax losses for which no deferred tax asset has been recognised	184,720	129,247	184,720	129,247
Potential tax benefit @ 30%	55,416	38,774	55,416	38,774

All unused tax losses were incurred by Australian entities.

No part of deferred tax asset shown in note 17, which relates to the New Zealand operations, is attributable to tax losses.

CAPRAL ALUMINIUM LIMITED

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5. Segment Information

In 2005 the consolidated entity operated in one business segment, extrusion and distribution of aluminium products and one geographical segment, Australia. Consequently, a segment report for 2005 has not been reported.

In 2004, the consolidated entity's reportable segment was by geographic region.
The 2004 segment information is reported in Australia as continuing and New Zealand as discontinued.
Discontinued operations in Australia for 2004 referred primarily to former Hockney, Smelter, Foil, Sheet, and Remelt operations.

	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	35,223	-	-		35,223
	357,919	-	-		357,919
Unallocated Revenue [1]					1,181
Total Revenue					359,100
Segment Result:					
Before material items	(30,473)	262	-		(30,211)
Material items (note 2)	(19,332)	-	-		(19,332)
Including material items	(49,805)	262	-		(49,543)
Unallocated share of net profits from associate					1,613
Unallocated revenue less unallocated expenses [2]					356
Consolidated operating (loss) before income tax					(47,574)
Income tax expense					25,791
Net (loss)					(73,365)
Segment Assets	271,708	-	1,223	-	272,931
Unallocated assets [3]					16,646
Total assets					289,577
Segment Liabilities	61,536	-	360	-	61,896
Unallocated liabilities [4]					70,788
Total liabilities					132,684
Acquisitions of property, plant and equipment	39,324	-	-	-	39,324
Investments in associates	-	-	-	-	
Unallocated investments in associates					10,303
Total investments in associates					10,303
Depreciation and amortisation expense	11,945	-	-		11,945

1 includes interest received.

2 includes interest income and interest expense

3 includes tax asset balances and loans and investments in equity accounted associate

4 includes tax liability balances and borrowings.

CAPRAL ALUMINIUM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
6 Current assets - Cash and cash equivalents				
Cash at bank and in hand	3,451	1,388	156	285
7 Current assets - Receivables				
Trade receivables	88,886	55,222	57,530	55,042
Provision for doubtful receivables	(1,038)	(885)	(784)	(779)
	87,848	54,337	56,746	54,263
Non-trade debts owing by controlled entities	-	-	1,251	1,280
Non-trade debts owing by related parties	-	6,289	132,564	6,205
Other debtors	944	1,594	978	1,586
	88,792	62,220	191,539	63,334
8 Current assets - Inventories				
Raw materials and stores - at cost	28,750	10,673	24,957	10,673
Work in progress - at cost	1,517	1,567	1,517	1,567
Finished goods - at cost	60,505	32,416	37,181	32,416
Less provision for obsolescence on finished goods	(2,789)	(1,195)	(2,064)	(1,195)
	87,983	43,461	61,591	43,461
9 Current assets - Prepayments				
Prepayments	4,639	4,626	2,470	4,626
10 Non-current assets - Receivables				
Other debtors	308	432	308	432
11 Non-current assets - Retirement benefit asset				
Pension surplus	1,891	1,963	-	-
12 Non-current assets - Investments				
Subsidiaries				
Subsidiaries at cost	-	-	34,295	34,293
Provisions for diminution in value	-	-	(2,110)	(2,110)
	-	-	32,185	32,183
Equity accounted investments				
Shares in associated entities at cost			5,439	5,439
Shares in associates (note 13)	12,273	10,303	-	-
	12,273	10,303	5,439	5,439

12 Non-current assets - Investments (cont'd)

Details of subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidairies:

	Equity holding		Country of
	2005	2004	Incorporation
Entity name	%	%	
Aluminium Extrusion & Distribution Pty Limited #	100	-	Australia
Capral Staff Superannuation Pty Limited	100	100	Australia
Capral Wages Superannuation Pty Limited	100	100	Australia
Aluminium Distributors Pty Limited	100	100	Australia
Controlled entity:			
Hockney Pty Limited**	100	100	Australia
Capral Finance Pty Limited	100	100	Australia
Capral Aluminium NZ Limited	100	100	New Zealand
Controlled entities:			
Capral Fiduciary Limited	100	100	New Zealand
Horizon Aluminium Products Limited**	100	100	New Zealand
Horizon Automatic Door Systems Pty Limited*	100	100	Australia

* An application to deregister Horizon Automatic Door Systems Pty Limited was lodged with ASIC during the financial year.
** Deregistered during the financial year.

Subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

13 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 (Incorporated)	Principal Activity	Ownership Interest 2005 %	Ownership Interest 2004 %	Consolidated carrying amount 2005 $000	Consolidated carrying amount 2004 $000	Parent entity carrying amount 2005 $000	Parent entity carrying amount 2004 $000
Unlisted							
Bremer Business Park (C) Pty Limited (Australia)	Property Development	50	50	2,000	2,000	2,000	2,000
National Aluminium Limited (NZ)	Aluminium Extrusion	50	50	10,273	8,303	3,439	3,439
				12,273	10,303	5,439	5,439

	Consolidated 2005 $000	*Consolidated* 2004 $000
Movements in carrying amounts		
Carrying amount at the beginning of the financial year	10,303	8,321
Share of profits from ordinary activities after income tax	2,331	1,613
Exchange difference on translation	163	369
Dividends received / receivable	(524)	-
Carrying amount at end of year	12,273	10,303
Share of associates profits		
Profits from ordinary activities before income tax	3,500	2,425
Income tax expense	(1,169)	(812)
Profits from ordinary activities after income tax	2,331	1,613
Less Dividends received / receivable	(524)	-
	1,807	1,613
Retained profits at the beginning of the financial year	4,542	2,929
Retained profits attributable to associates at end of year	6,349	4,542
Reserves attributable to associates		
Foreign Currency Translation Reserve		
Balance at the beginning of the financial year	516	77
Arising on translation	163	439
Balance at the end of the financial year	679	516
Share of associate's contingent liabilities	-	-
Share of associate's expenditure commitments		
Capital commitments	484	44
Lease commitments	2,479	1,971
	2,963	2,015
Summary financial information of associates (Capral's share)		
The aggregate profits, assets and liabilities of associates are:		
Revenues	57,684	36,508
Profits from ordinary activities after income tax expense	2,282	1,614
Assets	10,456	6,316
Liabilities	3,627	2,365

14 Related parties

Parent entities

The ultimate parent entity within the Group is Capral Aluminium Limited.
Guinness Peat Group Plc (incorporated in the United Kingdom) which holds 52.37% of the issued ordinary shares of the Company as at the date of this report, is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 12.

Directors

Details of the directors and remuneration of each director of Capral Aluminium Limited and each of the specified executives of the consolidated entity are set out in the Remuneration Report on pages 11 to 13.

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 were conducted on commercial terms and conditions at market rates.

	Consolidated		*Parent entity*	
	2005	2004	2005	2004
	$000	$000	$000	$000
Current amounts receivable from related parties				
Subsidiaries (note 7)	-	-	1,251	1,280
Associated entities (note 7)	-	6,289	132,564	6,205
Current amounts payable to related parties				
Subsidiaries (Note 19)	-	-	63,985	61,333
Associated entities (Note 19)	1,960	-	1,960	-
Dividend received or receivable				
Associated entities (note 13)	524	-	524	-
Interest expense				
Subsidiaries (note 2)	-	-	3,294	3,052
Interest income				
Associated entities (note 3)	42	823	42	746
Underwriting fee - renounceable rights issue				
Guinness Peat Group (Australia) Pty Ltd	3,503	624	3,503	624

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
15 Property, plant and equipment				
Land and buildings				
Freehold land and buildings				
At valuation	16,044	18,995	16,063	18,995
At cost	4,373	-	50	-
Accumulated depreciation	(411)	-	(393)	-
Net book amount	20,006	18,995	15,720	18,995
Leasehold property:				
At cost	5,971	1,415	5,971	1,415
Accumulated depreciation	(1,331)	(671)	(1,331)	(671)
Net book amount	4,640	744	4,640	744
Total land and buildings	24,646	19,739	20,360	19,739
Plant, machinery and equipment:				
At cost	185,501	91,446	173,954	91,600
Accumulated depreciation	(49,982)	(52,634)	(49,256)	(52,634)
Provision for impairment	(6,785)	(6,785)	(6,785)	(6,785)
	128,734	32,027	117,913	32,181
Construction work in progress at cost	7,965	98,624	5,918	98,624
Net plant, machinery and equipment	136,699	130,651	123,831	130,805
Total property, plant and equipment	161,345	150,390	144,191	150,544

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 being the amount for which the assets could be exchanged between willing parties in an arms length transaction. This is not materially different to the fair value at balance date.

Carrying amounts that would have been recognised if land and buildings were stated at cost

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
Freehold land				
At cost	5,910	6,790	5,460	6,790
Accumulated depreciation	-	-	-	-
Net book amount	5,910	6,790	5,460	6,790
Buildings				
At cost	14,507	12,205	10,653	12,205
Accumulated depreciation	(733)	-	(715)	-
Net book amount	13,774	12,205	9,938	12,205

15 Property, plant and equipment (continued)

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 improvements $'000	Plant & equipment $'000	In course of construction $'000	Total $'000
Consolidated						
2005						
Opening net book amount	7,690	11,305	744	32,027	98,624	150,390
Additions	450	3,923	4,575	11,992	6,197	27,137
Disposals	(2,230)	(677)	(11)	(613)	-	(3,531)
Transfers	-	-	-	96,856	(96,856)	-
Depreciation charge expense (note 2(a))	-	(455)	(668)	(11,528)	-	(12,651)
Net book amount at 31 December 2005	5,910	14,096	4,640	128,734	7,965	161,345
2004						
Opening net book amount	6,790	8,362	1,337	18,363	85,677	120,529
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 charge expense (note 2(a))	-	(404)	(226)	(8,134)	-	(8,764)
Net book amount at 31 December 2004	7,690	11,305	744	32,027	98,624	150,390
Parent entity						
2005						
Opening net book amount	7,690	11,305	744	32,181	98,624	150,544
Additions	-	50	4,575	33	4,150	8,808
Disposals	(2,230)	(677)	(11)	(613)	-	(3,531)
Transfers	-	-	-	96,856	(96,856)	-
Depreciation charge (note 2a)	-	(418)	(668)	(10,544)	-	(11,630)
Net book amount at 31 December 2005	5,460	10,260	4,640	117,913	5,918	144,191
2004						
Opening net book amount	6,790	8,362	878	18,517	85,677	120,224
Additions	-	3,367	74	22,936	12,947	39,324
Disposals	-	(3)	(10)	(1,138)	-	(1,151)
Revaluation (decrements) / increments	900	(17)	-	-	-	883
Depreciation charge (note 2a)	-	(404)	(198)	(8,134)	-	(8,736)
Net book amount at 31 December 2004	7,690	11,305	744	32,181	98,624	150,544

Construction work in progress at cost includes interest capitalised of $198,000 (2004: $3,472,000)

16 Intangible assets

	Goodwill	Other intellectual property	Software	Total
GROUP	$000	$000	$000	$000
2005				
Cost	83,208	15,687	17,594	116,489
Accumulated amortisation and impairment	(2,056)	(1,953)	(8,641)	(12,650)
	81,152	13,734	8,953	103,839
2004				
Cost	4,230	3,885	15,793	23,908
Accumulated amortisation and impairment	(2,056)	(1,351)	(5,912)	(9,319)
	2,174	2,534	9,881	14,589
PARENT				
2005				
Cost	4,230	5,687	17,440	27,357
Accumulated amortisation and impairment	(2,056)	(1,803)	(8,641)	(12,500)
	2,174	3,884	8,799	14,857
2004				
Cost	4,230	3,885	15,639	23,754
Accumulated amortisation and impairment	(2,056)	(1,351)	(5,912)	(9,319)
	2,174	2,534	9,727	14,435

Intangibles acquired in 2005 comprised goodwill and other intellectual property as detailed in note 42.
Additions to software during the year amounted to $1,801,432 (2004: $150,000)
Additions to other intellectual excluding business acquistions during the year amounted to $1,802,272 (2004: nil)
Amortisation expense relating to intangible assets is set out in note 2(a).
There were no disposals of intangible assets during 2005 or 2004.

		Consolidated 2005 $000	*Consolidated* 2004 $000	*Parent entity* 2005 $000	*Parent entity* 2004 $000
17	**Deferred tax assets**				
	Deferred tax asset	369	205	-	-

The deferred tax asset relates to provisions and accruals recognised in the profit and loss.

18	**Current liabilities - Payables**				
	Trade creditors	86,554	52,267	59,623	52,030
	Other creditors	4,919	5,312	3,111	5,312
		91,473	57,579	62,734	57,342
19	**Current liabilities - Interest bearing liabilities**				
	Unsecured loans:				
	Bank overdrafts (note 40)	7,349	7,010	5,697	7,010
	Trade bill	-	9,231	-	9,231
	Bank bill payable (note 29)	59,033	10,000	59,033	10,000
	Bank long term funding facility (note 29)	10,000	9,063	10,000	9,063
	Non-trade debts owing to controlled entities	-	-	63,985	61,333
	Non-trade debts owing to associated entities	1,960	-	1,960	-
	Other loans	48	48	48	48
		78,390	35,352	140,723	96,685
20	**Current liabilities - Provisions**				
	Employee entitlements (note 38)	4,724	2,801	2,267	2,801
21	**Non-Current Liabilities - Interest bearing liabilities**				
	Unsecured loans:				
	Bank long term funding facility (note 29)	29,400	34,867	29,400	34,867
22	**Non-current liabilities - Deferred tax liabilities**				
	Deferred tax liability	624	569	-	-

The deferred tax liability relates to $406,000 (2004: $319,000) retirement benefits recognised in the profit and loss and $218,000 (2004: $250,000) retirement benefits recognised through reserves.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent entity 2005 $000	Parent entity 2004 $000
23 Non-current liabilities - Provisions				
Employee entitlements (note 38)	623	570	490	570
Make good on leased assets	1,352	946	1,352	946
	1,975	1,516	1,842	1,516
24 Non-current liabilities - deferred income				
Deferred government grants	1,395	-	1,395	-

25 Contributed Equity

	Parent entity 2005 Shares '000	Parent entity 2004 Shares '000	Parent entity 2005 $000	Parent entity 2004 $000
(a) Share Capital				
Ordinary shares: Fully paid	194,631	97,315	298,562	149,583

(b) Movements in ordinary share capital

Date	Details	Notes	Number of Shares	Issue Price	$000
January-05	Balance at beginning of year		97,314,749		149,583
April-05	Rights issue	(e)	19,463,325	$1.70	33,088
	Rights issue transaction costs	(e)			(925)
June-05	Employee share scheme repayment				579
July-05	Employee share scheme repayment	38			3,131
October-05	Rights issue	(d)	77,852,962	$1.50	116,779
	Rights issue transaction costs	(d)			(3,673)
December-05	Balance at end of year		194,631,036		298,562

(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

Rights Issue
During October 2005 Capral completed the issue of 77,852,962 ordinary shares at $1.50 per share, consideration from the rights issue was $116,779,443. Transaction costs incurred in respect of the placement totalled $3,673,482 and was deducted from the ordinary shareholders equity.

(e) Share Issue

Rights Issue
During April 2005 Capral completed the issue of 19,463,325 ordinary shares at $1.70 per share, consideration from the rights issue was $33,087,652. Transaction costs incurred in respect of the placement totalled $924,534 and was deducted from the ordinary shareholders equity.

Employee Share Scheme
During the year the company received $3,710,000 in settlement of loans made to employees to purchase shares under the employee share scheme.

26 Reserves and accumulated losses	Consolidated 2005 $000	Consolidated 2004 $000	Parent entity 2005 $000	Parent entity 2004 $000
Asset revaluation reserve	4,462	6,645	4,852	7,035
Foreign currency translation reserve	1,434	701	-	-
Actuarial gains on retirement benefit fund	434	508	-	-
	6,330	7,854	4,852	7,035
Accumulated losses	(47,983)	(544)	(89,039)	(35,090)
	(41,653)	7,310	(84,187)	(28,055)

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
26 Reserves and retained profits (continued)				
Movements in reserves were:				
Asset revaluation reserve				
Balance at beginning of year	6,645	8,107	7,035	6,151
Revaluation (decrements) / increments	(659)	451	(659)	884
Transfer to distributable profits due to realisation	(1,524)	(1,913)	(1,524)	-
Balance at end of year	4,462	6,645	4,852	7,035
Foreign currency translation reserve				
Balance at beginning of year	701	-	-	-
Currency translation differences arising on translation of overseas subsidiaries and associate during year	733	701	-	-
Balance at end of year	1,434	701	-	-
Actuarial gains/(losses) on retirement benefit fund				
Balance at beginning of year	508	-	-	-
Arising on actuarial reviews, net of income tax	(74)	508	-	-
Balance at end of year	434	508	-	-
Retained profits				
Balance at beginning of year	(544)	72,530	(35,090)	44,149
Net loss attributable to members of Capral Aluminium Limited	(48,963)	(73,365)	(55,473)	(77,617)
Asset revaluation reserves realised	1,524	1,913	1,524	-
Dividends provided for or paid	-	(1,622)	-	(1,622)
Balance at end of year	(47,983)	(544)	(89,039)	(35,090)

27 Dividends

Ordinary shares				
Nil (2004: 2 cents per share special fully franked at 30%)	-	1,622	-	1,622
	-	1,622	-	1,622
Franked Dividends				
Franking credits available for subsequent financial years based on a tax rate of 30% (2004 - 30%)	27,105	27,105	27,105	27,105

28 Earnings per share

	Cents per Share	
Basic loss per share	(39.0c)	(81.5c)

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 125,523,177 (2004: 89,337,971).

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
29 Standby arrangements and credit facilities				
Utilised	106,749	61,242	105,097	61,242
Unutilised	43,751	51,547	45,403	51,547
Total available facilities	150,500	112,789	150,500	112,789

Details of the principal facilities are:

(a) The parent entity continues to utilise a bill acceptance / discount facility. On 31 October 2005, the amount of the facility increased to $80 million from $35 million. The unsecured bill acceptance/discount facility may be drawn at any time. At balance date the total amount drawn down on the bill acceptance/discount facility was $59.033 million after offsetting borrowing costs, at an average interest rate of 5.85%.

(b) The parent entity continues to utilise a $4 million trade loan facility with Hermes, which is being administered by the Australia and New Zealand Bank (ANZ). At 31 December 2005, Capral Aluminium Limited had drawn down $3.8 million of this facility at an interest rate of 6.4317%.

(c) In addition to the Hermes facility, a trade loan facility with SACE is also being administered by ANZ. At 31 December 2005, Capral Aluminium Limited had drawn down $35.6 million (2004: $49 million) of the $49 million (2004: $49 million) facility at an interest rate of 6.68%.

(d) The Group has an Overdraft facility with ANZ of $15 million (2004: $10 million) of which $7 million (2004: $7 million) was utilised at the end of the year. Average interest rate applicable of 6.8%.

(e) The parent entity has an Asset Finance Revolving facility with ANZ of $2 million (2004: nil) which was not utilised (2004: nil) at the end of the year.

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

	Consolidated 2005	Consolidated 2004	Parent entity 2005	Parent entity 2004
30 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	906	2,727	607	2,727
31 Commitments for expenditure - operating lease				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	14,938	9,962	14,938	9,962
Later than one year but not later than five years	36,337	27,657	36,337	27,657
Later than five years	80,877	86,263	80,877	86,263
	132,152	123,882	132,152	123,882
32 Commitments for expenditure - other				
Operating expenditure commitments, primarily aluminium billet*, not provided for in the accounts amounted to:				
Within one year	158,190	146,282	153,661	146,282
Later than one year but not later than five years	133,225	268,678	129,733	268,678
Later than five years	3,240	3,600	3,240	3,600
	294,655	418,560	286,634	418,560

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

33 Superannuation commitments

During the year the consolidated entity operated one (2004: 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, are as follows:

	Consolidated		*Parent entity*	
	2005	2004	2005	2004
	$000	$000	$000	$000
(a) Balance sheet amounts				
Fair value of defined benefit plan assets	10,080	10,109	-	-
Present value of defined benefit obligation	(8,813)	(8,793)	-	-
	1,267	1,316	-	-
Net asset before adjustment for contributions tax	1,267	1,316	-	-
Adjustment for contributions tax	624	647	-	-
Net asset in the balance sheet	1,891	1,963	-	-
(b) Categories of plan assets				
The major categories of plan assets are as follows:				
Cash	4	4	-	-
Equity instuments	4,848	4,987	-	-
Debt instruments	5,228	5,118	-	-
	10,080	10,109	-	-
(c) Reconciliations				
Reconciliation of the present value of the defined benefit obligation, which is fully funded:				
Balance at beginning of year	8,793	8,712	-	-
Current service cost	67	146	-	-
Interest cost	174	359	-	-
Actuarial gains and losses	31	(155)	-	-
Benefits paid	(360)	(741)	-	-
Exchange variation	108	472	-	-
Balance at end of year	8,813	8,793	-	-
Reconciliation of the fair value of plan assets:				
Balance at beginning of year	10,109	9,444	-	-
Expected return on plan assets	288	532	-	-
Benefits paid	(360)	(741)	-	-
Actuarial gains and losses	(31)	353	-	-
Exchange variation	74	521	-	-
Balance at end of year	10,080	10,109	-	-

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
33 Superannuation commitments (continued)				
(d) Amounts recognised in income statement				
Current service cost	(146)	(67)	-	-
Interest cost	(359)	(174)	-	-
Expected return on plan assets	531	272	-	-
Net actuarial losses (gains) recognised in year	26	31	-	-
Withholding tax	13	15	-	-
Total included in employee benefits expense	39	46	-	-
(e) Amounts recognised in actuarial gains reserve				
Actuarial gains/(losses) recognised in year	508	(74)	-	-
Withholding tax	250	(36)	-	-
	758	(110)	-	-
(f) Amounts recognised in foreign currency translation reserve				
Actuarial gains/(losses) recognised in year	71	(10)	-	-

(g) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated	
	2005	2004
Salary increase rate	4.0%	4.0%
Expected return of plan assets	5.5%	5.5%
Salary increase rate	3.5%	3.5%

(h) Employer contributions

In accordance with the Trustee and Actuary's recommendation, no contributions were made in 2005 nor are any contributions anticipated for 2006. Actuarial assessments are made at no more than three yearly intervals and the last such assessment was made at 31 March 2005.

(i) Net financial position of the plan

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (31 March 2005), and a surplus of $1,891,000 was reported.

(j) Historic summary	2005	2004
	$000	$000
Defined benfit plan obligation	(7,487)	(7,549)
Plan assets	10,717	10,772
Surplus	3,230	3,223
Experience adjustments arising on plan liabilities	62	60
Experience adjustments arising on plan assets	(55)	(45)

34 Financial instruments

(a) Derivative instruments

Forward exchange contracts

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

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$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	-	1,472
	-	2,531	-	2,531

Trade accounts receivable and payable at balance date include aggregate net payables of Consolidated $344,700 (2004: net receivables $927,115) Company $344,700 (2004: net receivables $927,115) in respect of sales and purchases due in foreign currencies.

Metal contracts

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

	Parent entity and Consolidated			
	2005	2004	2005	2004
	Tonnes	Tonnes	$000	$000
Contracts to sell aluminium:				
Aluminium billet	-	-	-	-
Contracts to buy aluminium:				
Aluminium billet	-	774	-	1,845

Interest rate swaps

The group has entered into interest rate swaps which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The fixed interest rate is 5.35%, and the variable rates range from 6.31% to 6.68% At 31 December 2005 the notional principal amounts outstanding totalled $39.4 million (2004: $41 million) maturing within 12 months.

34 Financial instruments (cont'd)

(a) Derivative instruments(cont'd)

Gains and losses

Amounts receivable and payable on interest rate swaps, open foreign exchange contracts and metal contracts are included in other debtors and other creditors as appropriate..

The following gains, losses and costs have been deferred at 31 December 2005:

	Parent entity and Consolidated 2005 $000	2004 $000
Unrealised gains	-	31
Unrealised losses	-	(97)
Costs of contracts	-	(67)
Net Gains and costs	-	(133)

(b) Interest rate risk

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

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

2005	**Floating interest rate $000**	**1 year or less $000**	**Over 1 to 5 years $000**	**Non-interest bearing $000**	**Total $000**
Financial Assets					
Cash	3,451	-	-	-	3,451
Receivables	-	-	-	89,100	89,100
Total financial assets	3,451	-	-	89,100	92,551
Weighted average interest rate	5.45%				
Financial liabilities					
Bank overdrafts and loans	7,349	-	-	-	7,349
Bills payable	59,033	-	-	-	59,033
Other loans	41,360	-	-	48	41,408
Trade and other creditors	-	-	-	98,801	98,801
Interest rate swaps	(39,400)	39,400	-	-	-
Total financial liabilities	68,342	39,400	-	98,849	206,591
Weighted average interest rate	6.87%	5.35%	-	-	-
Net financial liabilities	(64,891)	(39,400)	-	(9,749)	(114,040)
2004					
Financial Assets					
Cash	1,388	-	-	-	1,388
Receivables	-	-	-	62,652	62,652
Total financial assets	1,388	-	-	62,652	64,040
Weighted average interest rate	5.45%				
Financial liabilities					
Bank overdrafts and loans	7,010	-	-	-	7,010
Trade Bill	9,231	-	-	-	9,231
Bills payable	10,000	-	-	-	10,000
Other loans	43,930	-	-	48	43,978
Trade and other creditors	-	-	-	61,896	61,896
Interest rate swaps	(41,000)	36,900	4,100	-	-
Total financial liabilities	29,171	36,900	4,100	61,944	132,115
Weighted average interest rate	6.31%	5.35%	5.35%		
Net financial (liabilities)/assets	(27,783)	(36,900)	(4,100)	708	(68,075)

34 Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Reconciliation of net financial assets / (liabilities) to net assets

	Consolidated	
	2005	2004
	$000	$000
Net financial liabilities as above	(114,040)	(68,075)
Non-financial assets and liabilities		
Inventories	87,983	43,461
Prepayments and deferred charges	4,639	4,626
Investments	12,273	10,303
Property, plant and equipment	161,345	150,390
Intangibles	103,839	14,589
Pension surplus	1,891	1,963
Other assets	369	205
Provisions and deferred income	(1,390)	(569)
	256,909	156,893

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.

(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.

35 Contingent liabilities

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 consolidated entity.

The company's bankers have granted guarantees in respect of rental obligations on lease commitments. These guarantees total $5,952,150.

Grants received of $2 million from the Queensland government are subject to compliance with certain performance criteria, and may be subject to repayment.

36 Director and executive disclosures

Details of the remuneration of each director of Capral Aluminium Limited and each of the specified executives of the consolidated entity are set out in the Remuneration Report on pages 11 to 13 of the Directors Report.

37 Remuneration of auditors

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
PricewaterhouseCoopers - Australian firm				
Audit or review of financial reports of the entity or any entity in the consolidated entity	486,439	315,000	332,789	315,000
Other audit-related work	-	2,100	-	2,100
Other assurance services - IFRS	62,211	7,500	62,211	7,500
Total audit and other assurance services	548,650	324,600	395,000	324,600
Advisory services	-	2,750	-	2,750
Taxation	80,795	109,569	80,795	109,569
Total remuneration	629,445	436,919	475,795	436,919
Related practices of PricewaterhouseCoopers - Australian firm (including overseas PricewaterhouseCoopers firm)				
Taxation	6,050	4,677	-	-
Total remuneration	6,050	4,677	-	-

It is the Group'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 Group's policy to seek tenders for all major consulting projects.

38 Employee entitlement liabilities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
Provision for employee entitlements				
Current (note 18, 20)	9,643	8,113	5,378	8,113
Non-current (note 23)	623	570	490	570
Aggregate employee entitlement liability	10,266	8,683	5,868	8,683
	Number		**Number**	
Employee numbers				
Number of employees as at 31 December 2005	1,096	779	752	779

38 Employee entitlement liabilities (cont'd)

Capral aluminium employee share plan

Eligible employees as determined by the Board may participate in the Plan, currently one employee is 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 was nil (2004: nil). The number of shares purchased under the plan by eligible employees during the current year is zero (2004: zero).

At 31 December 2005, loans outstanding, which have been deducted from share capital amounting to \$1,495,061 (2004: \$6,863,348) and 700,000 shares. During the year repayments of \$3,710,000 (2004: nil) have been added to share capital.

Other share based payments

Under the contract with Robin Freeman the company has granted to him for no cash consideration 1,200,000 share rights which may give rise to the issue to him of ordinary shares. Any shares issued to Mr Freeman will be purchased on-market. 400,000 of these share rights will be tested for vesting on each of 30 November 2007, 30 November 2008 and 31 July 2009. The contract includes vesting hurdles which require the company's total shareholder return to meet or exceed certain thresholds. The right to receive the shares has been valued at \$0.74 per share right based on the share price at the date of the contract discounted to give recognition to the vesting hurdles. The charge to profit for the period in respect of the current year is \$97,000 (2004: nil).

39 Events occuring after reporting date

No events have occurred after balance date that require additional disclosure.

40 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*	
	2005	2004	2005	2004
	$000	$000	$000	$000
Cash at bank and in hand (note 6)	3,451	1,388	156	285
Bank overdrafts (note 19)	(7,349)	(7,010)	(5,697)	(7,010)
	(3,898)	(5,622)	(5,541)	(6,725)

(ii) Reconciliation of loss after income tax to net cash outflow from operating activities

	2005	2004	2005	2004
Loss after income tax	(48,963)	(73,365)	(55,473)	(77,617)
Depreciation and amortisation	15,982	11,945	14,961	11,917
Impairment of fixed assets	-	5,459	-	5,459
Provision for doubtful trade debts	625	550	625	550
Gain on sale of business	-	555	-	555
Gain on sale of property, plant and equipment	(393)	(165)	(393)	(165)
Gain on foreign currency loan transactions	-	-	(128)	(422)
Change in assets and liabilities:				
Decrease in income tax payable	-	-	-	-
Decrease / (Increase) in net deferred taxes	(109)	25,012	-	24,933
Decrease/(Increase) in current receivables	(36,583)	4,034	(2,727)	6,769
Decrease/(Increase) in inventories	(17,393)	4,671	(18,130)	4,643
Decrease/(Increase) in prepayments and deferred charges	491	(615)	2,156	(615)
Decrease/(Increase) in non current receivables	124	(139)	124	(139)
(Decrease)/Increase in trade creditors	34,497	3,498	5,392	4,450
(Decrease)/Increase in employee entitlement provisions	(3,220)	(1,364)	(614)	(1,377)
Increase/(Decrease) in other non current provisions	(459)	(267)	326	-
Increase/(Decrease) in non current deferred income	1,395	-	1,395	-
Net cash outflow from operating activities	(54,006)	(20,191)	(52,486)	(21,059)

(iii) Details of finance facilities are included in Note 29 to the financial statements.

41 Non-cash financing and investing activities

There were no non-cash finance and investing activities during 2005 or 2004.

42 Business combinations

(a) Summary of acquisition

On 31 October 2005 Aluminium Extrusion and Distribution Pty Limited (formerly Kibe Enterprises Pty Ltd), a wholly owned entity, acquired an aluminium extrusion and distribution business from Crane Enfield Metals Pty Limited.

The acquired businesses contributed sales revenues of $31,699,276 and net profit of $1,162,101 to the Group for the period from 1 November 2005 to 31 December 2005. The revenues and net profits of the Group had the acquistion occurred at the start of the year has not been presented as the acquiree had insufficient detailed and reliable information available.

Details of the provisional fair value of the assets and liabilities acquired are as follows:

	$000
Purchase consideration:	
Cash paid	124,409
Direct costs relating to the acquisition	4,947
	129,356
Provisional fair value of net identifiable assets acquired	50,378
Goodwill	78,978

(b) Purchase consideration

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$000	$000	$000	$000
Cash consideration	129,356	-	-	-

At the date of this financial report no additional payments are anticipated.

(c) Assets and liabilities acquired

The business acquired is considered to be a separate cash generating unit. The recoverable amount of the cash generating unit including the provisional amount of goodwill noted above has been estimated using fair values less costs to sell based on the price paid to the vendor at 31 October 2005 having assessed that there were no issues arising in the two months since acquisition that would have materially influenced the purchase price paid. No impairment has been recorded.

The assets and liabilities arising from the acquisition are:

	Provisional Fair value $000
Inventories	27,129
Prepayments	504
Property, plant and equipment	17,950
Intangible assets: trademarks	1,000
Intangible assets: designs	5,000
Intangible assets: patents	4,000
Accrued expenses	(9)
Provision for employee benefits	(5,196)
	50,378

The carrying amounts of assets and liabilities immediately before the combination have not been presented as it is impractible to do so since the acquiree had insufficent detailed financial information available.

The goodwill is attributable to the profitability of the business acquired and synergies expected to be realised after the groups acquisition of the acquired businesses. The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

Note 43. Explanation of transition to Australian equivalents to IFRSs

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

(a) At the date of transition to AIFRS: 1 January 2004

		CONSOLIDATED			*PARENT*		
	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		2,646	-	2,646	1,436	-	1,436
Receivables	4 (b)	61,687	11,540	73,227	61,543	11,540	73,083
Inventories		48,132	-	48,132	48,104	-	48,104
Other	4 (j)	4,313	(387)	3,926	4,313	(387)	3,926
Total current assets		116,778	11,153	127,931	115,396	11,153	126,549
Non-current assets							
Receivables	4(e)	7,478	(6,863)	615	7,478	(6,863)	615
Retirement benefit asset	4(d)	-	1,095	1,095	-	-	-
Investments accounted for using the equity method		8,321	-	8,321	5,439	-	5,439
Investments		-	-	-	32,183		32,183
Property, plant and equipment	4(c)	139,924	(2,319)	137,605	139,465	(2,319)	137,146
Intangible assets		5,781	-	5,781	5,781	-	5,781
Deferred tax assets		31,024	558	31,582	30,740	-	30,740
Total non-current assets		192,528	(7,529)	184,999	221,086	(9,182)	211,904
Total assets		309,306	3,624	312,930	336,482	1,971	338,453
LIABILITIES							
Current liabilities							
Payables	4 (h)	54,274	(258)	54,016	53,814	(258)	53,556
Financial liabilities	4 (b)	-	11,540	11,540	-	11,540	11,540
Current tax liabilities		-		-	-	-	-
Interest bearing liabilities		10,881	-	10,881	68,026	-	68,026
Provisions		3,656	-	3,656	3,656	-	3,656
Total current liabilities		68,811	11,282	80,093	125,496	11,282	136,778
Non-current liabilities							
Deferred tax liabilities	4 (k)	3,471	2,677	6,148	3,471	2,677	6,148
Interest bearing liabilities	4 (j)	26,638	(387)	26,251	26,638	(387)	26,251
Provisions	4 (g)	1,104	896	2,000	837	896	1,733
Total non-current liabilities		31,213	3,186	34,399	30,946	3,186	34,132
Total liabilities		100,024	14,468	114,492	156,442	14,468	170,910
Net assets		209,282	(10,844)	198,438	180,040	(12,497)	167,543
EQUITY							
Contributed equity	4 (e)	124,664	(6,863)	117,801	124,664	(6,863)	117,801
Reserves	4(a)	13,802	(5,695)	8,107	8,828	(2,677)	6,151
Retained profits	4 (l)	70,816	1,714	72,530	46,548	(2,399)	44,149
Total equity		209,282	(10,844)	198,438	180,040	(11,939)	168,101
		-			-		

Note 43. Explanation of transition to Australian equivalents to IFRSs

(b) At the end of last reporting period under previous AGAAP: 31 December 2004

		Consolidated			*Parent*		
	Notes	**Previous AGAAP $'000**	**Effect of transition to AIFRS $'000**	**AIFRS $'000**	**Previous AGAAP $'000**	**Effect of transition to AIFRS $'000**	**AIFRS $'000**
ASSETS							
Current assets							
Cash and cash equivalents		1,388	-	1,388	285	-	285
Receivables	4 (b)	52,989	9,231	62,220	54,103	9,231	63,334
Inventories		43,461	-	43,461	43,461	-	43,461
Other	4 (j)	4,928	(302)	4,626	4,928	(302)	4,626
Total current assets		102,766	8,929	111,695	102,777	8,929	111,706
Non-current assets							
Receivables	4(e)	6,965	(6,533)	432	6,965	(6,533)	432
Retirement benefit asset	4(d)	-	1,963	1,963	-	-	-
Investments accounted for using the equity method	4(f)	10,152	151	10,303	5,439	-	5,439
Investments		-	-	-	32,183	-	32,183
Property, plant and equipment	4(c)	157,329	(6,785)	150,544	157,329	(6,785)	150,544
Intangible assets	4(f), 4(c)	14,589	(154)	14,435	14,589	(154)	14,435
Deferred tax assets		205	-	205	-	-	-
Total non-current assets		189,240	(11,358)	177,882	216,505	(13,472)	203,033
Total assets		292,006	(2,429)	289,577	319,282	(4,543)	314,739
LIABILITIES							
Current liabilities							
Payables	4 (h)	57,772	(193)	57,579	57,535	(193)	57,342
Financial liabilities	4 (b)	-	9,231	9,231	-	9,231	9,231
Current tax liabilities		-	-	-	-	-	-
Interest bearing liabilities		26,121	-	26,121	87,454	-	87,454
Provisions		2,801	-	2,801	2,801	-	2,801
Total current liabilities		86,694	9,038	95,732	147,790	9,038	156,828
Non-current liabilities							
Deferred tax liabilities	4 (k)	-	569	569	-	-	-
Interest bearing liabilities	4 (j)	35,169	(302)	34,867	35,169	(302)	34,867
Provisions	4 (g)	570	946	1,516	570	946	1,516
Total non-current liabilities		35,739	1,213	36,952	35,739	644	36,383
Total liabilities		122,433	10,251	132,684	183,529	9,682	193,211
Net assets		169,573	(12,680)	156,893	135,753	(14,225)	121,528
EQUITY							
Contributed equity	4 (e)	156,446	(6,863)	149,583	156,446	(6,863)	149,583
Reserves	4(a)	12,971	(5,117)	7,854	9,712	(2,677)	7,035
Retained profits	4 (l)	156	(700)	(544)	(30,405)	(4,685)	(35,090)
Total equity		169,573	(12,680)	156,893	135,753	(14,225)	121,528

Note 43. Explanation of transition to Australian equivalents to IFRSs

(2) Reconciliation of loss for the year under previous AGAAP to loss under Australian equivalents to IFRSs (AIFRS)

(a) Reconciliation of loss for the year ended 31 December 2004

		Consolidated			*Parent*		
	Notes	**Previous AGAAP $'000**	**Effect of transition to AIFRS $'000**	**AIFRS $'000**	**Previous AGAAP $'000**	**Effect of transition to AIFRS $'000**	**AIFRS $'000**
Revenue from continuing operations		357,919	-	357,919	356,696	-	356,696
Other Income	4 (i)	3,944	(2,763)	1,181	3,799	(2,763)	1,036
Changes in inventories of finished goods and WIP		(5,466)	-	(5,466)	(5,438)	-	(5,438)
Raw materials and consumables used		(240,680)	-	(240,680)	(239,987)	-	(239,987)
Employee benefits expense	4 (d), 4 (h)	(96,085)	(25)	(96,110)	(95,823)	(65)	(95,888)
Depreciation and amortisation expenses	4 (f), 4 (c)	(12,434)	839	(11,595)	(12,384)	839	(11,545)
Borrowing costs expense		(726)	-	(726)	(4,200)	-	(4,200)
Share of net profits after tax from associates accounted for using the equity method of accounting	4 (f)	1,462	151	1,613	-	-	-
Impairment	4 (c)	-	(5,459)	(5,459)	-	(5,459)	(5,459)
Lease rental	4 (g)	(7,476)	(50)	(7,526)	(7,428)	(50)	(7,478)
Other expenses from ordinary activities	4 (e), 4 (i)	(43,818)	3,093	(40,725)	(43,995)	3,093	(40,902)
Loss before income tax		(43,360)	(4,214)	(47,574)	(48,760)	(4,405)	(53,165)
Income tax expense	4 (k)	27,591	(1,800)	25,791	26,571	(2,119)	24,452
Net loss attributable to members of Capral Aluminium Limited		(70,951)	(2,414)	(73,365)	(75,331)	(2,286)	(77,617)

Note 43. Explanation of transition to Australian equivalents to IFRSs

(3) Reconciliation of cash flow statement for the year ended 31 December 2004

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

(4) Notes to the reconciliations

(a) Foreign currency translation reserve: cumulative translation differences

The group has elected to apply the exemption in AASB 1 First - time Adoption of Australian Equivalents to International Financial Reporting Standards. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRSs. The effect is:

(1) At 1 January 2004
For the group the balance of $3,018,000 credit in the foreign currency transition reserve is reduced to zero. Retained earnings is increased by this amount.

(2) At 31 December 2004
For the group the balance of $3,018,000 credit in the foreign currency transition reserve is reduced to zero. Retained earnings is increased by this amount.

(3) For the year ended 31 December 2004
There is no effect on the group.

(b) Derecognition of financial assets
Under AASB 139 the group no longer derecognises financial assets where it has retained substantially all the risks and rewards of ownership. The recourse nature of a trade bill facility utilised by the Group has meant that it no longer meets the derecognition criteria. The effect is:

(1) At 1 January 2004
For the group there has been an increase in Receivables of $11,540,000 and an increase in Financial liabilities of $11,540,000.

(2) At 31 December 2004
For the group there has been an increase in Receivables of $9,231,000 and an increase in Financial liabilities of $9,231,000.

(3) For the year ended 31 December 2004
There is no effect on the group.

(c) Impairment
A recoverable amount assessment has been undertaken on Caprals cash generating units using a discount rate of 11%. This assesment was done at 1 January 2004 and also at 31 December 2004.

The effect of this is:

(1) At 1 January 2004
For the group there has been a decrease in plant and equipment of $2,319,000. Retained earnings has also decreased by $2,319,000.

(2) At 31 December 2004
For the group there has been a decrease in plant and equipment of $6,785,000 and a decrease in intangible assets of $621,000. Retained earnings has also decreased by $7,406,000.

(3) For the year ended 31 December 2004
For the group depreciation expense has decreased by $372,000 and Impairment expense increased by $5,459,000.

Note 43. Explanation of transition to Australian equivalents to IFRSs

(d) Retirement benefit assets

Capral Aluminium NZ Limited is the sponsor of a superannuation plan with a defined benefit obligation. Under previous AGAAP, cumulative gains and losses on the defined benefit obligation were not recognised on the balance sheet. At the date of transition an asset is recognised in non-current assets It is measured as the difference between the present value of the employee's accrued benefits at that date and the net market value of the superannuation funds assets at that date. The effect of this is:

(1) At 1 January 2004
For the group there has been an increase of $1,095,000 in Retirement benefit asset. Retained earnings has been increased by this amount.

(2) At 31 December 2004
For the group there has been an increase of $1,963,000 in Retirement benefit asset and an increase in Retained earnings by $1,893,000. Foreign currency translation reserve has increased by $70,000.

(3) For the year ended 31 December 2004
There has been a reduction in employee benefits expense $40,000.

(e) Share based payments

Under AASB 2 Share-based Payment from 1 January 2004 the group is required to recognise an expense for those shares that were issued to employees under the Capral Aluminium Share Scheme after 7 November 2002 but that had not vested by 1 January 2005. Loans granted to employees to acquire shres have been deducted from share capital. Provisions previously raised against the loans have been reversed. The effect of this is:

(1) At 1 January 2004
For the group there has been a decrease in share capital of $6,863,000 and a corresponding decrease in receivables.

(2) At 31 December 2004
For the group there has been a decrease in share capital of $6,863,000. Receivables has decreased by $6,533,000 and retained earnings has increased by $330,000.

(3) For the year ended 31 December 2004
For the group there has been a decrease in other expenses of $330,000.

(f) Business Combinations

Under AASB 3, the group does not amortise goodwill acquired in business combinations. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.
The group has elected not to restate any of its previous acquisition.
The effect of this is:

(1) At 1 January 2004
There is no effect on the group.

(2) At 31 December 2004
For the group there has been an increase in Intangible assets of $467,000 and a corresponding increase in retained earnings. There has also been an increase in Investments accounted for using the equity method of $151,000 and a corresponding increase in Retained earnings.

(3) For the year ended 31 December 2004
For the group, share of profits from associates has increased $151,000 and amortisation decreased by $467,000.

Note 43. Explanation of transition to Australian equivalents to IFRSs

(g) Leases
Under previous AGAAP Capral did not recognise a liability for make-good on its leases until incurred. The adoption of AIFRS has resulted in a change in accounting policy. At the date of transition Capral has recognised a liability for the make-good on its leased assets.
The effect of this is:

(1) At 1 January 2004
For the group there has been an increase in provisions of $896,000 and a decrease in retained earnings of $896,000.

(2) At 31 December 2004
For the group there has been an increase in provisions of $946,000 and a decrease in retained earnings of $946,000.

(3) For the year ended 31 December 2004
For the group, lease expense has increased $50,000.

(h) Leave entitlements
Under previous AGAAP Capral recognised annual leave liabilities at the amounts expected to be paid when the liabilities were settled. Under AIFRS Capral has changed its policy on annual leave to include discounting the future annual leave payments using market yields that match estimated future cash flows.
The effect of this is:

(1) At 1 January 2004
For the group there has been a decrease in payables of $258,000 and an increase in retained earnings of $258,000.

(2) At 31 December 2004
For the group there has been a decrease in payables of $193,000 and an increase in retained earnings of $193,000.

(3) For the year ended 31 December 2004
For the group, employee benefits expense has increased $65,000.

(i) Revenue
Under previous AGAAP Capral reported proceeds received from sale of property, plant & equipment and sale of businesses as revenue. Under AIFRS these amounts have been offset against the corresponding expenses in the income statement. The effect of this is:

(1) For the year ended 31 December 2004
For the group, other income has reduced by $2,763,000 and other expenses have reduced $2,763,000.

Note 43. Explanation of transition to Australian equivalents to IFRSs

(j) Borrowing costs
Under previous AGAAP Capral recognised transaction costs on borrowings in current assets and amortised them over the term of the loan on a straight line basis. Under AIFRS borrowings are measured at amortised cost using the effective interest method. The effect of this is:

(1) At 1 January 2004
For the group there has been a decrease in other assets of $387,000 and a decrease in interest bearing liabilities of $387,000.

(2) At 31 December 2004
For the group there has been a decrease in other assets of $302,000 and a decrease in interest bearing liabilities of $302,000.

(k) Deferred tax liability
Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 Income taxes has resulted in the recognition of deferred tax liabilities on revaluations of noncurrent assets. The effect of this is:
(1) At 1 January 2004
For the group there has been an increase in deferred tax liabilities of $2,677,000 and a decrease of $2,677,000 in retained earnings.

(2) At 31 December 2004
For the group there has been an increase in deferred tax liabilities of $569,000 and a decrease of $569,000 in retained earnings.

(3) For the year ended 31 December 2004
For the group, income tax expense has decreased $2,336,000.

(l) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

		CONSOLIDATED		*PARENT*	
	Notes	**1 January 2004 $'000**	**31 December 2004 $'000**	**1 January 2004 $'000**	**31 December 2004 $'000**
Foreign currency translation reserve	a	3,018	3,018	-	-
Impairment	c	(2,319)	(7,406)	(2,319)	(7,406)
Retirement benefit assets	d	1,095	1,135	-	-
Share-based payments	e	-	330	-	330
Goodwill	f	-	467	-	467
Equity accounted investments - goodwill	f	-	151	-	-
Leases	g	(896)	(946)	(896)	(946)
Employee expenses	h	258	193	258	193
Tax expense	k	558	2,358	558	2,677
Total adjustment		1,714	(700)	(2,399)	(4,685)

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 55 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 2005 and of their performance, as represented by the results of their operations and their 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.

P.J. Arnall	R Freeman
Chairman of Directors	Managing Director

Sydney
21 February 2006

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Independent audit report to the members of Capral Aluminium Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Capral Aluminium Limited (the Company) and the Capral Aluminium Limited Group (defined below) for the financial year ended 31 December 2005 included on Capral Aluminium Limited's web site. The Company's directors are responsible for the integrity of the Capral Aluminium Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Audit opinion

In our opinion:

1. 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 2005, 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 2000*;and

2. the remunerations disclosures that are contained in pages 11 to 13 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and Class Order 06/50 issued by the Australian Securities and Investments Commission.

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

Scope

The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of recognised income and expense, 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 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 11 to 13 of the directors' report, as permitted by Class Order 06/50.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and Class Order 06/50. 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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and Class Order 06/50.

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 remuneration disclosures, 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
21 February 2006

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2005 Full Year Results Review

CAPRAL ALUMINIUM LIMITED

Key Statistics

	$'000			%
	2005	2004	Variance	Variance
Volume Finished - Capral (tonnes)	43,668	52,930	(9,262)	-17%
Revenue - Capral	307,634	357,919	(50,285)	-14%
Revenue - Crane	31,699	0	31,699	
Revenue - Group	339,333	357,919	(18,586)	-5%
EBITDA	(27,398)	(34,903)	7,505	
EBIT	(43,380)	(46,848)	3,468	
NPAT	(48,963)	(73,365)	24,402	
Operating Cashflow Inflow/(Outflow)	(54,006)	(20,191)	(33,815)	
Debt	107,790	60,988	46,802	
Gearing	29.6%	28.0%	-1.6%	

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2005 Full Year Result

Key reasons for the full year trading loss:

- Continued high production costs during the commissioning phase at the new Bremer facility.
- Maintaining the production facilities at Eagle Farm (extrusion) and Milperra (painting) during the Bremer commissioning
- Loss of market share during the year
- Costs incurred to further restructure Capral's operations.

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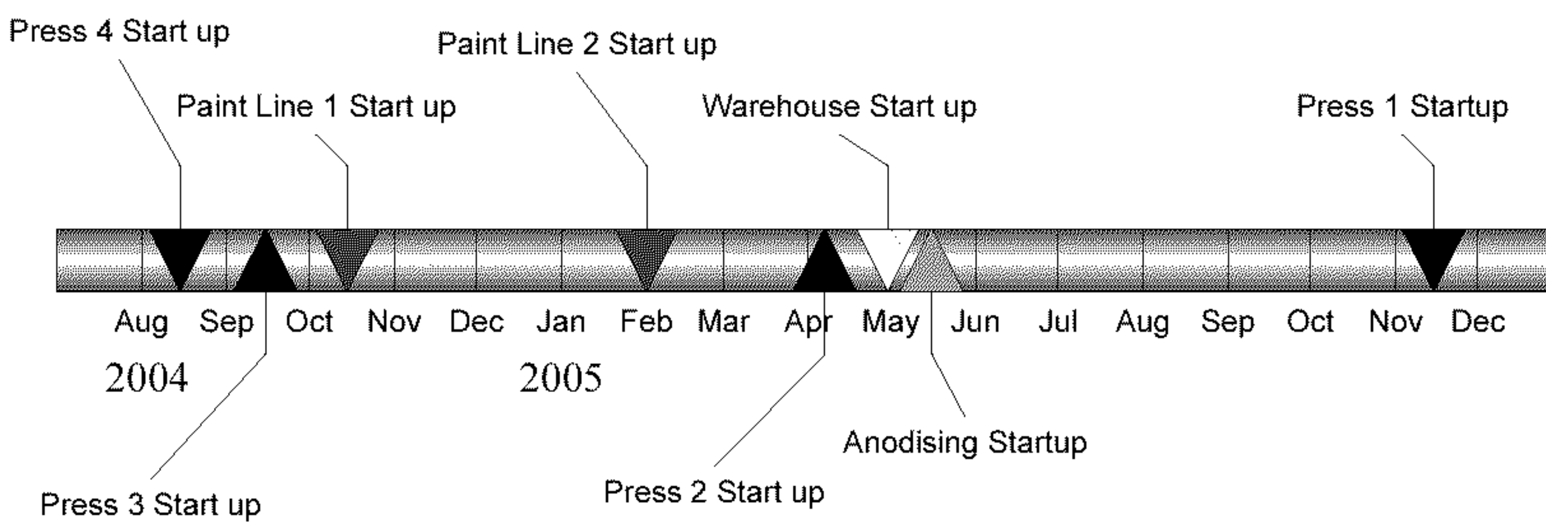
Bremer Commissioning

- Bremer's commissioning continued during 2005:



CAPRAL ALUMINIUM LIMITED

Bremer

- The Bremer commissioning phase has been longer than anticipated. The major reasons were:
  - High proportion of new employees, inexperienced in aluminium extrusion
  - Shortcomings in plant operating and production scheduling systems
  - Production bottlenecks occurred - insufficient ageing capacity for extruded metal was a particular issue
- Original expectations of the time to reach acceptable performance were unrealistic

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Loss of Sales and Market Share

Capral sales revenue, excluding the newly acquired Crane Aluminium business, was $50 million, or 14% lower than 2004, due to:

- Softening in some of our markets, particularly the building sector
- Continued strong local and overseas competition
- Shortcomings in the service offer of the Bremer facility during its commissioning, which affected sales to major customers and the ability to adequately stock Capral's distribution businesses .

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Restructuring

Restructuring costs were $6.2m:

- Closure of facilities at Eagle Farm and Milperra
- Redundancies due to new organisation structure.
- A strategic review leading to closure of the Micro Multiport tubes (MMP) business at Yennora.

➢ No material restructuring costs are anticipated in 2006

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Other Operations

- Canning Vale (WA)
  - Very efficient plant
  - High proportion of finished product
  - Good management & experienced team
  - Strong downstream presence
  - Reliable service offer
  - Profitable and making a good contribution
- Campbellfield (VIC)
  - Soft manufacturing sector impacting volumes
  - Increased productivity
  - Lower conversion costs
  - Further improvement required

CAPRAL ALUMINIUM

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Financial Position

- Two rights issues raised $145 million
  - Used to finance the completion of the facility at Bremer and the purchase of the Crane Aluminium businesses
- New multi-option bank facility to replace existing trade bill facilities
  - Negotiated with a short term to provide greater flexibility in future funding arrangements as the business stabilises
- Gearing (debt: debt & equity) is 29.6%
- Working Capital : Sales ratio of 16.8%

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Working Capital Management

- Inventory weeks (at 31 Dec) were 14
  - 2005 supply arrangements led to an overstock in aluminium billet
  - Newly negotiated supply agreements for raw material have presented us with greater flexibility in the volumes we purchase and hold in stock
- Debtor days (at 31 Dec) were 67
  - Opportunities to reduce through tighter management of collections

- The level of Working Capital presents a significant opportunity to generate cash in the

CAPRAL ALUMINIUM LIMITED
Crane Aluminium

- Key facts
  - Purchase price $124 million plus transaction costs of $5m
  - Trading results reported by Crane Group Limited:

	June 2005 Year $m	June 2004 Year $m
Sales	225.9	219.9
EBITDA	17.9	22.9
EBITA	13.8	19.4

- Status
  - Successfully completed end October 2005
  - Trading Nov/Dec 2005 in line with expectations

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Crane Aluminium

Crane Aluminium comprised 3 businesses:

- Crane Aluminium Extrusions
  - Operations at Angaston, South Australia, and Penrith, NSW
  - Produced about 22,000 tonnes of aluminium extrusions in 2005. Almost all of this production was for use in the residential and commercial building market
- Crane Aluminium Systems
  - Major distributor and marketer of custom designed aluminium extrusions and components in Australia.
  - These products are principally sold into the building market.
- Smart Aluminium
  - Leading stockist and distributor of standard aluminium rolled and extruded products

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Crane Aluminium

Strategic Rationale

- Good businesses, strong position in distribution
- Lifts market presence significantly, better positioned to compete with imports
- Substantial synergies
- Complementary capabilities – business model, facilities and people

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Combined Capability

Extrusion	Finishing	Distribution
Bremer (QLD) 2 x 7" presses 2 x 8" presses 35kT	**Bremer (QLD)** 2 x Vertical Paint 1 x Horizontal Paint 6 mill sqm 1 x Anodising 1 mill sqm	**Capral Distribution** • 5 RDC's (incl Fabrication) • 20 Trade Centres
Campbellfield (VIC) 1 x 12" press 9kT		
Canning Vale (WA) 1 x 7" press 9kT	**Canning Vale (WA)** 2 x Horizontal Paint 2 mill sqm	
Angaston (SA) 1 x 8" press 12kT	**Angaston (SA)** 1 x Horizontal Paint 1 mill sqm 1 x Vertical Paint 3 mill sqm	**Smart** • 20 centres
Penrith (NSW) 2 x 8" presses 12kT		**CAS** • 6 RDC's

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Capral /Crane Combination

Crane brings…..	Merged business gets…	Capral brings…..
Manufacturing know how (including die technology	Low cost manufacturing	State-of-the-art manufacturing assets
Committed customer volumes	High asset utilisation	Manufacturing capacity
Customer service reputation and distribution brand recognition	Strong customer service proposition	Significant brand legacy
Distribution into smaller end of residential building and light engineering markets	Distribution depth and coverage	Range/capability to service commercial/ shopfront and transport/ automotive
Sales and marketing know-how and proven R&D capabilities	Functional excellence	Efficient back-office platforms

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Crane Synergy Opportunities

- Synergies and profit enhancements are expected to be delivered through:
  - Manufacturing economies of scale
  - Consolidation of warehousing and freight
  - Procurement scale
  - Overhead reduction
  - Common business systems
- Synergies of more than $10m p.a expected by 2008

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Funding for Crane Aluminium and Next 12 Months

- Equity issue
  - 2 for 3 renounceable rights issue at $1.50
  - Underwritten by GPG
  - Raised $113m (net of 3% underwriting fee)
- Larger debt facility through ANZ bank
  - Unsecured facility of $80m, maturing end November 2006
- Funding covers purchase price, acquisition costs and other anticipated cash outgoings for 2006

CAPRAL ALUMINIUM LIMITED

Strategic Direction

- Capral's market leadership has been eroded by:
  - an increased presence of imported products
  - our own shortcomings – mainly service and quality issues.
- We are confident that this trend can be reversed through the execution of a sound strategy:
  - Bremer operating at competitive levels
  - Improving customer service – and regaining credibility in the market
  - Recovery of Capral's distribution and architectural systems businesses
  - Realisation of synergies from the combination of Capral and Crane Aluminium
  - Leveraging the skills and experience of our people to maximum benefit
  - Tight financial control

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Safety

- During 2005, in the combined Capral and Crane Aluminium businesses, 118 people were injured and required medical treatment.
- We are committed to improve performance in 2006 – with a targeted 25% reduction in injury rates. The plans to drive this change are:
  - Leadership : passionate and competent leaders working at the right level
  - People : engaged people demonstrating safe behaviours everyday
  - Risk reduction : a systematic approach to reducing high risk with clear Capral standards
- Good safety management translates to good business management and we expect to achieve business improvements as a result of a renewed focus on safety leadership.

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Bremer output

- Capacity constraints have been and are being progressively resolved, for example ageing ovens.

- Management capability and operator experience are substantially improved

- Significant opportunity still exists to improve performance, by:
  - running the plant faster
  - reducing maintenance stoppages
  - reducing production downtime
  - eliminating double handling in packing
  - improving die management
  - fixing and enhancing operating systems

- Production output rates, delivery performance and product quality are all improving

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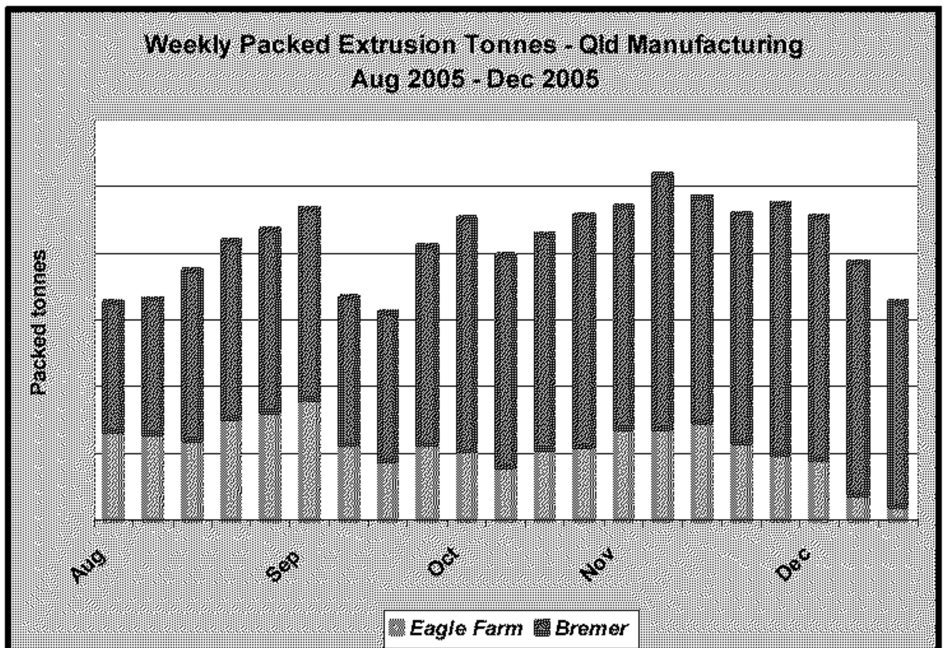
Bremer output

- Improved Bremer performance enabled the closure of Eagle Farm and Milperra



➢ There is still significant unused capacity

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Recovery of the Distribution Business

- Initiatives are in place to reinvigorate Capral's Distribution Businesses and recover market share, including:
  - clear separation of distribution from manufacturing businesses
  - the launch of a newly designed suite of windows and doors, *Genesis*, planned for March 2006
  - a program to revitalise our Trade Centre network

➢ The acquisition of Crane Aluminium Systems and Smart Aluminium greatly improve the strength of Capral's distribution network. They are focused on different market sectors from the existing Capral distribution businesses and, together give much better market penetration and coverage

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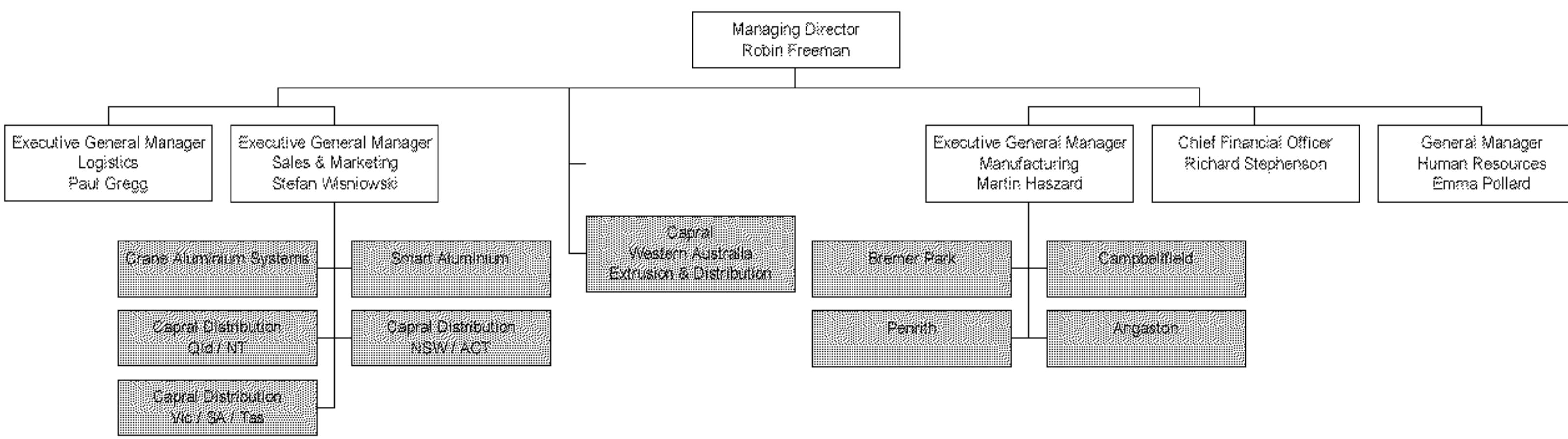
New Organisation Structure

- The Crane acquisition and business restructure provided the opportunity to strengthen the senior management team.
- A new organisation structure was introduced on 1 November 2005 to provide significant improvements in controlling performance, with Capral comprising 10 Businesses.



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Market Outlook for 2006

- Key Markets
  - Domestic dwelling market flat to declining
  - Commercial activity anticipated to grow strongly
  - Government spending on infrastructure expected to increase
  - Estimated weighted average growth of 2%

- Metal
  - Metal prices have been empirically high and are expected to soften during the year

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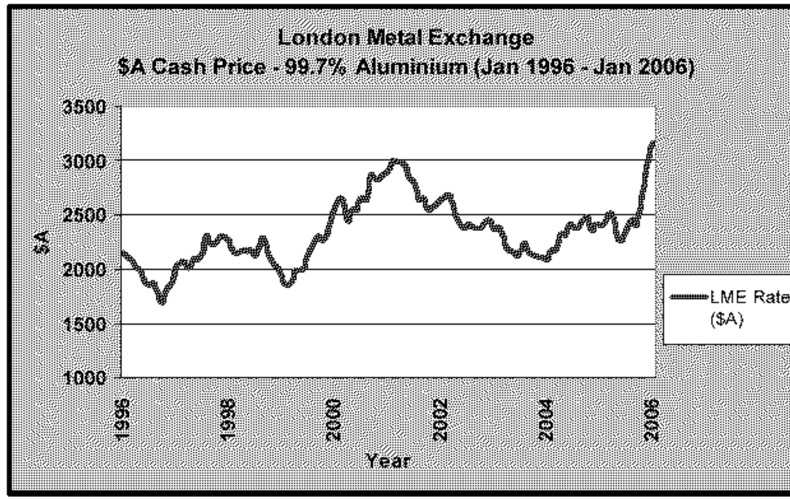
Metal Prices



- The cost of aluminium billet was 6% higher in 2005 than 2004
- In recent months, the price of metal has jumped dramatically, moving from an average of A$2,400/tonne in September 2005 to A$3,172/tonne in January 2006
- We have moved quickly to implement price increases to recover the increased cost of aluminium.

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Trading Outlook for 2006

- Trading conditions in our major markets will continue to be generally stable.
- Competition will continue to be vigorous.
- Regardless of overall trading conditions, our improvement plans will deliver better results.
- Our objective is to be in a position of generating cash in the second half of 2006.

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2006 Profit Improvements

- Crane Aluminium full year contribution
- Bremer Productivity and Output
- Closure of Eagle Farm and Milperra
- Volume growth in Capral's distribution businesses
- No significant restructuring activity
- Early merger synergies
- Reduced overheads

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2006 Cash Improvements

- Reduced losses
- Aluminium billet inventory
- Improved receivables
- Tight capital management

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Earnings Summary

	$'000			%
	2005	2004	Variance	Variance
Revenue from operations	339,333	357,919	(18,586)	-5%
EBITDA	(27,398)	(34,903)	7,505	22%
D&A	(15,982)	(11,945)	(4,037)	-34%
EBIT	(43,380)	(46,848)	3,468	7%
Interest Expense	(5,360)	(726)	(4,634)	-638%
(Loss) before Taxation	(48,740)	(47,574)	(1,166)	-2%
Taxation Expense/(Benefit)	223	25,791	(25,568)	99%
(Loss) after Taxation	(48,963)	(73,365)	24,402	33%

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Underlying Performance

	$'000			%
	2005	2004	Variance	Variance
EBIT	(43,380)	(46,848)	3,468	7%
Significant non-operating items				
Profit on sale of PPE	(393)	(709)	316	45%
Restructuring	6,162	20,041	(13,879)	69%
Impairment*	0	5,459	(5,459)	100%
Underlying EBIT performance	(37,611)	(22,057)	(15,554)	-71%

* Impairment of Automotive & Paint line assets

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EBIT comparison

	$'000
Underlying EBIT 2004	(22,057)
Underlying EBIT 2005	(37,611)
EBIT Variance	(15,554)
Drivers	
Volume	(11,856)
Price Mix	824
Manufacturing Variances (Bremer)	(12,773)
Overhead Reduction	6,023
Freight & Other	2,228
Total	(15,554)

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Balance Sheet

	31 December 2005 $'000	31 December 2004 $'000	Variance $'000
Current assets	184,865	111,695	73,170
Current liabilities	(174,587)	(95,732)	(78,855)
	10,278	15,963	(5,685)
Non-current assets	280,025	177,882	102,143
Non-current liabilities	(33,394)	(36,952)	3,558
	246,631	140,930	105,701
Net assets	256,909	156,893	100,016
Debt	107,790	60,988	(46,802)
Debt to Debt + Equity	*29.6%*	*28.0%*	-1.6%

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Cash Flow

	$'000		
	2005	2004	Variance
Net Cash (Outflow) from Operating Activities	(54,006)	(20,191)	(33,815)
Cash Flows from Investing Activities			
Capital Expenditure	(9,187)	(39,174)	29,987
Acquisition of Business Assets	(129,356)	0	(129,356)
Proceeds from Sale of PP&E	3,168	3,452	(284)
Other Items	(3,603)	(150)	(3,453)
Net Cash (Outflow) from Investing Activities	(138,978)	(35,872)	(103,106)
Cash Flow from Financing Activities			0
Proceeds/(Repayment) of Debt	43,753	20,935	22,818
Share Issue	145,269	31,782	113,487
Dividends Paid	0	(1,622)	1,622
Other Items	5,670	935	4,735
Net Cash Inflow from Financing Activities	194,692	52,030	142,662
Net Cash Inflow/(Outflow)	1,708	(4,033)	5,741

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Operating Working Capital Performance

	$'000		
Current Assets	2005	2004	Variance
Receivables	88,792	62,220	(26,572)
Inventories	87,983	43,461	(44,522)
Other Current Assets	4,639	4,626	(13)
Current Liabilities			0
Payables	(91,473)	(57,579)	33,894
Other Provisions	(4,724)	(2,801)	1,923
Operating Working Capital	85,217	49,927	(35,290)
Sales	339,333	357,919	(18,586)
WC to Sales	25.1%	13.9%	-11%
WC to Sales (Crane Annualised 2005)	16.7%	13.9%	-3%

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Adoption of AIFRS

The translation to the Australian equivalent to IFRS caused the following change to retained earnings at 31 December 2004

	$m
Foreign currency translation reserve	3.0
Retirement benefit assets	1.1
Asset impairment (Milperra and Yennora)	(7.4)
Tax expense	2.4
Other (items less than $1m)	0.2
Increase/(Decrease) in Retained Earnings	(0.7)

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