

THE PRELIMINARY REPORT GIVEN TO ASX UNDER LISTING RULE 4.3A

Appendix 4E - Preliminary Final Report

Name of Entity	CAPRAL LIMITED
A.B.N	78 004 213 692
Year Ended	31/12/2011
Reporting Period	1 January 2011 to 31 December 2011
Previous Period	1 January 2010 to 31 December 2010

Results for announcement to the market

	31 December 2011 \$'000	31 December 2010 \$'000	Change \$'000	Change %
2.1 Revenues from ordinary activities	348,562	399,666	(51,104)	(13)
2.2 (Loss)/profit from ordinary activities after tax attributable to members	(7,997)	6,732	(14,729)	-
2.3 Net (loss)/profit for the period attributable to members	(7,997)	6,732	(14,729)	-
2.4 Dividends	31 December 2011		31 December 2010	
	Amount per security	Imputed amount per security	Amount per security	Imputed amount per security
	no dividend declared for full year		no dividend declared for full year	

2.5 Record date for determining entitlements to and the date for payments of the dividends (if any)

Not Applicable

2.6 Explanation of 2.1 to 2.4

Please refer to the Managing Director's Report (included with this Report) and Capral 2011 Results Presentation lodged with this Report for explanation of the results.

3.0 Net Tangible Assets per security

	31 December 2011	31 December 2010
NTA (cents per share)	39.2	40.5
Number of shares	387,898,255	387,898,255

4.0 Entities over which control has been gained or lost

2011: Capral Aluminium NZ Limited - Deregistered, refer to Note 12.

2010: Austex Dies Pty Limited - Acquired 17 September 2010. For additional information, refer to Note 14.

5.0 Individual and total dividends

Not Applicable

6.0 Dividend or dividend reinvestment plans

Not Applicable

7.0 Associates and joint venture entities

Not Applicable

8.0 Basis of Preparation of Preliminary Final Report

This Report has been prepared in accordance with ASX Listing Rule 4.3A and has been audited.

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CHAIRMAN'S REPORT

The Company recorded a loss after tax of \$8.0 million for the year ended 31 December 2011 (2010: \$6.7 million profit, of which \$2.6 million resulted from the recognition of a portion of deferred tax assets).

The Australian aluminium extrusions market declined by an estimated 13% in 2011 as a result of lower construction activity in both the residential and commercial sectors. Private sector housing approvals in 2011 were the lowest recorded since 1996. In addition, manufacturing capacity increased with the introduction of new presses into the local market.

Whilst 2011 saw a disappointing reduction in volume and sales levels, there were a number of pleasing features to Capral's 2011 performance:

- Notwithstanding the additional local capacity, the Company's output volumes and revenues declined in line with the overall market, thereby maintaining Capral's market share.
- The Company's continued focus on operating efficiency and costs resulted in the daily EBITDA breakeven volume improving a further 6% on 2010. The daily breakeven volume has reduced by some 43% in the three years since 2008.
- The operating efficiencies and continuing cost savings resulted in an operating EBITDA of \$9.2million. A \$3million downward LME mark to market inventory valuation resulted in the reported EBITDA of \$6.2million (2010: \$19.2million).
- Despite the difficult trading conditions, the Company produced an operating cash flow from operations of \$8.8 million, resulting in net cash on hand at 31 December 2011 of \$14.8 million, a \$3.5 million improvement on the \$11.3 million net cash on hand a year earlier.

During the year the Company successfully renegotiated its finance facilities for a further three years with GE Capital on favourable terms.

The unacceptably low measures imposed by Customs on imports of aluminium extrusion from China have had no meaningful impact, with inflows from China continuing unabated. In addition, the undervalued Yuan continues to present a major competitive challenge not only to local aluminium extruders, but to Australian manufacturers at large. The Company is encouraged by the Government's anti-dumping reform agenda, which has already begun its passage, in part, through Parliament. The Government's establishment of a taskforce to pursue anti-circumvention activities also holds some promise that much needed surveillance of imports will improve. It is hoped that these initiatives will bring Australian manufacturers some way further towards a "fair go".

The coming year brings many challenges. In the absence of any meaningful uplift in construction activity, the Company expects volumes to remain in line with 2011 levels and faces pressure on costs and pricing. In addition, whilst the Company has a relatively modest carbon footprint, it is anticipated the introduction of the Carbon Tax in mid-2012 will add approximately \$1million to its second half costs. The lower sustainable operating cost base and other initiatives which have enabled the Company to achieve profitability at the EBITDA level for the past two and a half years will continue to gain traction.

No dividends have been declared or paid for the Financial Year. The Board will continue to consider the circumstances of the Company and its policy in regard to dividends on an annual basis.

2011 saw a number of changes to the senior executive team. Tertius Campbell, with many years in the steel industry, joined Capral as Chief Financial Officer. Dave Munro, previously with Fletcher's NZ, was appointed to head up our distribution division upon the retirement of Alan Simmonds. I would like to acknowledge the great contribution to Capral made by Martin Haszard, who has announced his retirement from March 2012. Richard Michael, who has many years of success with the Company, has been promoted to the EGM Manufacturing role.

I thank my co-directors for their invaluable assistance and contributions during the year. I would also like to extend the Board's appreciation to the entire Capral team for their dedication and extreme efforts during 2011. Finally, our thanks to all stakeholders for their continued support.



Rex Wood-Ward
Chairman

22 February 2012

MANAGING DIRECTOR'S REPORT

A Positive cash flow in a difficult market

Features:

- **EBITDA¹ profit of \$6.2m**
- **Net loss of \$8.0m**
- **Positive operating cash flow of \$8.8m**
- **Strong balance sheet with no debt**
- **Progress with Anti Dumping measures**
- **Improved safety outcomes**

Over the last three years, Capral has undertaken a fundamental transition process. A lean management structure has been put in place and a new operating philosophy inculcated. Under "Project Relaunch" over \$30m of underlying costs have been removed and the trading EBITDA breakeven level has improved by 43%. The Balance Sheet has been recapitalised, leading to the elimination of debt. Positive cash flow earnings have now been achieved for the last two years.

Despite these dramatic improvements, satisfactory financial returns from the business are yet to be realised and it is disappointing that 2011 did not continue the upwards trajectory in financial returns.

Capral and the industry generally face a number of headwinds.

- Subdued demand has yet to recover from the Global Financial Crisis. Negative consumer sentiment continues to hold back new housing starts, despite the pent up demand estimated to be around 120,000 homes of which 70% is in NSW. Capral derives almost 50% of its demand from the important new housing segment. Approvals fell by 14% in 2011, and the 2011 December quarter, was particularly weak. Non residential construction contributes around 25% of Capral's volume and this segment also remains anaemic with the month of December approvals around 20% lower than the prior year. Demand for aluminium extrusions generally has fallen 25% since its peak in 2007.
- Dumped extrusion imports, mainly from China, have continued to capture around 35% of the Australian market and drive down prices, despite winning an Anti Dumping case and duty measures being implemented. The actual level of measures of around 6% for larger importers compares to measures of 30% plus for similar products exported from China to the USA and Canada. There are indications of a concerning level of circumvention by importers of the measures imposed.

The Federal Government is pursuing a reform agenda of the Anti Dumping regime to bring it up to date and with an objective of enabling similar outcomes to other Western economies. A Government taskforce "Bluenet" is investigating circumvention activities in the Aluminium and other selected industries. These dumped products are being underpinned by Chinese Government subsidies and the fixing (manipulation) of the Chinese currency. On a level playing field, Australia can compete. It is vital that steps are taken which result in a meaningful reduction in the level of dumped products which are causing injury to Australian Industry, including the loss of Australian jobs and know how.

- A number of new aluminium presses have been recently installed in Australia by smaller participants. This extra capacity is adding downward pressure on the local industry's press utilisation rates.
- Input costs are rising, especially energy and labour. The high \$A constrains the prospects of recovery of these additional costs by selling price increases.

Capral is executing a comprehensive strategic plan with four major themes.

Firstly **DEFEND** what we have. Capral is Australia's largest manufacturer and distributor of quality Aluminium extrusions. We have a national footprint of world class extrusion plants, supported by a national distribution and logistics capability. We value our long term customer relationships and an experienced and committed workforce. A strong balance sheet is a real asset in these turbulent times.

¹ EBITDA – Earnings before Interest, Tax, Depreciation and Amortisation

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Secondly we **OPTIMISE** what we do. Project Relaunch spearheads the various efficiency and cost saving initiatives. The Lean Manufacturing program has been widely embraced by our production employees with 240 employees being awarded a certificate in Competitive manufacturing with a further 170 planned or underway. The aim of the program is to develop our people and provide them with a system to improve the way we do things. It particularly focuses on safety, delivery performance, quality, waste and reducing costs, ultimately providing a better product and service offer to our customers. We are seeing good results from Lean Manufacturing, i.e. delivery performance for the second half of 2011 from our extrusion plants was a highly commendable 96%.

In our Distribution business the focus is on capturing market share in specific areas, refining and rationalising our product and service offers, optimising the supply chain and at the same time reducing costs.

Project Relaunch delivered further cost savings of \$10.2m in 2011 helping to mitigate the negative volume, price and inflation impacts.

Thirdly, Capral has an ambition for **GROWTH** and is well placed to leverage the inevitable housing cycle upswing. Our presses are currently only 70% utilised and can be quickly ramped back up to capacity. Innovative new products are being developed and there are a number of geographic and channel to market initiatives underway.

Fourthly, Capral continues to play a leading role as we **PURSUE** a better Anti Dumping outcome. Capral is a foundation member of Manufacturing Australia which is an association of large Australian manufacturers recently formed, with a common aim of promoting the development of manufacturing in Australia. The Government has established a Trade Remedies Forum to help implement its Anti Dumping reform agenda. Capral is an active member.

Safety performance improved in 2011 with a 31% reduction in Lost Time injuries coupled with a 39% reduction in hours lost due to injuries. A number of plants and warehouses have demonstrated exceptional safety over long periods of time.

I continue to be impressed with the resilience and commitment of our employees. Our focus is on doing "more with less" and delivering a compelling value proposition for our customers. Mr Martin Haszard our Executive General Manager (EGM) of the Extrusion division has announced his retirement after 30 years of exceptional service with Capral. Mr Richard Michael, who has many years of experience with Capral, will step up to the EGM Manufacturing role.

Outlook

There does not appear to be respite from the tough trading environment in the short term. The recent weakness in housing approvals suggests market activity will remain subdued for much of 2012 but inevitably will move into its upswing cycle.

Capral expects its volumes to be similar to 2011 in the absence of a market uplift or a reduction in the level of imports.

A sustained high \$A will continue to put pressure on pricing and margins. Input costs will rise with the Carbon Tax linked electricity costs rising by around \$1m in the second half of 2012.

Project Relaunch cost savings are targeted to at least cover inflation and Carbon Tax impacts.

In these circumstances the EBITDA for 2012 is expected to be in the \$5m to \$8m range. Operating cash flow should be positive for the full year with an enhanced net cash position as at 31st December 2012.

Capral will continue to strive to strengthen its underlying business and enhance its competitive position, and is well placed to leverage any demand upturn or any positive developments in Anti Dumping measures.



Phil Jobe
Managing Director
22 February 2012

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BOARD OF DIRECTORS

Directors in office at the date of this report:

REX WOOD-WARD

Chairman of Board (Independent)

Appointed 6 November 2008

Chairman of the Board and Remuneration & Nomination Committee and member of the Audit Committee.

Mr Wood-Ward has over 35 years of international experience in general management, mergers and acquisitions, corporate strategy and structuring, including in manufacturing and distribution. He is currently a non-executive director of Coats plc which is unlisted.

Directorships of other listed companies held in last 3 years before end of the Financial Year: None

PHILIP JOBE B. Comm

Managing Director (Non-independent)

Appointed 24 April 2009

Mr Jobe was appointed as Capral's Chief Executive Officer and Managing Director in April 2009. Before joining Capral, Mr Jobe was the Executive General Manager of Boral Limited's Cement Division, including Managing Director of Blue Circle Southern Cement Pty Limited. This also encompassed the role of Chairman of the Cement Industry Federation. He also had executive responsibility for Boral's expanding Asian construction materials businesses.

Mr Jobe was previously Managing Director of Stegbar Pty Limited from 1989 to 1994.

Directorships of other listed companies held in last 3 years before end of the Financial Year: None

MICHAEL JEFFERIES B. Comm, CA

Non-executive director (Non-independent)

Appointed 6 November 2008

Member of the Audit Committee and the Remuneration & Nomination Committee.

Mr Jefferies is a Chartered Accountant who has extensive experience in finance and investment. He is currently an executive director of Guinness Peat Group (Australia) Pty Limited, Chairman of Touch Holdings Limited and a non-executive director of Tower Limited, Metals X Limited and Ozgrowth Limited.

Directorships of other listed companies held in last 3 years before end of the Financial Year:

- Non-executive director of Tower Limited: 19 December 2006 to Current.
- Non-executive director of Metals X Limited: 29 December 2006 to Current.
- Non-executive director of Ozgrowth Limited: 31 October 2007 to Current.
- Alternate Director of ClearView Wealth Limited: 27 July 2011 to Current.
- Non-executive director of ClearView Wealth Limited: 4 November 2008 to 27 July 2011.
- Alternate Director of eServGlobal Limited: 20 March 2009 to 24 October 2011.

IAN BLAIR M.mgt, FCA

Non-executive director (Independent)

Appointed 23 May 2006

Chairman of the Audit Committee and member of the Remuneration & Nomination Committee.

Mr Blair is a Chartered Accountant and Company Director. He spent almost 20 years as a partner in major accounting firm Deloitte, and retired after 5 years as CEO of that firm. Mr Blair is currently Chairman of IOOF Holdings Ltd and is a director of SAS Trustee Corporation (NSW State Superannuation Fund). He is Chairman of Bisley & Co Pty Ltd, and, within the last 3 years, retired as a director of Melbourne Business School Ltd and Sisters of Charity Health Service Ltd.

Directorships of other listed companies held in last 3 years before end of the Financial Year:

- Non-executive Chairman of IOOF Holdings Ltd: 3 May 2002 to Current.

ANTHONY EISEN B.Comm, CA

Non-executive director (Non-independent)

Appointed: 19 October 2006 (as an alternate director); 29 August 2008 (as a director)

Member of the Audit Committee and the Remuneration & Nomination Committee

Mr Eisen has over 15 years experience in commerce and financial advice. He is currently Chief Investment Officer at Guinness Peat Group and was previously an investment banker in Australia and the United States.

Directorships of other listed companies held in last 3 years before end of the Financial Year:

- Director of ClearView Wealth Limited: 12 November 2007 to Current.
- Director of eServGlobal Limited: 20 March 2009 to 24 October 2011.
- Alternate Director of Tower Limited: 12 December 2006 to 11 November 2011.

GRAEME PETTIGREW FIPA, FAIM, FAICD

Non-executive director (Independent)

Appointed 18 June 2010

Member of the Audit Committee and the Remuneration & Nomination Committee.

Mr Pettigrew has held chief executive roles at CSR Building Products Pty Ltd and Chubb Australia Ltd and he is currently a non-executive director of Adelaide Brighton Ltd, Bisalloy Steel Group Ltd and Knauf Plasterboard Pty Ltd. He has relevant experience in the construction and building materials industry, as well as manufacturing and distribution businesses.

Directorships of other listed companies held in last 3 years before end of the Financial Year:

- Non-executive director of Adelaide Brighton Ltd: 27 August 2004 to Current.
- Non-executive director of Bisalloy Steel Group Ltd: 24 April 2006 to Current.

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall corporate governance of Capral Limited (ABN 78 004 213 692) and its subsidiaries (referred to in this statement as **Capral**), including setting Capral's strategic direction, policies and practices, establishing goals for management and monitoring the achievement of those goals.

Capral is committed to implementing the highest possible standards of corporate governance and ensures wherever possible, that its practices are consistent with the Second Edition of the Australian Securities Exchange (ASX) *Corporate Governance Council's Principles and Recommendations*.

1. Lay Solid Foundations for Management and Oversight

1.1 Board and Management Roles

- (a) The Board's key responsibility is the creation, enhancement and protection of long-term shareholder value within an appropriate risk framework. The Board has adopted a formal charter that sets out responsibilities of the Board and Management (and in particular, the Managing Director) and is available on Capral's website, www.capral.com.au (under Corporate Governance). The Charter is reviewed and amended from time to time as appropriate.
- (b) Management's role is to manage Capral in accordance with the direction and delegations of the Board and it is the Board's responsibility to oversee the activities of management in carrying out these delegated duties.
- (c) Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of Capral and accordingly; any candidate is required to confirm that they have sufficient time to devote to their Board position prior to appointment.
- (d) Non-executive directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

1.2 Evaluation of senior executives

- (a) The Executive Management Team and other senior managers are provided with a formal job description and executive contract or letter of appointment describing their term, duties, rights, responsibilities and entitlements on termination. Senior managers are subject to a formal performance planning and review process on at least an annual basis, with performance being measured against qualitative and quantitative key performance indicators linked to applicable short term and long term incentive components of each senior manager's remuneration package.
- (b) The Executive Management Team undergoes an induction to gain an understanding of Capral's financial position, its strategies, operations and risk management framework and of the respective roles of the Board and management.

2. Structure the Board to add value

2.1 The Directors

- (a) The Board consists of 6 directors: the non-executive Chairman; the Managing Director; and 4 other non-executive directors.
- (b) Details of the directors, their term of office and their qualifications, skills and experiences are detailed in the Directors' Report.

2.2 Independence of Directors

- (a) The Board considers independent decision-making as critical to effective governance. Independent directors are those who have the ability to exercise their duties unfettered by any business or other relationship. The independence of non-executive directors is assessed by the Board against the definition outlined in the Board Charter.
- (b) The approach and attitude of each non-executive director is critical in determining independence and must be considered in relation to each director while taking into account all relevant factors, that may include whether or not the non-executive director:
 - (1) is a substantial shareholder of Capral or an officer of, or otherwise associated directly with a substantial shareholder of, Capral;
 - (2) is, or has previously been, within the last 3 years, employed in an executive capacity by Capral or another group member, or been a director after ceasing to hold any such employment;
 - (3) is, and has been, within the last 3 years, a principal or employee of a material professional adviser or a material consultant to Capral or another group member. In this context and as a guide, the relationship with the professional adviser or consultant may be deemed to be material if payments from Capral exceed 5% of Capral's annual expenditure to all professionals and consultants or exceed 5% of the recipient's annual revenue for advisory or consultancy services;
 - (4) is a material supplier or customer of Capral or other group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer. In this context and as a guide, the relationship with the supplier or customer may be deemed to be material if annual payments to or from that supplier or customer exceed 5% of the annual consolidated gross revenue of Capral or of that supplier or customer;
 - (5) has a material contractual relationship with Capral or another group member other than as a director of Capral.

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- (c) The directors considered by the Board to be independent directors are Mr Pettigrew, Mr Blair and Mr Wood-Ward. It is the intention of Capral, in time having regard to its size, to appoint additional non-executive director(s) in order to comply with the recommendation that a majority of the Board should be independent; all current directors bring independent judgement to bear in Board deliberations and meetings of the independent directors are held as required.

2.3 Chair of the Board

The Chairman, Mr Wood-Ward, is an independent non-executive director and there is a clear division of responsibility between the Chairman and the Managing Director.

2.4 Appointment of Directors

- (a) The composition of the Board is balanced, with directors possessing a broad range of skills, experience, expertise, diversity, qualifications and contacts relevant to Capral's business. The Board (through the Remuneration & Nomination Committee) 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 operations of Capral that will best complement Board effectiveness. The Board recognises that it must be able to consider current and emerging business issues and challenge the performance of management. Further details of the procedure for the selection and appointment of new directors is set out in the Remuneration and Nomination Committee and Board Charters.
- (b) With the exception of the Managing Director:
- (1) directors appointed by the Board are required by Capral's constitution to submit themselves for re-election by shareholders at the Annual General Meeting following their appointment; and
 - (2) no director will 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.

2.5 Remuneration & Nomination Committee

- (a) The Board has established a Remuneration & Nomination Committee that is primarily responsible for determining remuneration and monitoring and reviewing the performance of the Board, its committees, individual directors and senior management. The Committee is responsible for assessing the necessary desirable competencies of Board members, reviewing Board succession plans and providing recommendations for the appointment and removal of directors. Recommendations of the Committee are given to the Board for their consideration and approval.
- (b) The Committee Charter is reviewed regularly and is available on Capral's website, www.capral.com.au (under Corporate Governance).

- (c) Given the number of directors, the Committee comprises all of the 5 non-executive directors (3 of whom are independent) and is chaired by Mr Wood-Ward (an independent non-executive director).

- (d) Details of Committee members, their Committee meeting attendance and their qualifications are set out in the Directors' Report.

2.6 Induction and Access to Information

- (a) Newly appointed non-executive directors will be given sufficient knowledge, via an induction program, to ensure that they have a sound working understanding of Capral and the aluminium industry. This includes meetings with key executives, tour of key operating site(s) (to the extent practicable), the provision of an induction package containing key corporate information and management presentations. In order to achieve continuing improvement in Board performance, all directors are encouraged to undergo continual professional development.
- (b) The directors have access to all relevant information. Directors may meet with, or independent of, management at any time to discuss any areas of interest or concern. Each director is entitled to seek independent professional advice to assist them to carry out their responsibilities, at Capral's expense, after approval of the Chairman is obtained. Where appropriate, a copy of this advice is to be made available to all other members of the Board.
- (c) The Board participates in an annual self-assessment, with the outcomes substantially addressed (as appropriate).

3. **Promote Ethical and Responsible Decision-Making**

3.1 Code of Conduct

- (a) The Board acknowledges the need for, and continued maintenance of, the highest standard of ethics, and seeks to ensure that all directors, senior management and employees of Capral act honestly, transparently, diligently and with integrity.
- (b) Capral has implemented a Code of Conduct for all employees (including directors) which is intended to promote ethical and responsible decision-making in all stakeholder relationships in order to maintain confidence in Capral's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Board, senior management and all other employees of Capral are committed to implementing this Code of Conduct and each individual is accountable for such compliance.
- (c) Capral has established a Complaints (Whistleblower) Policy which outlines the process for any employee or contractor of Capral who wishes to report certain conduct. This complaints process can be anonymous and provides protection against action that may be taken in reprisal for disclosing such conduct.

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- (d) A copy of the Code of Conduct is given to employees, contractors and relevant personnel. The Complaints (Whistleblower) Policy and a summary of the Code of Conduct are available on Capral's website, www.capral.com.au (under Corporate Governance).

3.2 Diversity

- (a) Although Capral has yet to adopt a formal Diversity Policy (and therefore not complied with Recommendation 3.2 or 3.3), Capral respects the benefits arising from workplace diversity to broaden perspective, improve performance and increase shareholder value. Capral aims to promote an environment conducive to the appointment of well qualified employees, senior managers and directors so that there is appropriate diversity to maximise the achievement of the corporate goals.
- (b) Capral has recruited women in non-traditional roles in its manufacturing operations and ensures that its employees have access to flexible work arrangements where appropriate.
- (c) Capral submitted a workplace program report for the period 1 April 2010 to 31 March 2011, and achieved compliance with the Equal Opportunity for Women in the Workplace Act 1999. The report is available through the EOWA website.
- (d) As at 31 December 2011, 25% of Capral's workforce were women and 14% of senior management positions were held by women. Capral does not have any women on its Board.
- (e) Capral has not fully complied with the Recommendations regarding diversity but the steps taken by it are appropriate given the size of the company and the nature of its operations.

4. **Safeguard Integrity in Financial Reporting**

4.1 Establishment of Audit Committee

- (a) The Board has established an Audit Committee that is primarily responsible for determining, monitoring and reviewing the reliability and integrity of Capral's financial information for inclusion in its financial statements; the effectiveness of internal financial controls; the independence, objectivity and competency of the external auditors; and the policies on risk oversight and management.
- (b) The Audit Committee meets at least 3 times per year.

4.2 Structure

- (a) Given the number of directors, the Committee comprises all of the 5 non-executive directors (3 of whom are independent) and is chaired by Mr Blair (an independent non-executive director).
- (b) Details of Committee members, their Committee meeting attendance and their qualifications and financial expertise are set out in the Directors' Report. It includes members who are all financially literate, members with relevant financial

experience and members with relevant industry experience.

- (c) The Committee's Charter is available on Capral's website, www.capral.com.au (under Corporate Governance).

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

4.3 External auditor

The Audit Committee is responsible for reviewing the nomination, performance and independence of the external auditors. Candidates for the external auditor position must be able to demonstrate complete independence from Capral and an ability to maintain independence through their engagement in that role. The successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

At the time of the half-year and full-year audits of Capral's financial statements, the external auditor formally presents to the Audit Committee a declaration confirming their independence.

5. **Make Timely and Balanced Disclosure**

- 5.1 Capral has an established process to ensure that it complies with the ASX Listing Rules' disclosure requirements applicable to Capral and this process is reflected in Capral's Continuous Disclosure Policy, a copy of which is available on Capral's website, www.capral.com.au (under Corporate Governance). This process includes a periodic confirmation by senior management that the area(s) for which they are responsible has complied with the Policy.

- 5.2 To enhance clarity and balance of reporting and to enable investors to make an informed assessment of Capral's performance, financial results are accompanied by commentary.

6. **Respect the Rights of Shareholders**

- 6.1 Capral has a Shareholder Communications Policy that promotes effective communication with shareholders, including beneficial holders, a copy of which is available on Capral's website, www.capral.com.au (under Corporate Governance).

- 6.2 Shareholders can access Capral's share price and all recent ASX announcements (including any media releases and any materials presented at significant investor briefings), via Capral's website, www.capral.com.au (under Invest/Shareholder Information/Share Price).

- 6.3 The Annual Report, half-year report and the Annual General Meeting are all important communication forums. Capral invites questions from shareholders and these will be answered within the confines of information that is already in the public domain and is not market sensitive. The external auditor attends the Annual General Meeting and can respond to relevant shareholder questions.

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6.4 Capral makes available a telephone number and email address for shareholders to make enquiries, as published on Capral's website, www.capral.com.au (under Invest/Shareholder Information/Share Registry).

6.5 Capral keeps a summary record for internal use of the issues discussed at investor/ analyst briefings.

7. Recognise and Manage Risk

7.1 Risk Management Policies

(a) The Board recognises that there are strategic, operational and financial risks in Capral's business and has established a sound system of risk oversight and management and internal control to identify, assess, monitor and manage risk.

(b) Capral has a Board approved Risk Management Policy, published on its website, www.capral.com.au (under Corporate Governance), that assists Capral in identifying and managing risk in accordance with best practice.

7.2 Risk Reporting

(a) Management is responsible for designing and implementing the risk management framework. Management identifies and reviews the key risks impacting each area of the business and develops strategies to effectively mitigate these risks. Management reports to the Board on the effectiveness of Capral's management of its material business risks.

(b) The Audit Committee is responsible for risk oversight, risk management and internal control. There is currently no designated Internal Audit resource but the function, which is undertaken by management, assists with regard to business risk management, and provides regular reports to the Audit Committee.

7.3 Managing Director and Chief Financial Officer Declaration

When the Board approves the half and full-year results, the Managing Director and Chief Financial Officer have represented to the Audit Committee and the Board that, to the best of their knowledge:

(a) the statement given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control; and

(b) Capral's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

8. Remunerate Fairly and Responsibly

8.1 The Board has established a Remuneration & Nomination Committee to establish and review remuneration levels for the Managing Director and executive team members and incentive policies for all employees. As described above, the Remuneration & Nomination Committee operates in accordance with its Charter and reviews executive remuneration and performance related matters, with reference to Capral's performance, executive performance, comparable available benchmarking information and independent advice, as appropriate.

8.2 The remuneration policies and practices of Capral are designed to remunerate fairly and responsibly, to attract qualified and experienced candidates and to retain and motivate senior management and employees.

8.3 The payment of bonuses and other incentive payments are reviewed at least annually by the Committee and recommendations are put to the Board for its approval. All bonuses and incentives are linked to performance criteria. The Board can exercise its discretion in relation to approving bonuses and incentives but, any changes are justified by reference to measurable performance criteria.

8.4 Remuneration for senior management is divided into three parts:

(a) a fixed remuneration which is made up of base salary, superannuation and salary sacrifices;

(b) short term incentives paid in cash, directly earned upon the successful achievement of specific financial and operational targets. Incentives are based on performance criteria which are set and reviewed by the Committee at least annually; and

(c) long term incentives for specific senior managers, that vest upon the successful achievement of performance hurdles or vesting conditions (as applicable) which are determined by the Committee.

8.5 Details of the Managing Director's employment contract are set out in the Remuneration Report.

8.6 Non-executive directors are entitled to receive fees (from a pool of funds, the limit of which is approved by shareholders in general meeting). There are no schemes for retirement benefits, other than statutory superannuation, for non-executive directors.

8.7 Further details about Capral's remuneration policies are set out in the Remuneration Report.

The Corporate Governance Statement and related governance materials are available on Capral's website, www.capral.com.au (under Corporate Governance).

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Capral Limited (**Capral**) and the entities it controlled at the end of, or during, the financial year ended 31 December 2011 (**Financial Year**).

Directors

The following persons were directors of Capral during the Financial Year and, except as indicated below, up to the date of this report:

Name	Period Office Held
R. L. Wood-Ward	6 November 2008 - Date of this report
P. J. Jobe	24 April 2009 - Date of this report
I. B. Blair	23 May 2006 - Date of this report
A. M. Eisen	19 October 2006 (as alternate) and 29 August 2008 (as director) - Date of this report
M. Jefferies	6 November 2008 - Date of this report
G. F. Pettigrew	18 June 2010 - Date of this report

Details of directors, their qualifications, experience, special responsibilities (including committee memberships) and directorships of other listed companies held in the last three years before end of the Financial Year are set out on page 4.

Principal activities

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

Dividends

No dividends or distributions have been declared or paid for the Financial Year.

Review of operations

A review of operations of the consolidated entity are referred to in the Managing Director's Report and the Financial Report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity.

Matters subsequent to the end of the Financial Year

No matter or circumstance has arisen since the end of the Financial Year 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

Information on likely developments is detailed in the Managing Director's Report on page 2. This report omits information about likely developments and expected future results that would unreasonably prejudice Capral.

Other information for members to make an informed assessment

Other information that members reasonably require to make an informed assessment of the operations, financial position, business strategies and prospects for future financial years of the consolidated entity are referred to in the Managing Director's Report and the Financial Report.

Directors' meetings

The numbers of directors' meetings (including meetings of committees) held, and the number of meetings attended, by each director during the Financial Year, are as follows:

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Director	Board		Audit Committee		Remuneration & Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
R. L. Wood-Ward	6	6	3	3	2	2
P.J. Jobe	6	6	3	3 ¹	2	2 ¹
I.B. Blair	6	6	3	3	2	2
A.M. Eisen	6	3	3	1	2	2
M. Jefferies	6	5	3	3	2	2
G. F. Pettigrew	6	6	3	3	2	2

¹ Attended meetings in an ex-officio capacity

Directors' interests and benefits

Ordinary Shares

Details of holdings of ordinary shares in Capral for the directors (including former directors who held office during the Financial Year) at the beginning and end of the Financial Year and at the date of this report are as follows:

Name	Position	Ordinary shares fully paid in the Company		
		Balance at 1.1.2011	Balance at 31.12.2011	Balance at date of this report
R. L. Wood-Ward	Director and Chairman of the Board	-	-	-
P.J. Jobe	Managing Director	185,500	185,500	185,500
I.B. Blair	Director	227,348	227,348	227,348
A.M. Eisen	Director	-	-	-
M. Jefferies	Director	-	-	-
G. F. Pettigrew	Director	-	-	-

In addition to the interests shown above, indirect interests in Capral shares held by the Managing Director, Mr. Jobe, are as follows:

Nature of other interests	Balance at 1.1.2011	Balance at 31.12.2011	Balance at date of this report
Options at \$0.50	4,300,000	4,300,000	4,300,000
Options at \$0.25	10,000,000	10,000,000	10,000,000
Options at \$0.40	5,000,000	5,000,000	5,000,000
Options at \$0.60	5,000,000	5,000,000	5,000,000

Unissued shares or interests under option

At the date of this report, there are 29,930,406 (2010: 28,203,996) unissued shares or interests under option. Refer to sections 1 and 2 of the Remuneration Report.

No shares have been issued during or since the end of the Financial Year as a result of an exercise of an option.

Company Secretary

Mr R Rolfe - General Counsel & Company Secretary, LLB (Hon) (University of Leicester, UK)

Mr Rolfe was appointed as General Counsel of Capral on 12 June 2006 and to the position of Company Secretary on 23 June 2006.

Mr Rolfe was admitted as a Solicitor of the Supreme Court of England and Wales in 1998 and New South Wales in 2002. Prior to joining Capral, Mr Rolfe was a senior corporate lawyer at Qantas Airways Limited from July 2002 to June 2006.

REMUNERATION REPORT (AUDITED)

This report sets out the philosophy and process of Capral for the remuneration of its directors, Executive Management Team, senior management and other employees. It also details the actual remuneration of its key management personnel (including the directors) during the Financial Year.

Section 1: The Remuneration Philosophy and Process

The remuneration policies and practices of Capral are designed to attract qualified and experienced candidates, and retain and motivate employees.

(a) Remuneration & Nomination Committee

The Remuneration & Nomination Committee is responsible for reviewing and making recommendations to the Board of Directors (**the Board**) on remuneration policies for Capral including, in particular, those governing the directors (including the Managing Director) and executive managers.

Remuneration (including the bonuses and other incentive payments) of the Managing Director and certain executive managers is reviewed annually by the Remuneration & Nomination Committee and recommendations are put to the Board for its approval. All bonuses and incentives are linked to performance criteria. The Board can exercise its discretion in relation to approving bonuses and incentives. Changes must be justified by reference to measurable performance criteria.

The Remuneration & Nomination Committee may seek independent advice as appropriate in setting the structure and levels of remuneration based on the principle that the elements of remuneration should be set at an appropriate level having regard to market practice for roles of similar scope and skill. No remuneration recommendations have been made by remuneration consultants in relation to the Financial Year.

(b) Performance Planning and Review

Capral has a process to evaluate and discuss performance and development plans at least annually with 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 objectives for the year ahead and the setting of key performance measures against which the achievement of those objectives will be assessed.

Step 2: A review of performance against the previously agreed objectives for the period under review.

Step 3: Employee comment and feedback.

Step 4: Short and long term training and development needs and career aspirations.

Within Capral, managers have a responsibility to provide prompt and constructive feedback to staff on performance, behaviour and attitudes. The PPR process ensures that there is better understanding of Capral's objectives thereby increasing the likelihood of their achievement. It also enables managers to evaluate and develop employee skills and performance and identify future development needs. Employees benefit through recognition, performance feedback and career guidance.

(c) Non-executive Directors

The structure of Capral's non-executive director remuneration is distinct from that applicable to the Managing Director and other senior executives.

The Board, in conjunction with the Remuneration & Nomination Committee, seeks to establish remuneration of non-executive directors at a level that enables Capral to attract and retain high quality directors at a reasonable cost. Remuneration of non-executive directors and their terms of office are governed by Capral's constitution and not by contract.

Non-executive directors remuneration is allocated out of the pool of funds the limit of which is approved by shareholders in general meeting and each director is entitled to the payment of an annual fee in cash and superannuation contributions for their services. Additional fees are not paid for sitting on Board committees, however the extra responsibility of the Chairman of the Board and committees is recognised by the payment of a higher fee. Non-executive directors do not receive any shares, options or other securities as part of their remuneration nor are they eligible to participate in any of Capral's equity incentive plans. There are no schemes for retirement benefits (other than statutory superannuation payments).

Details of payments to non-executive directors are set out on page 14.

(d) Senior Management Remuneration

The remuneration policy for the Managing Director, Executive Management Team and senior management seeks to attract and retain people with the required capabilities to lead Capral in the achievement of planned business objectives and focus on delivering annual safety and financial targets.

Remuneration is reviewed annually in February and approved changes applied from 1 March.

The Remuneration & Nomination Committee reviews the remuneration arrangements of the Managing Director and certain executive managers, where as for other members of senior management the relevant Executive General Manager makes recommendations to the Managing Director.

For the Managing Director, Executive Management Team and other senior management, remuneration consists of a fixed annual salary and superannuation plus an at-risk component that comprises short term incentive plan (**STIP**) and long term incentive plan (**LTIP**) (see below).

The proportions of fixed and at-risk remuneration are established for the Managing Director, Executive Management Team and other senior management relative to their position in Capral. The policy used as a guide for at-risk remuneration is 25% for the Executive Management Team and 10%-20% for other senior managers for the achievement of objective targets.

(e) Base Salary Plus Superannuation = Total Employment Cost

The level of the total employment cost (being base salary plus superannuation) (**TEC**) is determined having regard to job responsibilities, skills, experience and performance. Salaries are reviewed annually.

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(f) Short Term Incentive Plan

The short term incentive plan (**STIP**) was introduced in 2006 and most recently revised during 2010. It is designed to encourage participants to assist Capral in achieving continuous improvement by aligning their interests with those of Capral and its stakeholders and rewarding them when key performance measures are achieved.

For the Financial Year, there were 3 separate short term incentive programs: (1) senior employees have the opportunity to earn a cash incentive, based on a specified percentage of TEC dependent on each individual's level of responsibility. The actual incentive earned is based on the achievement of company and business unit targets. There are 'minimum', 'target' and 'stretch' goals; (2) other salaried employees can earn payments for achieving targets set by their managers; and (3) sales or sales-related employees participate in quarterly sales incentive programs in relation to revenue, gross margin and debtor days targets.

For the Managing Director, Chief Financial Officer, and employees functional at corporate level, STIP targets relate to company earnings before interest, tax and amortisation (**EBITDA**), company working capital and specific objectives (including safety) whereas for EGM Manufacturing, EGM Distribution and their functional employees, STIP targets also relate to business unit EBITDA and working capital. An amount higher than the specified percentage of TEC is paid if 'stretch' targets are achieved.

In addition to the above, the Managing Director's STIP targets relate to performance criteria determined annually by the Board.

The company-wide performance measures used for STIP are established each year by the Remuneration & Nomination Committee. The Managing Director is responsible for recommending to the Committee the STIP targets and the amount of STIP, if any, to be paid.

(g) Managing Director - Options

The Managing Director does not participate in the LTIP (see below).

No options have been granted to the Managing Director during the Financial Year (2010: Nil). During the Financial Year 5,000,000 (Tranche 2) options vested.

The total number of options granted to Mr Jobe and outstanding as at the end of the Financial Year is 24,300,000. The fair value of the options is detailed in Note 37 of the Financial Report.

(h) Long Term Incentive Plan

The long term incentive plan (**LTIP**) was introduced in 2006 and is restricted to the Executive Management Team and selected members of senior management. LTIP is designed to strengthen the alignment of the interests of senior managers with shareholders and support a culture of share ownership and shareholder wealth. It also aims to provide competitive remuneration for the retention of specifically targeted members of senior management.

The Managing Director makes recommendations to the Remuneration & Nomination Committee regarding the proposed participants and the amount of the entitlements.

Performance Rights granted 2007-2010

Rights to ordinary shares issued under LTIP between 2007 and 2010 are subject to Capral's performance, measured against the S&P/ASX 200 Industrials Index but excluding those companies who are classified in the Global Industry Classification Standard sector numbers 4010 "Banks" and 4030 "Insurance" (Total Shareholder Return (**TSR**) test). The TSR is tested over an initial 2 year performance period, and re-tested each year over the subsequent 3 years. After the third re-test, unvested rights will lapse.

Performance Rights granted 2011

Rights to ordinary shares issued under LTIP during the Financial Year are subject to performance conditions:

- 60% of rights are subject to a Basic Earnings Per Share performance condition; and
- 40% of rights are subject to a TSR performance condition.

The rights subject to the EPS condition were granted in 3 tranches of 20%, and will be tested on 31 December 2011, 2012 and 2013 respectively. The EPS condition will be calculated each year as follows:

A Net Profit Before Tax Target as specified by the Board for that year (adjusted for any extraordinary items) divided by number of securities on issue.

If the condition is met in a given year, the rights will convert to shares at the end of the 3 year vesting period and will be issued to participants provided that they continue to be employed by Capral. If the condition is not met in a given year, those rights will lapse.

The rights subject to the TSR condition are subject to Capral's performance, measured against the entities with ordinary shares and units (as the case may be) included in the S&P/ASX All Ordinaries Index as at 1 January 2011 but excluding those companies who are classified in the Global Industry Classification Standard sector number 40. The TSR is tested over a 3 year performance period and the testing date is as 31 December 2013.

All rights

Vested rights convert on a one-for-one basis to ordinary shares. Shares allocated remain held (subject to a holding lock) under LTIP up to 10 years from the date rights were originally granted. The use of EPS and TSR tests is consistent with market practice as it ensures alignment between comparative shareholder return and remuneration of executives.

Vesting at each testing date in relation to the measurement of the relevant grant is determined in accordance with Table A below:

Table A	
Percentile of TSR	% Rights Vesting
Less than 50th	None
50th	50
More than 50th less than 75th	Between 50 and 100 (pro rata)
More than 75th	100

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As at 31 December 2011, none of the remaining rights granted as part of the 2007 offer (29,500 rights), 2008 offer (76,000 rights) or 2009 offer (365,000 rights) vested as at 31 December 2008 (in relation to the 2007 offer only) or 31 December 2009 (in relation to the 2007 and 2008 offers) or 31 December 2010 (in relation to the 2007, 2008 and 2009 offers) or 31 December 2011 (in relation to 2007, 2008, 2009 offers) testing dates. The rights granted as part of the 2007 offer (29,500 rights) lapsed on 1 January 2012. 20% EPS tranche of 2011 offer (681,420 rights) lapsed on 31 December 2011.

During the Financial Year, 3,407,101 rights were granted under LTIP (2010: Nil).

Under LTIP, 3,196,181 rights remain outstanding at the end of the Financial Year.

Capral intends to grant further rights under the LTIP to selected individuals during the financial year ending 31 December 2012.

Options (Executives and Senior Managers)

No options to acquire ordinary shares were granted under LTIP during the Financial Year (2010: 459,000). During the Financial Year 1,231,863 options vested but at the date of this report remain subject to a disposal restriction.

2,463,725 options issued under LTIP remain outstanding at the end of the Financial Year.

Refer to section 2 of this report for further details.

(i) Anti-Hedging Policy

Capral personnel are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any Capral equity-based remuneration scheme currently in operation or which will be offered by Capral in the future. As part of Capral's due diligence undertaken at the time of the financial results, participants in any Capral equity plan are required to confirm that they have not entered into any such prohibited transactions.

Section 2: Remuneration of directors and other key management personnel

The following table sets out the remuneration of the key management personnel (including the directors) during the Financial Year.

The key management personnel of the consolidated entity are the non-executive directors, Managing Director, Company Secretary and those executives that are part of the Executive Management Team (and report directly to the Managing Director). These people have the authority and responsibility for planning, directing and controlling the day-to-day activities of Capral.

The non-executive directors, other key management personnel and five company executives who received the highest remuneration for the Financial Year and for 2010 financial year are detailed below.

			Short-term employee benefits		Post - employment benefits	Other long-term benefits	Termination benefits	Share-based payments		Total	Total performance related
Name	Year	Title	Salary and fees	Bonus	Non - monetary benefits	Super-annuation		Performance Rights ¹⁰	Options ¹⁰		
			\$	\$	\$	\$	\$	\$	\$	\$	%
Directors											
P. J. Jobe +	2011	Managing Director	1,150,000	793,440	-	50,000	-	-	-	934,793	2,928,233
	2010	Managing Director	1,140,396	1,364,449	-	18,064	-	-	-	3,321,949	5,844,858
R. Wood-Ward ¹	2011	Chairman	120,000	-	-	10,800	-	-	-	-	130,800
	2010	Chairman	107,211	-	-	9,649	-	-	-	-	116,860
I.B. Blair	2011	Non-executive director	70,000	-	-	6,300	-	-	-	-	76,300
	2010	Non-executive director	70,269	-	-	6,324	-	-	-	-	76,593
A.M. Eisen	2011	Non-executive director	55,000	-	-	-	-	-	-	-	55,000
	2010	Non-executive director	55,000	-	-	-	-	-	-	-	55,000
M. Jefferies	2011	Non-executive director	55,000	-	-	-	-	-	-	-	55,000
	2010	Non-executive director	55,000	-	-	-	-	-	-	-	55,000
G. Pettigrew ²	2011	Non-executive director	55,000	-	-	4,949	-	-	-	-	59,949
	2010	Non-executive director	27,711	-	-	2,494	-	-	-	-	30,205
P.J. Arnall ³	2010	Chairman	28,615	-	-	2,575	-	-	-	-	31,190

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			Short-term employee benefits		Post - employment benefits	Other long-term benefits	Termination benefits	Share-based payments		Total	Total performance related	
Name	Year	Title	Salary and fees	Bonus	Non - monetary benefits	Super-annuation		Performance Rights ¹⁰	Options ¹⁰			
			\$	\$	\$	\$	\$	\$	\$	\$	%	
Executives												
T. Campbell ^{4*+}	2011	Chief Financial Officer	176,538	21,718	-	16,493	-	-	20,262	-	235,011	18
M. Haszard ^{*+}	2011	EGM Manufacturing	389,908	81,810	-	35,092	-	-	51,932	40,637	599,379	29
	2010	EGM Manufacturing	357,213	111,915	-	20,023	-	-	44,287	50,901	584,339	35
D. Munro ^{5*+}	2011	EGM Distribution	152,435	21,720	-	15,886	-	-	-	-	190,041	11
A. Simmonds ^{6*+}	2011	EGM Distribution	160,707	-	-	7,900	-	50,047	(124,211)	(49,536)	44,907	-
	2010	EGM Distribution	300,390	50,254	-	14,517	-	-	40,207	43,442	448,810	30
M. Lamb ^{7*+}	2011	CFO	143,750	-	-	11,538	-	105,807	-	(23,023)	238,072	-
	2010	CFO	274,100	61,979	-	28,722	-	-	-	23,023	387,824	22
R. Rolfe ^{12*+}	2011	Gen. Counsel/Co. Sec.	238,472	44,674	-	23,429	-	-	12,017	10,516	329,108	20
	2010	Gen. Counsel/Co. Sec.	232,967	41,611	-	23,284	-	-	18,051	12,375	328,288	22
E. Pollard ^{8*}	2010	EGM Human Resources	161,963	45,799	-	17,277	-	-	(109,871)	(4,365)	110,803	-
I. Timmis ^{9*}	2010	CFO	59,050	-	-	10,812	-	2,867	-	(7,068)	65,661	-
Total 2011			2,766,810	963,362	-	182,387	-	155,854	(40,000)	913,387	4,941,800	
Total 2010			2,869,885	1,676,007	-	153,741	-	2,867	(7,326)	3,440,257	8,135,431	

1 Mr Wood-Ward appointed as Chairman of the Board and Remuneration & Nomination Committee on 17 March 2010.

2 Mr Pettigrew was appointed as a non-executive director on 18 June 2010.

3 Mr Arnall resigned on 17 March 2010.

4 Mr Campbell appointed as Chief Financial Officer on 1 June 2011.

5 Mr Munro appointed as Executive General Manager Distribution on 14 June 2011.

6 Mr Simmonds retired on 9 June 2011.

7 Mr Lamb was appointed as Chief Financial Officer on 1 March 2010 and left employment on 10 June 2011.

8 Ms Pollard resigned on 15 November 2010.

9 Mr Timmis left employment with Capral on 5 March 2010.

10 All LTIP performance rights and options listed are securities that have not yet vested except for some of the options granted in 2009 that have vested. Refer to section 1(h) of this report. In relation to options of the Managing Director, refer to section 1(g) of the Remuneration Report.

11 All bonus amounts are on an accrual basis.

12 Mr Rolfe was one of Capral's top five remunerated executives in the 2010 financial year.

* Capral's Key Management Personnel (other than Directors).

+ Capral's top five remunerated executives.

Refer to section 1 of the Remuneration Report for terms and conditions of compensation for the Managing Director and other key management personnel.

Performance rights, Options and bonuses provided as compensation

Performance rights

During the financial year ended 31 December 2011, performance rights were granted as equity compensation benefits under the LTIP, to certain key management personnel as disclosed below. The performance rights were granted at no cost to the participant. 20% EPS (Tranche 1) of 2011 offer (235,373 rights) lapsed as at the relevant 31 December 2011 testing date. For details of the vesting conditions and further details relating to the performance rights, refer to section 1 of this report.

2011	Vested No	Tranche	Grant No.	Grant date	Fair value per right at grant date (\$)	Test date	Lapsed No.
Executives							
M. Haszard			624,134	22/03/2011			(124,827)
		Tranche 1 - EPS 20%	124,827		\$0.29	31/12/2011	(124,827)
		Tranche 2 - EPS 20%	124,827		\$0.28	31/12/2012	
		Tranche 3 - EPS 20%	124,827		\$0.27	31/12/2013	
		Tranche - TSR 40%	249,653		\$0.24	31/12/2013	
T. Campbell ¹			400,000	14/06/2011			(80,000)
		Tranche 1 - EPS 20%	80,000		\$0.28	31/12/2011	(80,000)
		Tranche 2 - EPS 20%	80,000		\$0.27	31/12/2012	
		Tranche 3 - EPS 20%	80,000		\$0.26	31/12/2013	
		Tranche - TSR 40%	160,000		\$0.22	31/12/2013	
R. Rolfe			152,729	22/03/2011			(30,546)
		Tranche 1 - EPS 20%	30,546		\$0.29	31/12/2011	(30,546)
		Tranche 2 - EPS 20%	30,546		\$0.28	31/12/2012	
		Tranche 3 - EPS 20%	30,545		\$0.27	31/12/2013	
		Tranche - TSR 40%	61,092		\$0.24	31/12/2013	
Total			- 1,176,863				(235,373)

Notes

1 Mr Campbell commenced with Capral on 1 June 2011

No performance rights were issued under the LTIP during the financial year ended 31 December 2010.

Options

No Options were issued under the LTIP during the Financial Year.

During the financial year ended 31 December 2010, options were granted as equity compensation benefits to the previous Chief Financial Officer under the LTIP, as part of the 2010 offer, as disclosed below.

2010	Vested No.	Tranche	Granted No.	Grant date	Exercise price per option (\$)	Fair value per option at grant date (\$)	Exercise date	Forfeited No.	Expiry date
Executives									
M. Lamb ¹	-		459,000	1/03/2010				(459,000)	16/10/2014
		Tranche 1	229,500		0.25	0.14	16/10/2011	(229,500)	
		Tranche 2	114,750		0.40	0.12	16/10/2012	(114,750)	
		Tranche 3	114,750		0.60	0.10	16/10/2012	(114,750)	
Total	-		459,000					(459,000)	

Notes

1 Mr Lamb commenced with Capral on 1 March 2010, and left employment with Capral in June 2011 and his options forfeited.

For further details relating to the options refer to section 1 of this report.

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Bonuses

During the Financial Year, STIP bonus payments were made to the Managing Director and certain key management personnel. The percentages of bonus paid and forfeited (as a result of not meeting the performance criteria) are disclosed below:

2011	% of bonus paid	% of bonus forfeited	% of compensation for the year consisting of STIP bonus
Executives			
P. Jobe	66.1	33.9	39.8
M. Haszard	77.0	23.0	16.1
T. Campbell ¹	49.6	50.4	11.0
D. Munro ²	58.6	41.4	12.5
A. Simmonds ³	-	-	-
M. Lamb ⁴	-	-	-
R. Rolfe	83.4	16.6	14.6

2011 financial year bonuses are payable in 2012 financial year.

Notes

- ¹ Mr Campbell commenced with Capral in June 2011.
- ² Mr Munro commenced with Capral in June 2011.
- ³ Mr Simmonds retired on 9 June 2011.
- ⁴ Mr Lamb left employment with Capral in June 2011.

In the financial year ended 31 December 2010, STIP bonus payments were made to the Managing Director and certain key management personnel. The percentages of bonus paid and forfeited (as a result of not meeting the performance criteria) are disclosed below:

2010	% of bonus paid	% of bonus forfeited	% of compensation for the year consisting of STIP bonus
Executives			
P. Jobe	100.0	-	54.1
M. Haszard	130.3	-	22.9
A. Simmonds	68.6	31.4	13.8
M. Lamb ³	-	-	-
E. Pollard ²	87.2	12.8	20.4
I. Timmis ¹	-	-	-

2010 financial year bonuses were paid in 2011 financial year.

Notes

- ¹ Mr Timmis left employment with Capral during the financial year ended 31 December 2010.
- ² Ms Pollard resigned on 15 November 2010.
- ³ Mr Lamb commenced with Capral in March 2010.

Section 3: Relationship between remuneration and company performance

During the Financial Year and the previous 4 financial years (2007-2010), Capral's performance was as follows:

Year Ended 31 Dec	Net Profit/ (Loss) \$m	Dividend cents per share	Basic earnings / (loss) cents per share	Share price (closing) \$
2011	(8.00)	-	(2.1) ¹	0.175
2010	6.73	-	1.7 ¹	0.180
2009	(29.11)	-	(27.5) ¹	0.335
2008	(130.79)	-	(58.4)	0.068
2007	(33.57)	-	(17.2)	0.380

¹ Basic earnings per share for the financial years 2009, 2010 and 2011 have been calculated on a post-consolidation basis

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Whilst continuing to ensure that Capral attracts and retains qualified, experienced and motivated employees in accordance with the remuneration policy by remunerating employees at a competitive level, Capral has maintained salary levels by ensuring that average annual salary increases are kept in line with CPI and placing more emphasis on at-risk remuneration in order to align remuneration of the employees to the performance of Capral and shareholder wealth.

For the Financial Year and the financial years ended 31 December 2007 and 2010, Capral made STIP payments based upon the achievement of performance measures in respect of the prior year. Capral made a STIP payment for the first half of the financial year ended 31 December 2008 only, based upon the achievement of performance targets determined at the start of the year. No STIP payments were paid in the financial year ended 31 December 2009. Refer to section 1(f) above for further details.

None of the LTIP rights granted as part of the 2007, 2008, 2009 and 2011 offers have vested as at the relevant 31 December testing dates (refer to section 1(h) above). 20% EPS (Tranche 1) of 2011 offer (681,420 rights) and 2006 offer (13,500 rights) lapsed on 31 December 2011.

Section 4: Summary of Key Employment Contracts

Details of the key contract terms for the Managing Director and other key management personnel as at the end of the Financial Year are as follows:

Contract Details	P. Jobe	T. Campbell	M. Haszard	D. Munro	R. Rolfe
Existing contract end date	15 April 2012	No fixed end date	No fixed end date	No fixed end date	No fixed end date
Notice of termination by Capral	6 months	12 months for year 1, then 6 months	1 month; 13 months for redundancy	12 months for year 1, then 6 months	16 weeks
Notice of termination by employee	6 months	12 months for year 1, then 6 months	6 months	12 months for year 1, then 6 months	16 weeks
Termination payments (in lieu of notice)	6 months salary plus accrued but unpaid STIP for previous financial year.	12 months salary plus accrued but unpaid STIP for previous financial year, reverting to 6 months from 1 June 2012.	1 month salary plus all accrued but unpaid STIP for the previous financial year; 13 months salary plus accrued but unpaid STIP for previous financial year in case of redundancy.	12 months salary plus accrued but unpaid STIP for previous financial year, reverting to 6 months from 14 June 2012.	16 weeks salary.

Environmental regulations

Manufacturing licences and consents required by laws and regulations are held by the consolidated entity at each relevant site as advised by consulting with relevant environmental authorities. All applications for and renewals of licences have been granted and all consents have been given by all relevant authorities.

Directors' and officers' indemnities and insurance

Under Capral's constitution, Capral is required to indemnify, to the extent permitted by law, each director and secretary of Capral against any liability incurred by that person as an officer of Capral. The directors listed on page 4 and the secretary listed on page 10 have the benefit of this indemnity. During the Financial Year, Capral paid a premium for directors' and officers' liability insurance policies which cover current and former directors, company secretaries and officers of the consolidated entity. Details of the nature of the liabilities covered and the amount of the premium paid in respect of the directors' and officers' insurance policies are not disclosed, as such disclosure is prohibited under the terms of the contracts.

Indemnities to auditors

In respect of non-audit services provided in relation to reviews of tax consulting and compliance advice during the Financial Year, Deloitte Touche Tohmatsu, Capral's auditor, has the benefit of an indemnity (including in respect of legal costs) for any third party claim in connection with the use, distribution or reliance of their work (except to the extent caused by the wilful misconduct or fraud of Deloitte Touche Tohmatsu, or where it has agreed that the third party may rely on the work or it may be used in a public document).

Proceedings on behalf of Capral

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

Non-audit services

Capral may decide to employ the auditor on assignments additional to their statutory audit services where the auditor's expertise and experience with the consolidated entity are important.

The Board has considered this position and in accordance with the advice received from the Audit Committee, it is satisfied that the provision of these services during the Financial Year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the Corporations Act for the following reasons:

- (1) the non-audit services provided do not involve reviewing or auditing the auditor's own work and have not involved partners or staff acting in a management or decision-making capacity for Capral or in the processing or originating of transactions;
- (2) all non-audit services and the related fees have been reviewed by the Audit Committee to ensure complete transparency and that they do not affect the integrity and objectivity of Deloitte Touche Tohmatsu; and
- (3) the declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from Deloitte Touche Tohmatsu.

Details of the amounts paid or payable to Capral's auditor (Deloitte Touche Tohmatsu) for audit and non-audit services provided during the Financial Year are set out in Note 33 of the financial statements.

Auditor's independence declaration

The auditors' independence declaration as required under section 307C of the Corporations Act is set out on page 20.

Rounding of amounts

Capral is a company of the kind referred to in Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



R. L. Wood-Ward
Chairman



P.J. Jobe
Managing Director

Sydney
22 February 2012

The Board of Directors
Capral Limited
Level 4
60 Philip Street
Parramatta NSW 2150

Dear Board Members

Auditor's Independence Declaration to Capral Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Capral Limited.

As lead audit partner for the audit of the financial statements of Capral Limited for the financial year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



X Delaney
Partner
Chartered Accountants
Sydney, 22 February 2012

Capral Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2011

Continuing operations	Note	2011 \$'000	2010 \$'000
Sales revenue		325,014	374,235
Scrap and other revenue		23,548	25,431
Revenue	3	348,562	399,666
Other income	3	1,024	1,945
Changes in inventories of finished goods and work in progress		(3,038)	3,013
Raw materials and consumables used		(192,362)	(224,887)
Employee benefits expense	2	(80,940)	(85,460)
Depreciation and amortisation expense	2	(12,554)	(12,116)
Impairment of non-current assets		-	(114)
Finance costs	2	(1,787)	(3,238)
Freight expense		(12,589)	(14,981)
Occupancy costs	2	(15,454)	(14,722)
Repairs and maintenance expense		(6,766)	(6,827)
Other expenses		(32,093)	(38,197)
(Loss)/profit before tax		(7,997)	4,082
Income tax benefit	4	-	2,650
(Loss)/profit for the year		(7,997)	6,732
Other comprehensive income			
Exchange differences arising on translation of foreign operation		-	(4)
Other comprehensive income for the year (net of tax)		-	(4)
Total comprehensive (loss)/income for the year		(7,997)	6,728
Basic and Diluted (loss)/earnings per share (cents per share)	26	(2.1)	1.7

The weighted average number of ordinary shares on issue used in the calculation of basic and diluted (loss)/earnings per share was 387,898,255 (2010: 387,898,255 on a post-share consolidation basis).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	Note	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	15,002	33,400
Trade and other receivables	8	44,111	51,984
Inventories	9	57,057	63,703
Prepayments	10	2,563	2,647
Total current assets		118,733	151,734
Non-current assets			
Other receivables	8	163	-
Deferred tax assets	11	2,857	2,857
Property, plant and equipment	15	98,506	105,301
Other intangible assets	16	1,307	2,249
Total non-current assets		102,833	110,407
Total assets		221,566	262,141
LIABILITIES			
Current liabilities			
Trade and other payables	18	51,405	64,473
Borrowings	19	179	22,053
Provisions	20	8,691	8,998
Deferred income	21	333	231
Total current liabilities		60,608	95,755
Non-current liabilities			
Provisions	20	4,411	3,833
Deferred income	22	310	464
Total non-current liabilities		4,721	4,297
Total liabilities		65,329	100,052
Net assets		156,237	162,089
EQUITY			
Issued capital	23	410,476	410,476
Reserves	24 (a)	7,986	4,878
Accumulated losses	24 (b)	(262,225)	(253,265)
Total equity		156,237	162,089

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers		391,294	446,835
Payments to suppliers and employees		(380,884)	(424,340)
		10,410	22,495
Interest and other costs of finance paid		(1,567)	(2,697)
Net cash provided by operating activities	35(ii)	8,843	19,798
Cash flows from investing activities			
Payments for property, plant and equipment		(5,352)	(2,937)
Payments for software assets		(116)	(39)
Net cash outflow on acquisition of subsidiary		-	(1,257)
Interest received		315	212
Proceeds from sale of property, plant and equipment		6	1,436
Net cash flows used in investing activities		(5,147)	(2,585)
Cash flows from financing activities			
Repayment of borrowings		(22,128)	(5,750)
Net cash used in financing activities		(22,128)	(5,750)
Net (decrease)/increase in cash and cash equivalents		(18,432)	11,463
Cash and cash equivalents at the beginning of the financial year		33,117	21,658
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(4)
Cash and cash equivalents at the end of the financial year	35(i)	14,685	33,117

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Fully paid ordinary shares \$'000	Foreign currency translation reserve \$'000	Equity-settled compensation reserve \$'000	Actuarial (loss) / gain on retirement benefit plan \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 January 2010	410,476	(919)	3,040	(963)	(259,997)	151,637
Profit for the period	-	-	-	-	6,732	6,732
Exchange differences arising on translation of foreign operations	-	(4)	-	-	-	(4)
Total comprehensive income for the period	-	(4)	-	-	6,732	6,728
Share-based payments expense	-	-	3,724	-	-	3,724
Balance as at 31 December 2010	410,476	(923)	6,764	(963)	(253,265)	162,089
Balance as at 1 January 2011	410,476	(923)	6,764	(963)	(253,265)	162,089
Loss for the period	-	-	-	-	(7,997)	(7,997)
Total comprehensive income for the period	-	-	-	-	(7,997)	(7,997)
Transfer to profit and loss on disposal of a foreign subsidiary	-	923	-	-	-	923
Transfer to accumulated losses	-	-	-	963	(963)	-
Share-based payments expense	-	-	1,222	-	-	1,222
Balance as at 31 December 2011	410,476	-	7,986	-	(262,225)	156,237

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2011

1a. General Information

Capral Limited (**the Company**) is a public listed company incorporated and operating in Australia. The Company's shares are quoted on the Australian Securities Exchange (ASX Code: CAA).

The Company's registered office and its principal place of business is as follows:

Registered office & principal place of business

71 Ashburn Road
Bundamba
QLD 4304
Tel: (07) 3816 7000

The principal continuing activities of the consolidated entity consist of the manufacturing, marketing and distribution of semi-fabricated aluminium products.

1b. Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of other new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies, and has only impacted on the Group's financial statements with respect to disclosure.

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the Company:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments'	1 January 2015	31 December 2015
AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	31 December 2013
AASB 10 'Consolidated Financial Statements'	1 January 2013	31 December 2013
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	31 December 2013
AASB 13 'Fair Value Measurement'	1 January 2013	31 December 2013
AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	31 December 2013
AASB 119 'Employee Benefits'	1 January 2013	31 December 2013
AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119'	1 January 2013	31 December 2013
AASB 2011-11 'Amendments to AASB 119 arising from Reduced Disclosure Requirements'	1 January 2013	31 December 2013
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	31 December 2012
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	31 December 2014

1c. Significant accounting policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the financial statements of the Company and the financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 22 February 2011.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, 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 as indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of Consolidation

The financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (and its subsidiaries) (referred to as 'the Group' in these financial statements).

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

1c. Significant accounting policies (cont'd)

(d) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(e) Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Further details of derivative financial instruments are disclosed in Note 31 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognised in profit or loss immediately. The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months, and as a current asset or current liability if the remaining maturity of the hedge relationship is less than 12 months. The Group's derivatives do not qualify for hedge accounting, and are not designated into an effective hedge relationship and are classified as a current asset and current liability.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the financial instrument, and the financial instruments are measured at fair value with changes in fair value recognised in profit or loss.

(f) Employee Benefits

(i) Salaries, wages and leave benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, including non-monetary benefits, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made

by the Group in respect of services provided by employees up to reporting date.

(ii) Share-based payments

Equity-settled share-based payments granted under the Managing Director's employment contract, and the Long Term Incentive Plan (**LTIP**), are independently valued at grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

(iii) Defined benefit plan

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date.

Actuarial gains and losses are recognised in full in equity in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(iv) Defined contribution plan

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through the profit or loss which are initially measured at fair value. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements. Other financial assets are classified into the following specified categories: Financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1c. Significant accounting policies (cont'd)

(g) Financial Assets (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- (i) has been acquired principally for the purpose of selling in the near future;
- (ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- (iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 31.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(h) Financial Instruments Issued by the Group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 31.

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument.

This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

1c. Significant accounting policies (cont'd)

(h) Financial Instruments Issued by the Group (cont'd)

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 31.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(i) Foreign Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the Company, and the presentation currency for the financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non monetary items

that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

(i) Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

(ii) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

(iii) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into Australian dollars at exchange rates prevailing on the balance sheet date.

Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(j) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Goodwill is not amortised but is reviewed for impairment at least annually.

1c. Significant accounting policies (cont'd)

(j) Goodwill (Cont'd)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(k) Government Grants

Government grants are assistance by the Government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants include Government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the balance sheet and recognised as income on a systematic and rational basis over the useful lives of the related assets. Other Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

(l) Impairment of Other Tangible and Intangible Assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which that asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in

use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Income Tax

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

Deferred tax assets 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.

The Company and its wholly-owned Australian entities have implemented the tax consolidation legislation.

The current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including the Company as the head entity) using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

(n) Intangible Assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

1c. Significant accounting policies (cont'd)

Patents, trademarks and licences

Patents, trademarks and licences are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives, which vary from 5 to 16 years.

The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Software

Software assets including system development costs have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over the assets estimated useful lives, which vary from 3 to 5 years.

(o) Inventories

Inventories representing aluminium and other supplies are valued at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Aluminium 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. Costs for finished and partly finished includes moving average metal cost, direct labour, and appropriate proportion of fixed and variable factory overhead.

(p) Leased Assets

The Group as lessee:

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor:

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(q) Non-current Assets Held for Sale

Non-current assets classified as held for sale are measured, with certain exceptions, at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Group's control and the Group remains committed to the sale.

(r) Property, Plant and Equipment

Land and buildings are measured at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value is determined on the basis of a periodic, independent valuation by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate.

Periodic reviews are conducted every three to five years. The fair values are recognised in the financial statements of the Group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values. Any revaluation increase arising on revaluation of land and buildings are credited to the asset revaluation reserve except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of revalued property, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

1c. Significant accounting policies (cont'd)

(r) Property, Plant and Equipment (Cont'd)

Plant and equipment, and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

(s) Provisions

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affecting areas.

(t) 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.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the Group retains neither continuing managerial involvement to the degree normally associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying agreement.

Rental income

The Group's policy for recognition of revenue from operating leases is described in 1c (p).

1c. Significant accounting policies (cont'd)

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(u) Share-based Payments

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date.

The fair value of the performance rights is estimated at grant date using a Monte-Carlo Simulation analysis taking into account the terms and conditions upon which the securities are granted.

The fair value of the options is estimated at grant date using a binomial tree model taking into account the terms and conditions upon which the securities are granted.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Further details on how the fair value of equity-settled share-based transactions have been determined can be found in Note 37.

(v) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

(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 Group, 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.

1d. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1c, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of non-current assets

Determining whether non-current assets are impaired requires an estimation of the value in use of the single cash-generating unit to which non-current assets has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Details of the impairment calculation is provided in Note 16.

1d. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the Company's accounting policies

The following are the critical judgements (apart from those involving estimations which are dealt with above), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Inventories

Note 9 sets out the categories of inventory carried. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less cost to sell. The key assumptions require the use of management judgement and are reviewed annually.

These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold.

Employee benefits

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance sheet date:

- (i) future on-cost rates,
- (ii) experience of employee departures and period of service, and
- (iii) future increase in wages and salaries.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that there were no revisions to the useful lives of property, plant and equipment.

2 (Loss)/profit for the year

	Consolidated	
	2011	2010
	\$'000	\$'000
(a) Other expenses		
(Loss)/profit before tax includes the following specific net expenses:		
Cost of sales of goods	274,424	306,829
Inventory:		
Write-down of inventory to net realisable value	62	482
Reversal of write-down of inventory	(567)	(19)
Contractual penalties to suppliers	-	452
Amortisation of other intellectual property	320	349
Amortisation of software	742	722
Total amortisation	1,062	1,071
Depreciation:		
Buildings	97	90
Leasehold improvements	851	874
Plant and equipment	10,544	10,081
Total depreciation	11,492	11,045
Total depreciation and amortisation	12,554	12,116
Operating lease rental expenses		
Sublease income received	(332)	(196)
Minimum lease payments	15,786	14,918
	15,454	14,722
Other charges against assets		
Impairment of trade receivables	288	752
Employee benefit expense		
Post employment benefits:		
- defined contribution plans	5,497	5,539
Equity-settled share-based payments	1,222	3,724
Termination benefits	215	595
Other employee benefits	74,006	75,602
	80,940	85,460
Finance costs		
Interest and finance charges paid/payable		
- Other persons	1,787	3,238
Net finance costs are compromised of:		
Interest on bank overdrafts and loans	1,787	3,238
Total interest expense	1,787	3,238
(b) Gains and Losses		
Net loss on foreign exchange	(5)	(4)
Net (loss)/gain on disposal of property, plant and equipment	(645)	129
Net loss on deregistration of a foreign subsidiary	(567)	-

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3 Revenue and other income

Revenue from continuing operations

Sales revenue - sale of goods	325,014	374,235
Other revenue		
Scrap revenue	23,233	25,214
Interest - other	315	217
Total other revenue	23,548	25,431

Other income

Discount on acquisition of a subsidiary	-	804
Royalties	351	248
Government grants and dividends	155	155
Net gain on disposal of property, plant and equipment	-	129
Other income	518	609
	1,024	1,945

4 Income tax expense

(a) Income tax comprises:

Deferred tax benefit	-	2,650
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(b) Reconciliation of income tax benefit to prima facie tax payable

(Loss)/profit from continuing operations before income tax expense	(7,997)	4,082
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Income tax calculated @ 30% (2010:30%)	(2,399)	1,225
Tax effect of non-assessable / non-deductible items:		

Effect of revenue that is exempt from taxation	-	(242)
Effect of expenses that are not deductible in determining taxable profit	566	1,582
Effect of tax losses utilised	-	(2,565)
Previously unrecognised and unused tax losses now recognised deferred tax assets	-	(2,650)
Effect of unused tax losses not recognised as deferred tax assets	1,833	-
Income tax benefit	-	(2,650)

(c) Tax losses

Accumulated unused gross tax losses for which no deferred tax asset has been recognised	274,957	269,535
Potential tax benefit @ 30% (2010:30%)	82,487	80,861

All unused tax losses were incurred by Australian entities

5 Changes in accounting estimates

There were no changes in accounting estimates during the financial year (2010: Changes to the method of estimating provision for doubtful debts were made).

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6 Segment information

The information reported to the Group's chief financial operating decision maker for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2010 and 2011, the Group operated in one reportable segment under AASB 8.

Major Products and Services

The Group produces a wide range of extruded aluminium products and systems. It distributes those manufactured products in addition to a small amount of bought-in products through two distribution channels.

The Group supplies to three market segments through each of its distribution channels:

- Residential - supply of aluminium and other components for windows and doors, showers and wardrobes and security products,
- Commercial - supply of aluminium and other components for windows and doors, internal fit outs and other commercial building related products, and
- Industrial - supply of aluminium extrusions and rolled products for industrial uses.

Management is unable to report on the revenues from external customers for each of the market segments.

Geographic Information

The Group operates in one geographical area, Australia.

Information About Major Customers

Included in the Group's revenues arising from extrusion and distribution of aluminium products of \$348,247,000 (2010: \$399,449,000) are revenues of approximately \$22,790,013 (2010: \$27,354,000) which arose from sales to the Group's largest customer.

	Consolidated	
	2011	2010
	\$'000	\$'000
7 Current assets - cash and cash equivalents		
Cash at bank and cash in hand	15,002	33,400
8 Current assets - trade and other receivables		
Trade receivables - at amortised cost	44,255	51,224
Allowance for doubtful debts (i)	(416)	(786)
	43,839	50,438
Goods and services tax receivable	-	1,197
Other receivables - at amortised cost	435	349
	44,274	51,984
Disclosed in the financial statements as:		
Current trade and other receivables	44,111	51,984
Non-current other receivables	163	-
	44,274	51,984

The average credit period on sales of goods is approximately 51 days (2010: 53 days). No interest is charged on trade receivables.

During both the Financial Year and 2010 the provision has been based on a percentage of the total debt for customers who are subject to formal payment plans or legal action and 1.75% of the 90 day and over balances. The provision for doubtful debts is reviewed each month and necessary adjustments made to the provision. The provision is based on estimated irrecoverable amounts from the sale of goods, determined by reference to past experience and knowledge of customers. Allowances are made for known doubtful debts at the time of appointment of administrators, liquidators or other formal insolvency events.

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8 Current assets - trade and other receivables (Cont'd)

Included in the Group's trade receivables are debtors with balances in 61 days and over of \$0.730 million (2010: \$1.301 million). No further amount has been provided for as the Group believes that this past due balance is still considered recoverable. The Group does not hold any collateral over these balances, but does hold trade indemnity insurance for 90% of the amount outstanding, after applying the deductible, of certain receivables. The average age of these receivables is 98 days (2010: 91 days).

Aging past due but not impaired:

	Consolidated	
	2011 \$'000	2010 \$'000
1-30 days past due	876	1,221
31- 60 days past due	553	192
61+ days past due	532	961
Total	1,961	2,374

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$198,000 (2010: \$354,000). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

	Consolidated	
	2011 \$'000	2010 \$'000
1-30 days past due	-	13
31- 60 days past due	-	1
61+ days past due	198	340
Total	198	354

(i) Movement in the allowance for doubtful debts.

Balance at beginning of the financial year	(786)	(735)
Amounts written off during the financial year	288	752
Decrease/(increase) in allowance recognised in profit or loss	82	(803)
Balance at end of the financial year	(416)	(786)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group and Company do 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 in Australia. Furthermore, the Company has credit insurance cover which requires ongoing management of credit accounts with monthly reports provided to the Insurer. Accordingly, there is no further credit provision required in excess of the allowance for doubtful debts.

	Consolidated	
	2011 \$'000	2010 \$'000
9 Current assets - inventories		
Raw materials and stores	16,463	19,485
Work in progress	1,610	2,129
Finished goods	38,984	42,089
	57,057	63,703

All inventories are expected to be recovered within 12 months.

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	Consolidated	
	2011 \$'000	2010 \$'000
10 Current assets - prepayments		
Prepayments	2,563	2,647

11 Deferred tax assets		
Deferred tax assets	2,857	2,857

The Group has recognised deferred tax assets of \$2,857,000 (2010: \$2,857,000) (the Company \$2,650,000 - 2010: \$2,650,000) based upon the forecasted operational performance and more than probable recovery in the shorter term of these prior year losses.

12 Non-current assets - investments

Details of subsidiaries

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

Entity name	Equity Holding		Country of incorporation
	2011 %	2010 %	
Aluminium Extrusion & Distribution Pty Limited ¹	100	100	Australia
Capral Superannuation Pty Limited ²	100	100	Australia
Capral Wages Superannuation Pty Limited ²	100	100	Australia
Aluminium Distributors Pty Limited ²	100	100	Australia
Capral Finance Pty Limited ²	100	100	Australia
Capral Aluminium NZ Limited ^{3,5}	100	100	New Zealand
Austex Dies Pty Limited ⁴	100	100	Australia

¹ Subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC. The Company and Aluminium Extrusion & Distribution Pty Limited have entered into a deed of cross guarantee (**Deed**).

² On 27 March 2009, the wholly owned Australian subsidiaries were added to the Deed.

³ On 27 March 2009, a separate deed of cross guarantee was put in place for Capral Aluminium NZ Limited as it is a non-Australian subsidiary. The deed has been revoked on 28 November 2011 as a result of deregistration of the company.

⁴ Acquired on 17 September 2010 by Capral Limited.

⁵ Deregistration confirmed by New Zealand Company Registrar on 15 December 2011 and removed from New Zealand Company Registrar on 27 January 2012. The results of the group included the results of Capral Aluminium NZ Limited until 15 December 2011.

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13 Related parties

Parent entities

The ultimate parent entity within the Group is Capral Limited.

Equity interests in controlled entities

Interests in controlled entities are set out in Note 12.

Transactions with key management personnel

Refer to Note 37 in relation to securities granted and forfeited during the Financial Year under the Long Term Incentive Plan that include:

- rights granted to Capral's Chief Financial Officer, Executive General Manager, Manufacturing and Company Secretary (who are key management personnel);
- rights and/or options forfeited by Capral's previous Chief Financial Officer and previous Executive General Manager, Distribution (who were key management personnel).

Details of the compensation of, and transactions with, each Director of the Company and key management personnel of the Group are set out in the Directors' Report and in particular, the Remuneration Report.

Transactions with other related parties

In 2011, as the parent entity in the consolidated entity, the Company had no loans advanced from controlled entities (2010: \$66.7 million). The prior year loans were settled during the Financial Year as part of a distribution arising from the deregistration of a controlled entity. The Company has entered into transactions with controlled entities and as a result has accrued interest expense of \$0.2 million (2010: \$1.2 million) and incurred rental expense of \$0.6 million (2010: \$0.4 million) in the Financial Year. These transactions were conducted on commercial terms and conditions at market rates.

14 Business combinations

	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred \$'000
Subsidiary acquired			
2010			
Austex Dies Pty Limited	17/9/2010	100	1,100
Principal activity : manufacture of dies			

	Consolidated	
	2011	2010
	\$'000	\$'000
Consideration transferred		
Cash	-	1,100
Total consideration transferred	-	1,100

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14 Business combinations (Cont'd)

In 2010, acquisition-related costs amounting to \$53,215 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'Other expenses' line item in the Consolidated Statement of Comprehensive Income.

	Consolidated	
	2011	2010
	\$'000	\$'000
Assets acquired and liabilities assumed at the date of acquisition		
Current assets		
Trade and other receivables	-	1,395
Inventories	-	280
Non-current assets		
Fixed assets	-	1,242
Deferred tax assets	-	207
Current liabilities		
Overdraft facility	-	(157)
Trade and other payables	-	(458)
Employee benefits	-	(605)
Total	-	1,904

In 2010, the receivables acquired (which principally comprised trade receivables) in this transaction with a fair value of \$1,395,000 had gross contractual amounts of \$1,395,000 (including \$977,000 of receivables from Capral). Capral believes that there is no adjustment required to the fair value of receivables at the acquisition date.

	Consolidated	
	2011	2010
	\$'000	\$'000
Discount on acquisition		
Consideration transferred	-	1,100
Less: fair value of identifiable net assets acquired	-	(1,904)
Discount on acquisition*	-	(804)

*Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition. Capral acquired Austex Dies Pty Limited consequent to a prior agreement without an obligation to assume all liabilities (including contingent) and assets. Consideration relative to net assets took into account Capral's assumption of the additional transaction risk.

	Consolidated	
	2011	2010
	\$'000	\$'000
Net cash outflow on acquisition of a subsidiary		
Consideration paid in cash	-	1,100
Add: cash and cash equivalent balances acquired (overdraft)	-	157
Net cash outflow on acquisition of a subsidiary	-	1,257

Impact of acquisition on the results of the Group

Included in the profit for the financial year 2010 is \$13,104 attributable to the additional business generated by Austex Dies Pty Limited. Revenue for the period includes \$304,906 in respect of Austex Dies Pty Limited.

Had the business combination been effected at 1 January 2010, the revenue of the Group would have been \$400.3 million and the profit for the year would have been \$6.9 million for the financial year 2010.

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	Consolidated	
	2011 \$'000	2010 \$'000
15 Property, plant and equipment		
Freehold land		
At valuation	1,200	1,200
Accumulated depreciation	-	-
Net book amount	1,200	1,200
Buildings		
At valuation	2,942	2,850
Accumulated depreciation	(362)	(271)
Net book amount	2,580	2,579
Leasehold improvements		
At cost	9,596	10,435
Accumulated depreciation	(4,538)	(4,100)
Net book amount	5,058	6,335
Total land and buildings	8,838	10,114
Plant, machinery and equipment		
At cost	205,571	202,334
Accumulated depreciation	(108,198)	(97,947)
Accumulated impairment losses	(9,951)	(9,951)
Net book amount	87,422	94,436
Construction work in progress at cost	2,246	751
Net plant, machinery and equipment	89,668	95,187
Total property, plant and equipment - net book value	98,506	105,301

The following useful lives are used in the calculation of depreciation:

Buildings	20-33 Years
Leasehold improvements	5-25 Years
Plant and equipment	3 -25 Years

(i) Valuations of land and building:

An independent valuation of the Group's land and buildings was performed by CB Richard Ellis (V) Pty Ltd (**CBRE**) in 2008 to determine the fair value of the land and buildings. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions on arm's length term at the time.

(ii) Carrying amounts that would have been recognised if land and buildings were stated at cost:

	Consolidated	
	2011 \$'000	2010 \$'000
Freehold land		
At cost	1,750	1,750
Accumulated depreciation	-	-
Net book amount	1,750	1,750
Buildings		
At cost	3,376	3,284
Accumulated depreciation	(641)	(550)
Net book amount	2,735	2,734

Capral Limited

15 Property, plant and equipment (cont'd)

Reconciliations

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

	Freehold land at fair value \$'000	Buildings at fair value \$'000	Leasehold improvements at cost \$'000	Plant and equipment at cost \$'000	In course of construction at cost \$'000	Total \$'000
Consolidated						
2011						
Opening net book amount	1,200	2,579	6,335	94,436	751	105,301
Additions	-	95	152	2,835	2,270	5,352
Disposals	-	(4)	(578)	(70)	-	(652)
Transfers	-	7	-	765	(775)	(3)
Impairment of non-current asset	-	-	-	-	-	-
Depreciation charge (Note 2(a))	-	(97)	(851)	(10,544)	-	(11,492)
Net book amount at 31 December 2011	1,200	2,580	5,058	87,422	2,246	98,506
2010						
Opening net book amount	1,200	2,796	7,082	101,363	1,147	113,588
Additions	-	6	262	1,973	698	2,939
Austex Acquisition	-	-	7	1,195	40	1,242
Disposals	-	(93)	(192)	(1,024)	-	(1,309)
Transfers	-	(40)	50	1,124	(1,134)	-
Impairment of non-current assets	-	-	-	(114)	-	(114)
Depreciation charge (Note 2(a))	-	(90)	(874)	(10,081)	-	(11,045)
Net book amount at 31 December 2010	1,200	2,579	6,335	94,436	751	105,301

	Other intellectual property \$'000	Software \$'000	Total \$'000
16 Intangibles			
Consolidated			
2011			
Cost	15,915	23,052	38,967
Accumulated amortisation	(8,113)	(19,922)	(28,035)
Accumulated impairment losses	(7,429)	(2,196)	(9,625)
Net book value	373	934	1,307
2010			
Cost	15,915	22,932	38,847
Accumulated amortisation	(7,793)	(19,180)	(26,973)
Accumulated impairment losses	(7,429)	(2,196)	(9,625)
Net book value	693	1,556	2,249

Capral Limited

16 Intangibles (cont'd)

Impairment testing of property, plant & equipment, goodwill and other intangible assets

Where there is an indication of impairment of an asset within a cash-generating unit, AASB 136 requires that asset to be tested for impairment before testing for impairment as part of the cash-generating unit.

If there is an indication of impairment, the recoverable amount of property, plant & equipment, goodwill and other intangible assets will be determined by reference to a value in use discounted cash flow valuation of the Group, utilising financial forecasts and projections.

The valuation is based on forecast and projected cash flows for a 15 year period commencing January 2012 with a terminal value being applied at the end of this period. The forecast and projected cash flows assumptions are based on financial forecasts for the period January 2012 to December 2016. Net cash flows for subsequent financial periods are projected to grow at 3.1% (2010: 3.7%) per annum. This growth rate corresponds to the average 10 year growth rate based on external economic sources. A discount rate of 13.0% (2010: 14.50%), representing the Company's weighted average cost of capital, has been applied to the cash flow projections.

The key assumptions used by Capral in preparing the value in use cash flow valuation for the financial year ended 31 December 2011 are as follows:

Volumes

In determining assumptions in relation to sales volumes into the commercial and residential/domestic market, Capral have based these on reputable third party long term economic forecast reports with reference to historical performance and seasonal trends. Consideration was also given to both the commercial strategies being employed by the Company through its strategic initiatives across all market channels and market share recovery.

Margins

In setting price and margin assumptions, historical performance trends and the impact of previous price increases were reviewed in assessing the timing and quantum of future price increases. Recent history in relation to direct costs and the impact of higher volumes on manufacturing variances were assessed in setting assumptions on absorbed conversion costs.

Working Capital and Capital Expenditure

These assumptions were set in light of the strategic initiatives and approved capital expenditure, with working capital flexed in relation to the assumed production capacity for volumes throughout the forecast period and historical performance.

Economic Factors

Assumptions including Gross Domestic Production (**GDP**), the Consumer Price Index (**CPI**), expected wage and salary increases, foreign exchange and the future impact of crude oil prices have been made with reference to third party economic forecasts and the Company's strategic plans and budgets.

Allocation of goodwill to cash generating units

The Group operates as one indivisible cash generating unit.

Impairment of carrying value of assets

In 2011, as a result of a detailed review of the remaining useful lives and recoverability of non-current assets, Capral has determined that no impairment write-down of specific assets was necessary (2010: \$114,000).

Refer below and Note 15 for further details.

Capral Limited

16 Intangibles (cont'd)

Reconciliations

Reconciliations of the carrying amounts of each class of intangibles at the beginning and end of the current financial year are set out below:

	Other intellectual property \$'000	Software \$'000	Total \$'000
Consolidated			
2011			
Opening net book amount	693	1,556	2,249
Additions	-	117	117
Transfers	-	3	3
Amortisation	(320)	(742)	(1,062)
Net book amount at 31 December 2011	373	934	1,307
2010			
Opening net book amount	1,042	2,239	3,281
Additions	-	39	39
Amortisation	(349)	(722)	(1,071)
Net book amount at 31 December 2010	693	1,556	2,249

17 Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in Note 19 to the financial statements, all assets of the Group have been pledged as security. The holder of the security does not have the right to sell or repledge the assets other than in the event of default under the principal finance agreement where the security is enforced.

	Consolidated	
	2011 \$'001	2010 \$'000
18 Current liabilities - payables		
Trade payables (i)	42,057	53,101
Goods and services tax payable	796	-
Other payables	8,552	11,372
	51,405	64,473

(i) The average credit period on purchases is 56 days from the end of the month (2010:45 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Capral Limited

	Consolidated	
	2011 \$'000	2010 \$'000
19 Borrowings		
Unsecured - at amortised cost		
Current		
Loans from other entities	48	48
Secured - at amortised cost		
Current		
Revolver facility - Note 27(a)(i)*	(186)	-
Term loan facility - Note 27(a)(ii)	-	21,722
Overdraft Facility - Note 27(a)	317	283
	179	22,053
Disclosed in the financial statements as:		
Current borrowings	179	22,053
	179	22,053

* includes capitalised borrowing costs in relation to the GE facilities

	Consolidated	
	2011 \$'000	2010 \$'000
20 Provisions		
Current		
Employee benefits ⁴	8,244	8,337
Make good on leased assets ¹	188	90
Restructuring and termination costs ⁵	119	430
Other ²	140	141
	8,691	8,998
Non-current		
Employee benefits	2,015	1,808
Make good on leased assets ¹	1,468	1,443
Other ³	928	582
	4,411	3,833

¹ Provision for make good on leased assets comprises obligations relating to site closure and other costs associated with operating lease rental properties.

² Other current provisions include provisions for customer claims including metal returns net of scrap and pricing adjustments.

³ Other non-current provisions include amounts relating to the straight-lining of fixed rate increases in rental payments.

⁴ The current provision for employee benefits includes \$548,023 of annual leave entitlements accrued but not expected to be taken within 12 months (2010: \$632,542).

⁵ The provision for restructuring costs represents the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the Group, including termination benefits.

Consolidated

	Make good on leased assets \$'000	Other \$'000	Restructuring and termination costs \$'000	Total \$'000
Movements in carrying amounts				
Carrying value at the beginning of the financial year	1,533	723	430	2,686
Additional amounts provided	123	2,935	-	3,058
Utilised	-	(2,590)	(311)	(2,901)
Carrying value at the end of the financial year	1,656	1,068	119	2,843

Capral Limited

	Consolidated	
	2011	2010
	\$'000	\$'000
21 Deferred income - current		
Deferred government grants	155	155
Deferred income – other	178	76
	333	231

22 Deferred income - non-current		
Deferred government grants	310	464

	Company		Consolidated	
	2011	2010	2011	2010
	No. 000	No. 000	\$'000	\$'000
23 Issued capital				
(a) Share capital				
Ordinary shares: fully paid	387,898	387,898	410,476	410,476

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to the share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

No movement in share capital in 2011 and 2010.

Capral Limited

	Consolidated	
	2011 \$'000	2010 \$'000
24 Reserves and accumulated losses		
Foreign currency translation reserve	-	(923)
Equity-settled compensation reserve	7,986	6,764
Actuarial loss on retirement benefit fund	-	(963)
	7,986	4,878
Accumulated losses	(262,225)	(253,265)
	(254,239)	(248,387)

	Consolidated	
	2011 \$'000	2010 \$'000
24 (a) Movements in reserves were:		
Foreign currency translation reserve		
Balance at the beginning of the financial year	(923)	(919)
Transfer to profit and loss on disposal of a foreign subsidiary	923	-
Currency translation differences arising on translation of overseas subsidiaries during the financial year	-	(4)
Balance at the end of the financial year	-	(923)
Equity-settled compensation reserve		
Balance at the beginning of the financial year	6,764	3,040
Expense recognised	1,222	3,724
Balance at the end of the financial year	7,986	6,764
Actuarial gains/(losses) on retirement benefit fund		
Balance at the beginning of the financial year	(963)	(963)
Transfer to accumulated losses	963	-
Balance at the end of the financial year	-	(963)
24 (b) Accumulated losses		
Balance at the beginning of the financial year	(253,265)	(259,997)
Transfer of actuarial losses on retirement benefit plan	(963)	-
Net (loss)/gain attributable to members of Capral Limited	(7,997)	6,732
Balance at the end of the financial year	(262,225)	(253,265)
25 Dividends		
Ordinary shares: Nil (2010:Nil)	-	-
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30% (2010:30%)	27,105	27,105

26 Earnings/(loss) per share

	2011 cents per share	2010 cents per share
Basic and diluted (loss)/earnings per share	(2.1)	1.7

The weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share was 387,898,255 (2010: 387,898,255). Loss used in the calculation of basic and diluted loss per share for 2011 was \$7,997,000 (2010: profit \$6,732,000).

There are 29,959,906 (2010: 28,217,496) performance rights and options, with the potential to dilute future earnings at the end of the Financial Year. As at balance date, these potential and contingently issuable shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

Capral Limited

		Consolidated	
		2011	2010
		\$'000	\$'000
27	Stand by arrangement and credit facilities		
Secured bank loan facilities with various maturing dates through to 2014.			
Amount used		317	22,005
Amount unused		78,578	46,472
Total available facilities		78,895	68,477

a) 2011 Financial Arrangements

In 2011, the Company's financing comprised a renewal of existing arrangements with GE Commercial Corporation (Australia) Pty Ltd (**GE**), with a facility of up to \$90 million. The term of this facility ends on 30 June 2014. The facility is fully secured and consists of the following:

- i. A \$60 million revolver facility for a term of 3 years with an interest rate of the 90 day bank bill swap plus a margin rate of 2.00% (2010: 2.00%). Part of the revolver facility is a receivables purchase facility whereby the Company has agreed to sell its receivables to the financier, in return for funding, based on the level of the receivables balance in the revolving account available to be drawn, contingent on the Company meeting its obligations set out in the facility agreement.
- ii. Up to \$30 million term loan facility for a term of 3 years with an interest rate of the 90 day bank bill swap rate plus a margin rate of 2.50% (2010: 2.50%).

In July 2011, Austex Dies Pty Limited (a fully owned subsidiary of the Company) maintained the Overdraft Facility with the Australia and New Zealand Banking Group Limited of up to \$400,000 with an interest rate of the bank reference rate minus a margin rate of 5% (2010: bank bill swap reference rate plus a margin rate of 1.35%). The overdraft facility is fully secured by bank guarantee.

b) 2010 Financial Arrangements

In 2010, the Company's financing comprised the existing arrangements with GE of up to \$104.5 million. The term of this facility was due to expire on 30 September 2011, before it was renewed as detailed above. The facility was fully secured and consisted of the following:

- i. A \$70 million revolver facility for a term of 3 years with an interest rate of the 90 day bank bill plus a margin rate of 2.00% (2009: 2.00%). Part of the revolver facility was a receivables purchase facility whereby the Company agreed to sell its receivables to the financier, in return for funding, based on the level of the receivables balance in the revolving account available to be drawn, contingent on the Company meeting its obligations set out in the facility agreement.
- ii. A \$34.5 million term loan facility for a term of up to 3 years with an interest rate of the 90 day bank bill rate plus a margin rate of 2.50% (2009: 2.50%).

On 17 September 2010, Austex Dies Pty Limited undertook an Overdraft Facility with the Australia and New Zealand Banking Group Limited of up to \$400,000 with an interest rate of the bank bill swap reference rate plus a margin rate of 1.35%. The overdraft facility was fully secured by bank guarantee.

Capral Limited

	Consolidated	
	2011	2010
	\$'000	\$'000
28 Commitments for expenditure - capital		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	969	669
29 Commitments for expenditure - operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases for office and plant premises are payable as follows:		
Within one year	17,868	17,138
Later than one year but not later than five years	59,174	58,325
Later than five years	63,562	70,369
	140,604	145,832

Operating leases relate to warehouse facilities with lease terms of between 2 to 5 years, with options to extend for a further 5 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease receivable		
Within one year	818	189
Later than one year but not later than five years	1,834	84
Later than five years	-	-
	2,652	273

30 Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418, the wholly owned subsidiary, Aluminium Extrusion and Distribution Pty Limited (**AED**) is relieved from the Corporations Act 2001 requirement for the preparation, audit and lodgement of financial reports.

It is a condition of that class order that the Company and AED enter into a Deed of Cross Guarantee (**Deed**). Under the Deed the Company guarantees the payment of all debts of AED in full, in the event of a winding up. AED in turn has guaranteed the payment of the debts of the Company in full in the event that it is wound up.

On 27 March 2009, the other wholly owned Australian subsidiaries of the Company (Capral Wages Superannuation Pty Limited, Capral Superannuation Pty Limited, Capral Finance Pty Limited and Aluminium Distributors Pty Limited) were added to the Deed.

For the 2011 and 2010 financial years, the closed group represents the Company and its wholly owned Australian subsidiaries of the Company (except for Austex Dies Pty Limited).

Capral Limited

30 Deed of Cross Guarantee (cont'd)

	Closed Group 2011 \$'000	Closed Group 2010 \$'000
Statement of comprehensive income		
Revenue	347,644	399,353
Other income ¹	49,905	1,068
Changes in inventories of finished goods and work in progress	(3,038)	(3,013)
Raw materials and consumables used	(195,704)	(219,560)
Employee benefits expense	(78,086)	(84,651)
Depreciation and amortisation expense	(12,296)	(12,184)
Impairment of non-current assets	-	(114)
Finance costs	(1,967)	(3,527)
Freight expense	(12,484)	(14,982)
Occupancy costs	(15,183)	(14,634)
Repairs and maintenance expense	(6,559)	(6,827)
Other expenses	(31,718)	(37,381)
Profit before income tax	40,514	3,548
Income tax benefit	-	2,650
Profit for the year	40,514	6,198
Other comprehensive income for the year (net of tax)	-	-
Total comprehensive income for the year	40,514	6,198
Summary of movements in accumulated losses		
Accumulated losses at the beginning of the year	(303,932)	(310,130)
Profit for the year	40,514	6,198
Accumulated losses at the end of the year	(263,418)	(303,932)

¹ Includes dividend income of \$49.8m from Capral Aluminium NZ Limited - eliminated on consolidation at the end of the Financial Year.

Capral Limited

30 Deed of Cross Guarantee (cont'd)

	Closed Group 2010 \$'000	Closed Group 2010 \$'000
Statement of financial position		
Current assets		
Cash and cash equivalents	14,803	32,768
Trade and other receivables	42,992	42,533
Inventories	56,830	63,378
Prepayments	2,495	2,871
Total current assets	117,120	141,550
Non current assets		
Other receivables	88	-
Deferred tax assets	2,650	2,650
Investment in subsidiaries	1,100	1,100
Property, plant and equipment	97,443	104,083
Other intangible assets	1,307	2,249
Total non current assets	102,588	110,082
Total assets	219,708	251,632
LIABILITIES		
Current liabilities		
Trade and other payables	51,206	103,173
Borrowings	179	21,770
Provisions	8,225	8,853
Deferred income	333	231
Total current liabilities	59,943	134,027
Non current liabilities		
Borrowings		-
Provisions	4,411	3,833
Deferred income	310	464
Total non current liabilities	4,721	4,297
Total liabilities	64,664	138,325
NET ASSETS	155,044	113,308
EQUITY		
Issued capital	410,476	410,476
Reserves	7,986	6,764
Accumulated losses	(263,418)	(303,932)
TOTAL EQUITY	155,044	113,308

31 Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2010.

The capital structure of the group consists of debt, as disclosed in Note 27, cash and cash equivalents, and equity holders of the parent, comprising issued capital, reserves and accumulated losses, as disclosed in Notes 7, 23 and 24 respectively. The Directors review the capital structure on a regular basis, and at least annually. As a part of this review the Directors consider the cost of capital and the risks associated with each class of capital. Based on the determinations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Capral Limited

31 Financial instruments (cont'd)

(a) Capital risk management (cont'd)

The Group prepares monthly management accounts, comprising Balance Sheet, Profit and Loss Statement and Cash Flow Statement updates for the current financial year and the current year forecast. The forecast is used to monitor the Group's capital structure and future capital requirements, taking into account future capital requirements and market conditions.

The Group complied with its borrowing financial covenants under its current facility detailed in Note 27 as at 31 December 2011 as follows:

Covenants	Actual	Limit/Covenant	Headroom
Net Tangible Worth (\$'000)	150,016	Greater than 45,000	105,016
Capital Expenditure to Dec 11 (\$'000)	4,621	Less than 9,000	4,379
Fixed Charge Coverage Ratio (ratio)	3.63	Greater than 1.1:1	2.53

The Group complied with its borrowing financial covenants under its facility detailed in Note 27 as at 31 December 2010 as follows:

Covenants	Actual	Limit/Covenant	Headroom
Net Tangible Worth (\$'000)	152,433	Greater than 45,000	107,433
Capital Expenditure to Dec 10 (\$'000)	3,086	Less than 9,000	5,914
Fixed Charge Coverage Ratio (ratio)	1.94	Greater than 1.1:1	0.84

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1(c).

(c) Categories of financial instruments

	Consolidated	
	2011 \$'000	2010 \$'000
Financial Assets		
Loans and receivables (including cash and cash equivalents)	59,113	85,384
Derivative instruments at fair value through profit or loss	-	-
Financial Liabilities		
Amortised cost	51,584	86,526
Derivative instruments at fair value through profit or loss	-	-

(d) Financial risk management objectives

The Group's treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports. These risks include market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. These risks are analysed below.

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 31(f)) and interest rates (refer note 31(g)). From time to time, the Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- (i) foreign exchange forward contracts to hedge the exchange rate risk arising on the purchase of aluminium rolled product from overseas in US dollars; and
- (ii) interest rate options to mitigate the risk of rising interest rates.

Capral Limited

31 Financial instruments (cont'd)

(e) Market risk (cont'd)

At a Group and Company level, market risk exposures are measured using a sensitivity analysis. There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the financial year.

(f) Foreign currency risk management

The Group undertakes certain transactions in foreign currencies, resulting in exposures to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. It is the policy of the Group to enter into forward foreign exchange contracts from time to time to manage the risk associated with anticipated foreign currency sales and purchase transactions.

The carrying amount of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
EURO (trade payables)	72	34
USD (trade payables)	-	33
NZD (trade payables)	-	13

Foreign currency sensitivity

The Group is exposed to Euros (2010: Euros and US dollars).

The Group's exposure to foreign currency risk at reporting date was considered insignificant and as a result the Group did not enter into foreign exchange forward contracts. The Group's exposure to foreign exchange rate fluctuations was limited to trade payables outstanding at reporting date denominated in currencies other than Australian dollar (**AUD**). The total value of trade payables denominated in currencies other than the AUD at reporting date was \$72,000 (2010: \$80,000).

The following table details the Group's sensitivity to a 10% increase and decrease in the AUD against the relevant foreign currency. 10% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at 31 December 2011 and 31 December 2010 and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit.

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit or loss (after tax)		
- AUD strengthens by 10%	7	8
- AUD weakens by 10%	(7)	(8)

(g) Interest rate risk management

The Group interest rate risk arises from borrowings, cash and derivatives.

The Group is exposed to interest rate risk as the Group borrows funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate options. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed below.

Capral Limited

31 Financial instruments (cont'd)

(g) Interest rate risk management (cont'd)

Interest rate sensitivity

The sensitivity analysis below shows the effect on profit or loss after tax for the financial year if there is a change in interest rates with all other variables held constant. This is determined by applying the change in interest rates to both derivative and non-derivative instruments at the reporting date that have an exposure to interest rate changes. A 50 basis point (0.5%) increase and a 50 basis point (0.5%) decrease represents management's assessment of the possible change in interest rates (2010: 80bp or 0.8% increase and 80bp or 0.8% decrease). A positive number indicates an increase in profit.

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit or loss (after tax)		
Impact of a 50bp (2010: 80bp) increase in AUD interest rates		
- Cash and cash equivalents	53	185
- Floating rate debt	(1)	(124)
Impact of a 50bp (2010: 80bp) decrease in AUD interest rates		
- Cash and cash equivalents	(53)	(185)
- Floating rate debt	1	124

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has exposures to credit risk on cash and cash equivalents, receivables and derivative financial assets. The credit risk on financial assets of the Group which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any allowances for doubtful debts.

The Group 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 in Australia. The Company has credit insurance cover which requires ongoing management of credit accounts with monthly reports provided to the Insurer. Experienced credit management and associated internal policies ensure constant monitoring of the credit risk for the Company.

There is no concentration of credit risk with respect to receivables as the Group has a large number of customers.

The ageing of receivables is detailed below:

	Consolidated	
	2011	2010
	\$'000	\$'000
Current	42,096	48,496
1-30 days	876	1,234
31-60 days	553	193
60+ days	730	1,301
	44,255	51,224

Capral Limited

31 Financial instruments (cont'd)

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities, complying with covenants, monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Included in note 27 is a list of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

Financial assets are made up of cash of \$15,002,000 (2010: \$33,400,000) and trade and other receivables of \$44,274,000 (2010: \$51,984,000). Cash is liquid and trade and other receivables are expected to be realised on average within 51 days. Cash balances earn 3.3% interest per annum (2010: 4.6%). Trade and other receivables are interest-free.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is a fair representation of management's expectations of actual repayments.

	Weighted average effective interest rate %	Less than 1 year \$'000	1-3 years \$'000	3 - 5 years \$'000	Greater than 5 years \$'000
Consolidated 2011					
Trade and other payables	-	51,405	-	-	-
Floating rate debt	7.32%	317	-	-	-
		51,722	-	-	-
2010					
Trade and other payables	-	64,473	-	-	-
Floating rate debt	8.75%	23,266	-	-	-
		87,739	-	-	-

(j) Fair value of financial instruments

The fair values of financial assets, financial liabilities and derivative instruments are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis using prices from observable market data; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, the discounted cash flow analysis is employed using observable market data for non-option derivatives. For option derivatives, option pricing models are used with key inputs sourced from observable market data.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Capral Limited

32 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 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, use of utilities infrastructure and corporate credit cards. At 31 December 2011 these guarantees totalled \$4,896,301 (2010: \$5,490,924).

33 Remuneration of auditors

	Consolidated	
	2011 \$	2010 \$
During the year the auditor of the parent entity and its related practices earned the following remuneration:		
Auditor of the parent entity		
Audit or review of financial reports of the entity or any entity in the consolidated entity	368,000	460,000
Other non-audit services		
- tax compliance and consulting	337,214	197,235
Total remuneration	705,214	657,235

It is the Group's policy to employ the Company's auditors, Deloitte Touche Tohmatsu, on assignments additional to their statutory duties where their expertise and experience is considered invaluable to the assignment. It is the Group's policy to seek tenders for all other work, in particular, due diligence and major consulting projects.

34 Events after reporting date

No matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Capral Limited

35 Notes to the cash flow statement

(i) *Reconciliation of cash and cash equivalents*

	Consolidated	
	2011	2010
	\$'000	\$'000
Reconciliation of cash and cash equivalents		
For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank and short term deposits at call net of bank overdrafts. Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash at bank and on hand	15,002	33,400
Overdraft facility	(317)	(283)
	14,685	33,117

(ii) *Reconciliation of profit/(loss) for the year to net cash flows from operating activities*

(Loss)/profit for the year	(7,997)	6,732
Non-cash items:		
Depreciation and amortisation of non-current assets	12,554	12,116
Impairment of non-current assets	-	114
Discount on acquisition	-	(804)
Allowance for doubtful trade debts	(370)	51
Loss/(gain) on sale of property, plant and equipment	645	(129)
Loss on sale of a subsidiary	567	-
Share-based payments expense	1,222	3,724
Interest expense accrued but not paid	220	541
Interest income reclassified to investing activities	(315)	(212)
Change in assets and liabilities:		
Increase in net deferred taxes	-	(2,650)
Decrease in current receivables	8,243	8,784
Decrease/(increase) in inventories	6,645	(14,698)
Decrease in prepayments	84	34
Increase in non-current receivables	(163)	-
(Decrease)/increase in trade payables and payables	(12,711)	6,460
Increase/(decrease) in employee benefit provisions	113	(202)
Increase in other provisions	158	171
Decrease in deferred income	(52)	(234)
Net cash used in operating activities	8,843	19,798

(iii) *Details of finance facilities are included in note 27 to the financial statements.*

(iv) *Non-cash financing activities*

There were no non-cash financing activities during the Financial Year and the 2010 year.

Capral Limited

36 Parent entity disclosures

	Company	
	2011 \$'000	2010 \$'000
Financial Position		
Assets		
Current assets	117,522	150,662
Non-current assets	94,114	133,162
Total assets	211,636	283,824
Liabilities		
Current liabilities to third parties	26,720	94,795
Current liabilities to controlled entities	16,583	84,146
Non-current liabilities	4,721	4,329
Total liabilities	48,024	183,270
Equity		
Issued capital	410,476	410,476
Accumulated losses	(254,850)	(316,686)
Reserves		
Equity-settled compensation reserve	7,986	6,764
Total Equity	136,581	100,554
Financial Performance		
Profit for the year	61,836	5,591
Other comprehensive income	-	-
Total comprehensive income	61,836	5,591
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Deed of cross guarantee - refer Note 30	-	-
Contingent liabilities of the parent entity		
Refer note 32		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Commitments for the acquisition of property, plant and equipment by the parent entity is noted Within one year	969	669

Capral Limited

37 Share-based payments

Performance Rights

Executive and Senior Management

Refer to section 1(h) of the Remuneration Report for details of rights issued under the Long Term Incentive Plan.

The following share-based payment arrangements were in existence during the current reporting period:

Performance right series (LTIP)	Number as at 31 Dec 11	Grant date	Expiry Date	Exercise price \$	Fair value at grant date \$
Issued 16 March 2007 ¹	29,500	16/03/2007	31/12/2011	-	3.00
Issued 31 March 2008 ²	76,000	31/03/2008	31/12/2012	-	2.50
Issued 26 March 2009 ³	365,000	26/03/2009	31/12/2013	-	0.75
Issued 22 March 2011 ⁴	1,202,841	22/03/2011	31/12/2013	-	0.24
Issued 22 March 2011 ⁴	601,420	22/03/2011	31/12/2013	-	0.27
Issued 22 March 2011 ⁴	601,420	22/03/2011	31/12/2013	-	0.28
Issued 14 June 2011 ⁵	160,000	14/06/2011	31/12/2013	-	0.22
Issued 14 June 2011 ⁵	80,000	14/06/2011	31/12/2013	-	0.26
Issued 14 June 2011 ⁵	80,000	14/06/2011	31/12/2013	-	0.27

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2007 have an average vesting date of 22 February 2010.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2008 have an average vesting date of 19 April 2010.

3 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2009 have an average vesting date of 13 April 2011.

4 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2011 have an average vesting date of 1 March 2014.

5 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2011 have an average vesting date of 1 March 2014.

The following share-based payment arrangements were in existence during the comparative reporting period:

Performance right series (LTIP)	Number as at 31 Dec 10 (Post Consolidation)	Grant date	Expiry Date	Exercise price \$	Fair value at grant date \$ (Post Consolidation)
Issued 14 March 2006 ¹	13,500	14/03/2006	31/12/2010	-	8.60
Issued 16 March 2007 ²	34,500	16/03/2007	31/12/2011	-	3.00
Issued 31 March 2008 ³	96,000	31/03/2008	31/12/2012	-	2.50
Issued 26 March 2009 ⁴	455,000	26/03/2009	31/12/2013	-	0.75

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2006 have an average vesting date of 30 June 2008.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2007 have an average vesting date of 22 February 2010.

3 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2008 have an average vesting date of 19 April 2010.

4 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2009 have an average vesting date of 13 April 2011.

Capral Limited

37 Share-based payments (cont'd)

Inputs into the model	Performance Rights (LTIP)				
	14 June 2011	22 March 2011	26 March 2009	31 March 2008	16 March 2007
Grant date	14/06/2011	22/03/2011	26/03/2009	31/03/2008	16/03/2007
Dividend yield	3.5%	3.3%	0%	0%	0%
Risk free yield	4.81%	4.96%	3.32%	6.05%	6.00%
Expected volatility	60%	60%	80%	55%	37%
Last testing date	31/12/2013	31/12/2013	31/12/2013	31/12/2012	31/12/2011
Exercise price	n.a	n.a	n.a	n.a.	n.a.
Share price at grant date (pre consolidation)	n.a	n.a	\$0.082	\$0.300	\$0.74
Share price at grant date (post consolidation)	\$0.285	\$0.30	\$0.820	\$3.000	\$7.40
Performance right life	2.7 years	2.9 years	2.3 years	2.3 years	3.2 years

Options

Executive and Senior Management

In 2011, no options to acquire ordinary shares were granted under LTIP. 854,771 options issued in 2009 and 2010 were forfeited due to the departure from employment with Capral of option holders. 2,463,725 options remain outstanding at the end of the Financial Year (2010: 3,318,496).

In 2010, 459,000 options to acquire ordinary shares were granted under LTIP as part of the 2010 offer to Capral's Chief Financial Officer. These options have expired due to his departure from employment with Capral in 2011. 1,012,500 options issued in 2009 lapsed due to the departure from employment with Capral of option holders. 3,318,496 options were outstanding at the end of 2010 (2009: 3,871,996).

The following share-based payment arrangements were in existence during the current reporting period:

Options (LTIP)	Number (Post Consolidation)	Grant date	Expiry Date	Exercise price	Fair value at grant date
				\$ (Post Consolidation)	\$ (Post Consolidation)
Issued 16 October 2009 ¹	1,231,863	16/10/2009	16/10/2014	0.25	0.29
Issued 16 October 2009 ²	615,931	16/10/2009	16/10/2014	0.40	0.26
Issued 16 October 2009 ²	615,931	16/10/2009	16/10/2014	0.60	0.23

¹ In accordance with the terms of the LTIP arrangement, options issued during the financial year ended 31 December 2009 and the Financial Year have a vesting date of 16 October 2011.

² In accordance with the terms of the LTIP arrangement, options issued during the financial year ended 31 December 2009 and the Financial Year have a vesting date of 16 October 2012.

The following share-based payment arrangements were in existence during the comparative reporting period:

Options (LTIP)	Number (Post Consolidation)	Grant date	Expiry Date	Exercise price	Fair value at grant date
				\$ (Post Consolidation)	\$ (Post Consolidation)
Issued 16 October 2009 ¹	1,429,748	16/10/2009	16/10/2014	0.25	0.29
Issued 16 October 2009 ²	714,874	16/10/2009	16/10/2014	0.40	0.26
Issued 16 October 2009 ²	714,874	16/10/2009	16/10/2014	0.60	0.23
Issued 1 March 2010 ¹	229,500	1/3/2010	16/10/2014	0.25	0.14
Issued 1 March 2010 ²	114,750	1/3/2010	16/10/2014	0.40	0.12
Issued 1 March 2010 ²	114,750	1/3/2010	16/10/2014	0.60	0.10

¹ In accordance with the terms of the LTIP arrangement, options issued during the financial year ended 31 December 2009 and the Financial Year have a vesting date of 16 October 2011.

² In accordance with the terms of the LTIP arrangement, options issued during the financial year ended 31 December 2009 and the Financial Year have a vesting date of 16 October 2012.

Capral Limited

37 Share-based payments (cont'd)

Inputs into the model	Options (LTIP) 16 October 2009		
	Tranche 1	Tranche 2	Tranche 3
Grant date	16/10/2009	16/10/2009	16/10/2009
Dividend yield	0%	0%	0%
Risk free yield	5.08%	5.16%	5.16%
Expected volatility	80%	80%	80%
Expiry date	16/10/2014	16/10/2014	16/10/2014
Exercise price	\$0.250	\$0.400	\$0.600
Share price at grant date	\$0.42	\$0.42	\$0.42
Option life	5.0 years	5.0 years	5.0 years

Managing Director

During 2011, no options were issued to the Managing Director (2010: nil).

The Managing Director commenced with Capral on 15 April 2009 and does not participate in LTIP (see Remuneration Report).

In the 2009 financial year, Capral granted to the Managing Director, Mr Phil Jobe, options to acquire Capral shares as follows. These options were adjusted on the Share Consolidation record date of 23 November 2009 on a 10 for 1 basis, as detailed below:

Options (Managing Director)	Number (Post Consolidation)	Grant date	Expiry Date	Exercise price \$ (Post Consolidation)	Fair value at grant date \$ (Post Consolidation)
Issued 24 April 2009 ¹	1,433,333	24/04/2009	20/04/2016	0.50	0.52
Issued 24 April 2009 ¹	1,433,333	24/04/2009	20/04/2016	0.50	0.54
Issued 24 April 2009 ¹	1,433,334	24/04/2009	20/04/2016	0.50	0.54
Issued 9 October 2009 ²	10,000,000	9/10/2009	16/10/2014	0.25	0.22
Issued 9 October 2009 ²	5,000,000	9/10/2009	16/10/2014	0.40	0.19
Issued 9 October 2009 ²	5,000,000	9/10/2009	16/10/2014	0.60	0.18

¹ In accordance with the terms of the Managing Director's employment contract, options issued during the financial year ended 31 December 2009 have vesting dates between 20 April 2009 and 20 April 2012.

² In accordance with the terms of the options approved by Shareholders at the EGM on 9 October 2009, options issued during the financial year ended 31 December 2009 have vesting dates between 16 October 2010 and 16 October 2012.

Outlined below are the inputs to the model used for calculating the fair value of the equity-settled options granted to the Managing Director:

Inputs into the model	Options (Managing Director)					
	9 October 2009			24 April 2009		
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Grant date	9/10/2009	9/10/2009	9/10/2009	24/4/2009	24/4/2009	24/4/2009
Dividend yield	0%	0%	0%	0%	0%	0%
Risk free yield	4.97%	5.05%	5.13%	3.66%	3.87%	4.05%
Expected volatility	80%	80%	80%	75%	70%	65%
Last exercise date	16/10/2014	16/10/2014	16/10/2014	20/04/2016	20/04/2016	20/04/2016
Exercise Price	\$0.250	\$0.400	\$0.600	\$0.500	\$0.500	\$0.500
Share price at grant date (pre consolidation)	\$0.035	\$0.035	\$0.035	\$0.080	\$0.080	\$0.080
Share price at grant date (post consolidation)	\$0.350	\$0.350	\$0.350	\$0.800	\$0.800	\$0.800
Option life	5.0 years	5.0 years	5.0 years	7.0 years	7.0 years	7.0 years

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not be the actual outcome.

Capral Limited

37 Share-based payments (cont'd)

The following reconciles the outstanding securities granted to the Managing Director, executives and senior management at the beginning and end of the financial year:

Options	2011		2010	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Balance at the beginning of the financial year	27,618,496	0.381	28,171,996	0.381
Granted during the financial year	-	-	459,000	0.375
Forfeited during the financial year	(854,771)	0.375	(1,012,500)	0.375
Exercised during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at the end of the financial year	26,763,725	0.381	27,618,496	0.381
Exercisable at the end of the financial year	19,098,529	0.301	12,866,666	0.267

Performance rights	2011	2010
	Number of share performance rights	Number of share performance rights
Balance at the beginning of the financial year	599,000	763,500
Granted during the financial year	3,407,101	-
Forfeited during the financial year	(115,000)	(164,500)
Vested during the financial year	-	-
Expired during the financial year	(694,920)	-
Balance at the end of the financial year	3,196,181	599,000

(i) Exercised during the financial year

No options granted to the Managing Director, executives and senior management have been exercised during the 2011 financial year.

No performance rights granted to the executives and senior management have vested during the 2011 financial year.

(ii) Balance at the end of the financial year

The options outstanding at the end of the 2011 financial year were 26,763,725 (2010: 27,618,496) with a weighted average remaining contractual life of 3.0 years (2010: 4.0).

The performance rights outstanding at the end of the 2011 financial year were 3,196,181 (2010: 599,000), with a weighted average remaining contractual life of 1.7 years (2010: 2.7 years).

Capral Limited

38 Key management personnel compensation

(a) Compensation of Key Management Personnel

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	Consolidated/Company	
	2011	2010
	\$	\$
Short-term benefits	3,730,172	4,545,892
Post-employment benefits	182,387	153,741
Other long-term benefits	-	-
Termination benefits	155,854	2,867
Share-based payments	873,387	3,432,931
	4,941,800	8,135,431

(b) Performance rights and options holdings of Key Management Personnel

The remuneration policy for the Managing Director, Executive Management Team and senior management is set out in the Remuneration Report.

Details of the performance rights and options held by Key Management Personnel during the Financial Year are as follows:

2011 - Performance Rights	Held at start of year	Granted as compensation	Lapsed	Vested	Held at end of year
Directors					
P Jobe	-	-	-	-	-
Executives					
T Campbell ¹	-	400,000	(80,000)	-	320,000
M Lamb ²	-	-	-	-	-
M Haszard	125,000	624,134	(124,827)	-	624,307
A Simmonds ³	117,000	-	(117,000)	-	-
D Munro ⁴	-	-	-	-	-
R Rolfe	52,000	152,729	(32,546)	-	172,183
	294,000	1,176,863	(354,373)	-	1,116,490

None of the performance rights included in the above table vested as at 31 December 2011.

2011 - Options	Held at start of year	Granted as compensation	Other	Exercised	Held at end of year
Directors					
P Jobe	24,300,000	-	-	-	24,300,000
Executives					
T Campbell ¹	-	-	-	-	-
M Lamb ²	459,000	-	(459,000)	-	-
M Haszard	463,725	-	-	-	463,725
A Simmonds ³	395,771	-	(395,771)	-	-
D Munro ⁴	-	-	-	-	-
R Rolfe	120,000	-	-	-	120,000
	25,738,496	-	(854,771)	-	24,883,725

¹ Mr Campbell commenced employment with Capral in June 2011

² Mr Lamb left employment with Capral in June 2011

³ Mr Simmonds retired on 9 June 2011

⁴ Mr Munro commenced employment with Capral in June 2011

A total of 17,866,667 options granted to Mr P Jobe included in the above table are exercisable as at 31 December 2011.

Capral Limited

38 Key management personnel compensation (cont'd)

2010 - Performance Rights	Held at start of year	Granted as compensation	Lapsed	Vested	Held at end of year
Directors					
P Jobe	-	-	-	-	-
Executives					
I Timmis ¹	-	-	-	-	-
M Lamb ²	-	-	-	-	-
M Haszard	125,000	-	-	-	125,000
A Simmonds	117,000	-	-	-	117,000
E Pollard ³	119,500	-	(119,500)	-	-
	361,500	-	(119,500)	-	242,000

None of the performance rights included in the above table vested as at 31 December 2010.

2010 - Options	Held at start of year	Granted as compensation	Other	Exercised	Held at end of year
Directors					
P Jobe	24,300,000	-	-	-	24,300,000
Executives					
I Timmis ¹	459,000	-	(459,000)	-	-
M Lamb ²	-	459,000	-	-	459,000
M Haszard	463,725	-	-	-	463,725
A Simmonds	395,771	-	-	-	395,771
E Pollard ³	283,500	-	(283,500)	-	-
	25,901,996	459,000	(742,500)	-	25,618,496

¹ Mr Timmis left employment with Capral in March 2010

² Mr Lamb commenced employment with Capral in March 2010

³ Ms Pollard resigned on 15 November 2010

A total of 12,866,666 options granted to Mr P Jobe included in the above table were exercisable as at 31 December 2010.

Capral Limited

38 Key management personnel compensation (cont'd)

(c) Shareholdings of Key Management Personnel - fully paid ordinary shares of the Company

Details of the holdings of the Company's ordinary shares of Key Management Personnel during the Financial Year and 2010 financial year are as follows:

2011	Held at start of year	Granted as compensation	Received on vesting of performance rights/ exercise of options	Other changes during the year	Held at end of year
Directors					
R Wood-Ward	-	-	-	-	-
P Jobe	185,500	-	-	-	185,500
I Blair	227,348	-	-	-	227,348
A Eisen	-	-	-	-	-
M Jefferies	-	-	-	-	-
G F Pettigrew	-	-	-	-	-
Executives					
T Campbell ¹	-	-	-	-	-
M Haszard	100,000	-	-	(100,000) ²	-
D Munro ³	-	-	-	-	-
R Rolfe	84,750	-	-	-	84,750
	597,598	-	-	(100,000)	497,598

¹ Mr Campbell commenced employment with Capral in June 2011

² Disposed on market in accordance with the Capral Securities Trading Policy

³ Mr Munro commenced employment with Capral in June 2011

2010	Held at start of year	Granted as compensation	Received on vesting of performance rights/ exercise of options	Other changes during the year	Held at end of year
Directors					
R Wood-Ward	-	-	-	-	-
P Jobe	35,500	-	-	150,000 ¹	185,500
I Blair	227,348	-	-	-	227,348
A Eisen	-	-	-	-	-
M Jefferies	-	-	-	-	-
G F Pettigrew ²	-	-	-	-	-
Executives					
M Lamb ³	-	-	-	70,000 ¹	70,000
M Haszard	200,000	-	-	(100,000) ⁴	100,000
A Simmonds	202,000	-	-	-	202,000
	664,848	-	-	120,000	784,848

¹ Purchased on market in accordance with the Capral Securities Trading Policy

² Appointed non-executive director on 18 June 2010

³ Mr Lamb commenced with Capral on 1 March 2010

⁴ Disposed on market in accordance with the Capral Securities Trading Policy

Capral Limited

38 Key management personnel compensation (cont'd)

The shareholdings of former Key Management Personnel as at the termination date were as follows:

2011	Held at start of year	Granted as remuneration	On exercise of option	Other changes during the year	Held at date of termination
Directors	-	-	-	-	-
Executives					
M Lamb ¹	70,000				70,000
A Simmonds ²	202,000	-	-	(202,000) ³	-

¹ Mr Lamb left employment in June 2011

² Mr Simmonds retired on 9 June 2011

³ Disposed on market in accordance with the Capral Securities Trading Policy

2010	Held at start of year	Granted as remuneration	On exercise of option	Other changes during the year	Held at date of termination
Directors					
P Arnall ¹	36,348	-	-	-	36,348
Executives					
I Timmis ²	800,000				800,000
E Pollard ³	100,000	-	-	-	100,000

¹ Mr Arnall retired on 17 March 2010

² Mr Timmis left employment in March 2010

³ Ms Pollard resigned on 15 November 2010 from Capral.

Capral Limited

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that Capral will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of Capral and the consolidated entity;
- (c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (d) the directors have been given declarations required by section 295A of the Corporations Act 2001.

At the date of this declaration, Capral is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion there are reasonable grounds to believe that Capral and the companies to which the ASIC Class Order applies, as detailed in Note 30 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



R.L. Wood-Ward
Chairman

Sydney

22 February 2012



P.J. Jobe
Managing Director

Independent Auditor's Report to the Members of Capral Limited

Report on the Financial Report

We have audited the accompanying financial report of Capral Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 21 to 68.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1c, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Capral Limited on 22 February 2012 would be in the same terms if provided to the directors as at the date of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Capral Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1c.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Capral Limited for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

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Partner
Chartered Accountants
Sydney, 22 February 2012