

# 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       | 31/12/2012                         |
| Reporting Period | 1 January 2012 to 31 December 2012 |
| Previous Period  | 1 January 2011 to 31 December 2011 |

### Results for announcement to the market

|                                                                            | 31 December<br>2012<br>\$'000      | 31 December<br>2011<br>\$'000 | Change<br>\$'000                   | Change<br>%                 |
|----------------------------------------------------------------------------|------------------------------------|-------------------------------|------------------------------------|-----------------------------|
| <b>2.1 Revenues from ordinary activities</b>                               | 303,939                            | 348,562                       | (44,623)                           | (13)                        |
| <b>2.2 Loss from ordinary activities after tax attributable to members</b> | (10,987)                           | (7,997)                       | (2,990)                            | (37)                        |
| <b>2.3 Net loss for the period attributable to members</b>                 | (10,987)                           | (7,997)                       | (2,990)                            | (37)                        |
| <b>2.4 Dividends</b>                                                       | 31 December 2012                   |                               | 31 December 2011                   |                             |
|                                                                            | 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 2012 Results Presentation lodged with this Report for explanation of the results.

### 3.0 Net Tangible Assets per security

|                       | 31 December 2012 | 31 December 2011 |
|-----------------------|------------------|------------------|
| NTA (cents per share) | 36.9             | 39.2             |
| Number of shares      | 387,898,255      | 387,898,255      |

### 4.0 Entities over which control has been gained or lost

2012: Capral Wages Superannuation Pty Limited, Capral Superannuation Pty Limited, Capral Finance Pty Limited and Aluminium Distributors Pty Limited - Deregistered; refer to Note 12.  
2011: Capral Aluminium NZ Limited – Deregistered; refer to Note 12.

### 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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# Capral Limited

## CHAIRMAN'S REPORT

The Company recorded a loss after tax of \$11.0 million for the year ended 31 December 2012, after restructuring costs of \$1.3million (2011: \$8.0 million loss).

Revenues of \$304 million for 2012 declined almost 13% from the \$349 million recorded in 2011, in line with the reduction in the Australian aluminium extrusions market as a result of lower construction activity in both the residential and commercial sectors.

Although the financial results for 2012 were disappointing, Capral continued to make solid progress with productivity improvements and cost efficiencies, so that:

- Before restructuring costs of \$1.3million, the operating efficiencies and continuing cost savings resulted in an operating EBITDA of \$4.0million. A \$0.6 million downward LME mark to market inventory valuation resulted in the reported EBITDA of \$3.4million (2011: \$6.8million).
- Against the difficult trading background, the Company produced an operating cash flow from operations of \$9.5 million, resulting in net cash on hand at 31 December 2012 of \$19.8 million, a \$5.1 million improvement on the \$14.7 million net cash on hand a year earlier.
- Significant progress was made in ensuring that continuous progress is made in our safety record, with all measures showing a marked improvement over prior years.
- Further improvements in our quality and service levels have been achieved, as borne out by an excellent customer retention rate and customer feedback.

The strong Australian dollar and the unacceptably low measures imposed by Customs on imports of aluminium extrusion from China have seen imports persist to hold a significant share of the market. While circumvention activities by some importers continue to be a problem, there are encouraging signs of positive action to find solutions to these problems and anti-dumping by the Government. Capral will continue to be at the forefront of the fight for a level playing field.

Construction industry analysts are forecasting a modest increase in housing starts in 2013. However, the Company does not expect any meaningful upturn until the second half and expects volumes to remain in line with H1 2012 levels during the first part of 2013. Continued pressure on costs and pricing should be substantially offset by our focus on operating efficiency and cost reduction. Current expectations are for trading EBITDA during the first six months of 2013 to be broadly in line with the comparative period in 2012, whilst for the full year it is expected to exceed that recorded in 2012, provided the anticipated upturn in housing starts eventuates.

The closure of the aluminium smelter at Kurri Kurri, NSW has resulted in extremely tight billet supply and with suppliers materially altering their terms of trade. Capral has secured its 2013 requirements from remaining local sources and through imports. However, the tightening of credit terms will result in a substantial reduction in operating cash flow as a result of the increased working capital required, particularly in the first half of the year. However, the Company expects to remain in a net cash position both for the half year and at year end.

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.

As announced in December, Phil Jobe will step down as CEO when his contract expires on 15 April 2013. On behalf of the board I would like to acknowledge Phil's leadership and enormous contribution to Capral since 2009. We are indeed pleased that the board and Company will continue to benefit from his experience and guidance as a non-executive director and consultant after April 2013. I would like to welcome Tony Dragicevich to the Company as CEO Designate. Tony is working closely with Phil over the transition period until Phil's term as CEO completes in mid-April, at which point Tony will be appointed to the board of Capral as Managing Director and CEO. I am sure that Tony's diverse experience as a business leader will add tremendous value to the Company in the years ahead.

I thank my co-directors for their support and valuable contributions during the year. I would also like to extend the Board's appreciation to the entire Capral team for their dedication and great efforts during 2012.

In February 2013, after some ten years of invaluable support as a cornerstone shareholder, Guinness Peat Group completed the placement of its entire shareholding to a number of Australian investors as part of its asset realisation programme. I would like to repeat the Board's welcome to those new shareholders and extend our thanks to all stakeholders for their continued support.



Rex Wood-Ward  
Chairman  
21 February 2013

## MANAGING DIRECTOR'S REPORT

### Features:

- **EBITDA<sup>1</sup> profit of \$4.0m (before restructuring and LME mark to market)**
- **Net loss of \$11.0m**
- **A further \$8.1m of operating cost reductions**
- **Positive operating cash flow of \$9.5m**
- **Robust balance sheet with no net debt**
- **Improved safety outcomes**
- **Progress with reform of Anti Dumping regime**

Market conditions in 2012 remained challenging. The residential housing market declined a further 7% in housing commencements to around 139,000 in 2012. Demand for aluminium extrusions fell by 6% over the prior year, to be down 30% on pre Global Financial Crisis levels.

The high Australian dollar continues to apply relentless pressure on manufacturing in Australia. This is compounded by the undervalued Chinese currency. Prices remain extremely competitive and declined during the year in the Distribution channel.

In these circumstances Capral continued to execute its DEFEND, OPTIMISE and GROW strategy.

Capral values its long term customer relationships, and service and quality were at a consistently high level. We were able to **Defend** our leading market share.

In terms of **Optimising** what we do, a further \$8.1m in cost savings were achieved. Manufacturing efficiency increased again and reductions in freight and logistics expenses were realised. Overheads were again reduced. The EBITDA break even of the business has improved by 40% since 2008. Non volume related costs of \$40m per annum have been eliminated from the business since the Global Financial Crisis in 2008. This action has been vital in mitigating the inflation and price down impacts.

Close attention is paid to working capital levels and \$6.7m, derived mainly from reductions in inventory levels, was contributed to the operating cash flow of \$9.5m from these initiatives. Capex was held tight at \$4.5m representing 38% of depreciation.

Net cash at 31 December 2012 was \$19.8m, an increase of \$5.1m for the year.

A number of innovative new products were brought to market as part of our **Growth** strategy and geographic and channel to market initiatives were pursued in an effort to grow the revenue line. Capral is well placed with existing capacity to leverage the anticipated residential market upturn.

Capral has been at the forefront of a campaign to reform the Australian Anti Dumping Regime. There was an encouraging level of reform announced by the Federal Government in recent months. Four tranches of legislation have now passed through Parliament. Following a detailed review by John Brumby, the House of Representatives passed legislation in February 2013 to set up a new Anti Dumping Commission based in Melbourne. Additionally, anti circumvention breaches are being actively pursued. But Capral continues to press for necessary further reform and the Federal Government has indicated that additional legislative measures will be put before the Parliament in the coming months.

The safety performance improved again in 2012. Examples of this were the reduction in Lost Time injuries from 12 to 4 and a 56% reduction in the number of hours lost from injuries.

I concur with the comments of the Chairman in acknowledging the support from the Guinness Peat Group as our largest shareholder over the past decade.

It is with a mixture of feelings that I step down as CEO in mid April 2013 after 4 years in the role. The Capral team are amongst the most capable, experienced and tenacious that I have worked with. I want to thank them for their support and confidence as we have undertaken a fundamental and wide ranging restructure of the business with resultant improvement in outcomes and competitive positioning. It has been a pleasure to work with a cohesive, quality Board. I welcome Tony Dragicevich, an experienced executive, to Capral, as my successor, and I look forward to continuing as a non-executive Director and pursuing the anti dumping advocacy.

<sup>1</sup> EBITDA – Earnings before Interest, Taxes, Depreciation and Amortisation

## Outlook

Housing commencements are forecast to be around 148k for calendar 2013, up 6% on the prior year, skewed to the second half.

A sustained high \$A will continue to put pressure on pricing and gross margins and sustain import levels.

Project Relaunch cost savings are targeted to at least cover inflation and carbon tax impacts.

Following the closure of the Aluminium Smelter at Kurri Kurri NSW, Capral has secured billet supply including from imports. The payment terms on the billet imports and the revised credit terms from the remaining Australian billet supplier have significantly tightened.

This impact, along with the need for additional working capital associated with a rising market, and an anticipated rising LME, will result in a material cash outflow in H1 2013, partially reversing in H2 2013. Capral expects to cover the outflows and remain net cash positive at balance dates.

As detailed in the Chairman's Report, current expectations are for trading EBITDA during the first half of 2013 to be broadly in line with the comparative period in 2012, whilst for the 2013 full year it is expected to exceed that recorded in 2012, provided the anticipated upturn in housing commencements eventuates.

**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  
21 February 2013

# Capral Limited

## 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 40 years of international experience in general management, mergers and acquisitions, corporate strategy and structuring, including in manufacturing and distribution. Over his career he has been a director of over 10 publically listed companies in Australia, the United Kingdom and South Africa.

*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 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 10 May 2012.
- Non-executive director of Ozgrowth Limited: 31 October 2007 to Current.
- Alternate Director of ClearView Wealth Limited: 27 July 2011 to 11 October 2012.
- 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 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 Chairman of IOOF Holdings Ltd, and 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 31 March 2012.

### 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 18 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 11 October 2012.
- 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 Holocentric 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 is available on Capral's website, [www.capral.com.au](http://www.capral.com.au) (under Corporate Governance). The Charter is reviewed and amended from time to time.
- (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 executives 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 executive'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 Wood-Ward, Mr Pettigrew and Mr Blair. 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](http://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, 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 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 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 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 an employee or contractor of Capral who wishes to report certain conduct. This complaints process can be anonymous and provides



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protection against action that may be taken in reprisal for disclosing such conduct.

- (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](http://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 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 2011 to 31 March 2012, 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 2012, 15% of Capral's workforce were women (2011: 17%) and 17% of senior management positions were held by women (2011: 14%). 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 twice a 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, and members with relevant financial experience and/or relevant industry experience.

- (c) The Committee's Charter is available on Capral's website, [www.capral.com.au](http://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](http://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](http://www.capral.com.au) (under Corporate Governance).
- 6.2 Shareholders can access Capral's share price and ASX announcements (including media releases and materials presented at significant investor briefings), via Capral's website, [www.capral.com.au](http://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

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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.

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](http://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](http://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 award of bonuses and other incentives are reviewed at least annually by the Committee and recommendations are put to the Board for its approval. 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](http://www.capral.com.au) (under Corporate Governance).**

## Capral Limited

### 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 2012 (**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. L. 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 except as disclosed in the Chairman's Report regarding Capral's ownership, 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 Chairman's Report, 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:

## Capral Limited

| Director        | Board |          | Audit Committee |                | Remuneration & Nomination Committee |                |
|-----------------|-------|----------|-----------------|----------------|-------------------------------------|----------------|
|                 | Held  | Attended | Held            | Attended       | Held                                | Attended       |
| R. L. Wood-Ward | 7     | 6        | 2               | 2              | 2                                   | 2              |
| P.J. Jobe       | 7     | 7        | 2               | 2 <sup>1</sup> | 2                                   | 2 <sup>1</sup> |
| I.B. Blair      | 7     | 6        | 2               | 2              | 2                                   | 2              |
| A.M. Eisen      | 7     | 5        | 2               | 1              | 2                                   | 1              |
| M. L. Jefferies | 7     | 6        | 2               | 2              | 2                                   | 1              |
| G. F. Pettigrew | 7     | 7        | 2               | 1              | 2                                   | 2              |

<sup>1</sup> 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 1.1.2012                       | Balance at 31.12.2012 | Balance at date of this report |
| R. L. Wood-Ward | Director and Chairman of the Board | -                                         | -                     | -                              |
| P.J. Jobe       | Managing Director                  | 185,500                                   | 240,500               | 240,500                        |
| I.B. Blair      | Director                           | 227,348                                   | 227,348               | 227,348                        |
| A.M. Eisen      | Director                           | -                                         | -                     | -                              |
| M. L. 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 1.1.2012 | Balance at 31.12.2012 | 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                      |
| Share rights              | -                   | 6,860,000             | 6,860,000                      |

### Unissued shares or interests under option

At the date of this report, there are 38,019,646 (2011: 29,930,406) 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.

# Capral Limited

## 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 incentives) 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. 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 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 a short term incentive plan (**STIP**) and a 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.

## Capral Limited

### (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 (2011: Nil). During the Financial Year 6,433,334 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 36 of the Financial Report.

### (h) Managing Director - Share Rights

During the Financial Year, 6,860,000 share rights were granted to the Managing Director following shareholder approval at the Annual General Meeting (2011: Nil). The vesting date of these rights will be 15 April 2013. Vesting is subject to hurdles; that the Managing Director remains employed and/or a director of Capral on the vesting date and meets Board objectives regarding CEO succession planning by the vesting date. However, if there is a change of control event or if his employment is terminated by Capral other than for cause, all of the unvested rights will immediately vest. Unvested share rights lapse upon the Managing Director ceasing to be both an employee and director of Capral in circumstances other than as described

above. None of those rights vested during the Financial Year.

The total number of share rights granted to Mr Jobe and outstanding as at the end of the Financial Year is 6,860,000. The fair value of the rights is detailed in Note 36 of the Financial Report.

### (i) Long Term Incentive Plan

The long term incentive plan (**LTIP**) was introduced in 2006 and is restricted to 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 2008-2010*

Rights to ordinary shares issued under LTIP between 2008 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 2011-2012*

Rights to ordinary shares issued under LTIP during 2011 and 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 each year over a 3 year period. 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 in the year of grant 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 31 December 2013 (for the 2011 award) and 31 December 2014 (for the 2012 award).

## Capral Limited

### *All rights under LTIP*

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                           |

As at 31 December 2012, none of the remaining unvested rights granted as part of the 2008 offer (56,000 rights) or 2009 offer (275,000 rights) vested on the 31 December 2012 testing. The rights granted as part of the 2008 offer (56,000 rights) lapsed on 1 January 2013. In relation to the 2011 offer, 20% EPS (Tranche 1) (681,419 rights) lapsed on 31 December 2011 and 20% EPS (Tranche 2) (545,314 rights) lapsed on 31 December 2012. In relation to the 2012 offer, 20% EPS (Tranche 1) (679,211 rights) lapsed on 31 December 2012.

During the Financial Year, 3,878,982 rights were granted under LTIP (2011: 3,407,101).

Under LTIP, 4,683,783 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 2013.

### *Options (Executives and Senior Managers)*

No options to acquire ordinary shares were granted under LTIP during the Financial Year (2011: Nil). During the Financial Year 1,000,000 options vested but at the date of this report remain subject to a disposal restriction and are not yet exercisable.

2,231,863 options issued under LTIP remain unexercised at the end of the Financial Year.

Refer to section 2 of this report for further details.

### **(j) 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.

## Capral Limited

### 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 and other key management personnel for the Financial Year and for 2011 financial year are detailed below.

|                  |      |                        | Short-term employee benefits |                    | Post - employment benefits | Other long-term benefits | Termination benefits <sup>7</sup> | Share-based payments            |                      | Total   | Total performance related |
|------------------|------|------------------------|------------------------------|--------------------|----------------------------|--------------------------|-----------------------------------|---------------------------------|----------------------|---------|---------------------------|
| Name             | Year | Title                  | Salary and fees              | Bonus <sup>6</sup> | Non-monetary benefits      | Super-annuation          |                                   | Performance Rights <sup>5</sup> | Options <sup>5</sup> |         |                           |
|                  |      |                        | \$                           | \$                 | \$                         | \$                       | \$                                | \$                              | \$                   | \$      | %                         |
| <b>Directors</b> |      |                        |                              |                    |                            |                          |                                   |                                 |                      |         |                           |
| P.J. Jobe        | 2012 | Managing Director      | 1,150,000                    | 1,059,000          | -                          | 50,000                   | -                                 | -                               | 828,869              | 314,926 | 65                        |
|                  | 2011 | Managing Director      | 1,150,000                    | 793,440            | -                          | 50,000                   | -                                 | -                               | -                    | 934,793 | 59                        |
| R.L. Wood-Ward   | 2012 | Chairman               | 120,000                      | -                  | -                          | 10,800                   | -                                 | -                               | -                    | -       | -                         |
|                  | 2011 | Chairman               | 120,000                      | -                  | -                          | 10,800                   | -                                 | -                               | -                    | -       | -                         |
| I.B. Blair       | 2012 | Non-executive director | 70,000                       | -                  | -                          | 6,300                    | -                                 | -                               | -                    | -       | -                         |
|                  | 2011 | Non-executive director | 70,000                       | -                  | -                          | 6,300                    | -                                 | -                               | -                    | -       | -                         |
| A.M. Eisen       | 2012 | Non-executive director | 55,000                       | -                  | -                          | -                        | -                                 | -                               | -                    | -       | -                         |
|                  | 2011 | Non-executive director | 55,000                       | -                  | -                          | -                        | -                                 | -                               | -                    | -       | -                         |
| M.L. Jefferies   | 2012 | Non-executive director | 55,000                       | -                  | -                          | -                        | -                                 | -                               | -                    | -       | -                         |
|                  | 2011 | Non-executive director | 55,000                       | -                  | -                          | -                        | -                                 | -                               | -                    | -       | -                         |
| G.F. Pettigrew   | 2012 | Non-executive director | 55,000                       | -                  | -                          | 4,950                    | -                                 | -                               | -                    | -       | -                         |
|                  | 2011 | Non-executive director | 55,000                       | -                  | -                          | 4,950                    | -                                 | -                               | -                    | -       | -                         |



## Capral Limited

|                          |      |                         | Short-term employee benefits |                    | Post - employment benefits | Other long-term benefits | Termination benefits <sup>7</sup> | Share-based payments            |                      | Total    | Total performance related |    |
|--------------------------|------|-------------------------|------------------------------|--------------------|----------------------------|--------------------------|-----------------------------------|---------------------------------|----------------------|----------|---------------------------|----|
| Name                     | Year | Title                   | Salary and fees              | Bonus <sup>6</sup> | Non - monetary benefits    | Super-annuation          |                                   | Performance Rights <sup>5</sup> | Options <sup>5</sup> |          |                           |    |
|                          |      |                         | \$                           | \$                 | \$                         | \$                       | \$                                | \$                              | \$                   | \$       | %                         |    |
| Executives               |      |                         |                              |                    |                            |                          |                                   |                                 |                      |          |                           |    |
| T.Campbell <sup>1*</sup> | 2012 | Chief Financial Officer | 321,167                      | 69,587             | -                          | 25,000                   | -                                 | -                               | 25,527               | -        | 441,281                   | 22 |
|                          | 2011 | Chief Financial Officer | 176,538                      | 21,718             | -                          | 16,493                   | -                                 | -                               | 20,262               | -        | 235,011                   | 18 |
| M.Haszard <sup>2*</sup>  | 2012 | EGM Manufacturing       | 114,550                      | -                  | -                          | (2,190)                  | -                                 | 98,541                          | (151,224)            | (31,438) | 28,239                    | -  |
|                          | 2011 | EGM Manufacturing       | 389,908                      | 81,810             | -                          | 35,092                   | -                                 | -                               | 51,932               | 40,637   | 599,379                   | 29 |
| R.Michael <sup>3*</sup>  | 2012 | EGM Manufacturing       | 281,991                      | 69,825             | -                          | 25,379                   | -                                 | -                               | 7,741                | 9,026    | 393,962                   | 22 |
| D.Munro <sup>4*</sup>    | 2012 | EGM Distribution        | 251,856                      | -                  | -                          | 37,500                   | -                                 | 173,050                         | -                    | -        | 462,406                   | -  |
|                          | 2011 | EGM Distribution        | 152,435                      | 21,720             | -                          | 15,886                   | -                                 | -                               | -                    | -        | 190,041                   | 11 |
| R.Rolfe*                 | 2012 | Gen. Counsel/ Co. Sec.  | 249,495                      | 41,602             | -                          | 22,454                   | -                                 | -                               | 12,788               | 6,565    | 332,904                   | 18 |
|                          | 2011 | Gen. Counsel/ Co. Sec   | 238,472                      | 44,674             | -                          | 23,429                   | -                                 | -                               | 12,017               | 10,516   | 329,108                   | 20 |
| Total 2012               |      |                         | 2,724,059                    | 1,240,014          | -                          | 180,193                  | -                                 | 271,591                         | 723,701              | 299,079  | 5,438,637                 |    |
| Total 2011               |      |                         | 2,462,353                    | 963,362            | -                          | 162,950                  | -                                 | -                               | 84,211               | 985,946  | 4,658,822                 |    |

1 Mr Campbell appointed as Chief Financial Officer on 1 June 2011. Mr Lamb left employment on 10 June 2011 and his total remuneration for 2011 was \$238,072 which comprised of salary \$143,750, superannuation \$11,538, termination benefits \$105,807 and credit in options \$23,023.

2 Mr Haszard retired in March 2012.

3 Mr Michael was appointed as Executive General Manager, Manufacturing in April 2012.

4 Mr Munro was appointed as Executive General Manager Distribution on 14 June 2011 and left employment on 9 November 2012. Mr Simmonds retired on 9 June 2011 and his total remuneration for 2011 was \$44,907 which comprised of salary 160,707, superannuation \$7,900, termination benefits \$50,047, credit in performance rights \$124,211 and credit in options \$49,536.

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

6 All bonus amounts are on an accrual basis.

7 Termination benefits include leave accrued and payments made in lieu of notice at the end of employment with Capral.

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

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

# Capral Limited

## Performance rights, Options and bonuses provided as compensation

### Performance rights

During the Financial Year and 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. For details of the vesting conditions and further details relating to the performance rights, refer to section 1 of this report.

20% EPS (Tranche 1) of 2012 offer (679,211 rights) and 20% EPS (Tranche 2) of 2011 offer (545,314 rights) lapsed as at the relevant 31 December 2012 testing date.

|                          | Tranche             | Grant No.        | Grant date | Fair value per right at grant date (\$) | Test date  | Lapsed No.       |
|--------------------------|---------------------|------------------|------------|-----------------------------------------|------------|------------------|
| <b>Executives</b>        |                     |                  |            |                                         |            |                  |
| <i>2012 Offer</i>        |                     |                  |            |                                         |            |                  |
| T. Campbell <sup>1</sup> |                     | <b>451,303</b>   | 14/03/2012 |                                         |            | <b>(90,261)</b>  |
|                          | Tranche 1 - EPS 20% | 90,261           |            | \$0.17                                  | 31/12/2012 | (90,261)         |
|                          | Tranche 2 - EPS 20% | 90,261           |            | \$0.17                                  | 31/12/2013 |                  |
|                          | Tranche 3 - EPS 20% | 90,260           |            | \$0.17                                  | 31/12/2014 |                  |
|                          | Tranche - TSR 40%   | 180,521          |            | \$0.11                                  | 31/12/2014 |                  |
| R. Michael <sup>2</sup>  |                     | <b>255,472</b>   | 14/03/2012 |                                         |            | <b>(51,094)</b>  |
|                          | Tranche 1 - EPS 20% | 51,094           |            | \$0.17                                  | 31/12/2012 | (51,094)         |
|                          | Tranche 2 - EPS 20% | 51,094           |            | \$0.17                                  | 31/12/2013 |                  |
|                          | Tranche 3 - EPS 20% | 51,095           |            | \$0.17                                  | 31/12/2014 |                  |
|                          | Tranche - TSR 40%   | 102,189          |            | \$0.11                                  | 31/12/2014 |                  |
| D. Munro <sup>3</sup>    |                     | <b>414,039</b>   | 14/03/2012 |                                         |            | <b>(414,039)</b> |
|                          | Tranche 1 - EPS 20% | 82,808           |            | \$0.17                                  | 31/12/2012 | (82,808)         |
|                          | Tranche 2 - EPS 20% | 82,808           |            | \$0.17                                  | 31/12/2013 | (82,808)         |
|                          | Tranche 3 - EPS 20% | 82,808           |            | \$0.17                                  | 31/12/2014 | (82,808)         |
|                          | Tranche - TSR 40%   | 165,615          |            | \$0.11                                  | 31/12/2014 | (165,615)        |
| R. Rolfe                 |                     | <b>221,760</b>   | 14/03/2012 |                                         |            | <b>(44,352)</b>  |
|                          | Tranche 1 - EPS 20% | 44,352           |            | \$0.17                                  | 31/12/2012 | (44,352)         |
|                          | Tranche 2 - EPS 20% | 44,352           |            | \$0.17                                  | 31/12/2013 |                  |
|                          | Tranche 3 - EPS 20% | 44,352           |            | \$0.17                                  | 31/12/2014 |                  |
|                          | Tranche - TSR 40%   | 88,704           |            | \$0.11                                  | 31/12/2014 |                  |
| <b>Total 2012 Offer</b>  |                     | <b>1,342,574</b> |            |                                         |            | <b>(599,746)</b> |
| <i>2011 Offer</i>        |                     |                  |            |                                         |            |                  |
| M. Haszard <sup>4</sup>  |                     | <b>624,134</b>   | 22/03/2011 |                                         |            | <b>(624,134)</b> |
|                          | Tranche 1 - EPS 20% | 124,827          |            | \$0.27                                  | 31/12/2011 | (124,827)        |
|                          | Tranche 2 - EPS 20% | 124,827          |            | \$0.27                                  | 31/12/2012 | (124,827)        |
|                          | Tranche 3 - EPS 20% | 124,827          |            | \$0.27                                  | 31/12/2013 | (124,827)        |
|                          | Tranche - TSR 40%   | 249,653          |            | \$0.24                                  | 31/12/2013 | (249,653)        |
| T. Campbell <sup>1</sup> |                     | <b>400,000</b>   | 14/06/2011 |                                         |            | <b>(160,000)</b> |
|                          | Tranche 1 - EPS 20% | 80,000           |            | \$0.26                                  | 31/12/2011 | (80,000)         |
|                          | Tranche 2 - EPS 20% | 80,000           |            | \$0.26                                  | 31/12/2012 | (80,000)         |
|                          | Tranche 3 - EPS 20% | 80,000           |            | \$0.26                                  | 31/12/2013 |                  |
|                          | Tranche - TSR 40%   | 160,000          |            | \$0.22                                  | 31/12/2013 |                  |
| R. Rolfe                 |                     | <b>152,729</b>   | 22/03/2011 |                                         |            | <b>(61,092)</b>  |
|                          | Tranche 1 - EPS 20% | 30,546           |            | \$0.27                                  | 31/12/2011 | (30,546)         |
|                          | Tranche 2 - EPS 20% | 30,546           |            | \$0.27                                  | 31/12/2012 | (30,546)         |
|                          | Tranche 3 - EPS 20% | 30,546           |            | \$0.27                                  | 31/12/2013 |                  |
|                          | Tranche - TSR 40%   | 61,091           |            | \$0.24                                  | 31/12/2013 |                  |
| <b>Total 2011 Offer</b>  |                     | <b>1,176,863</b> |            |                                         |            | <b>(845,226)</b> |

#### Notes

- 1 Mr Campbell commenced with Capral on 1 June 2011.
- 2 Mr Michael was appointed as Executive General Manager, Manufacturing in April 2012
- 3 Mr Munro left employment on 9 November 2012.
- 4 Mr Haszard retired in March 2012

# Capral Limited

## Options

No Options were issued under the LTIP during the Financial Year and the financial year ended 31 December 2011.

## 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:

| 2012                    | % of bonus paid | % of bonus forfeited | % of compensation for the year consisting of STIP bonus <sup>4</sup> |
|-------------------------|-----------------|----------------------|----------------------------------------------------------------------|
| <b>Executives</b>       |                 |                      |                                                                      |
| P. Jobe                 | 88.3            | 11.7                 | 46.9                                                                 |
| M. Haszard <sup>1</sup> | -               | -                    | -                                                                    |
| T. Campbell             | 79.5            | 20.5                 | 16.7                                                                 |
| R Michael <sup>2</sup>  | 84.6            | 15.4                 | 18.5                                                                 |
| D. Munro <sup>3</sup>   | -               | -                    | -                                                                    |
| R. Rolfe                | 76.1            | 23.9                 | 13.3                                                                 |

2012 financial year bonuses are payable in 2013 financial year.

### Notes

<sup>1</sup> Mr Haszard retired in March 2012.

<sup>2</sup> Mr Michael was appointed as Executive General Manager, Manufacturing in April 2012.

<sup>3</sup> Mr Munro left employment on 9 November 2012.

<sup>4</sup> Total compensation used for calculating % purposes excludes share based payments and termination benefits.

In the financial year ended 31 December 2011, 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 <sup>3</sup> |
|--------------------------|-----------------|----------------------|----------------------------------------------------------------------|
| <b>Executives</b>        |                 |                      |                                                                      |
| P. Jobe                  | 66.1            | 33.9                 | 39.8                                                                 |
| M. Haszard               | 77.0            | 23.0                 | 16.1                                                                 |
| T. Campbell <sup>1</sup> | 49.6            | 50.4                 | 11.0                                                                 |
| D. Munro <sup>2</sup>    | 58.6            | 41.4                 | 12.5                                                                 |
| R. Rolfe                 | 83.4            | 16.6                 | 14.6                                                                 |

2011 financial year bonuses were paid in 2012 financial year.

### Notes

<sup>1</sup> Mr Campbell commenced with Capral in June 2011. Mr Lamb left employment in June 2011 and he received no bonus in 2011.

<sup>2</sup> Mr Munro commenced with Capral in June 2011. Mr Simmonds retired from Capral in June 2011 and he received no bonus in 2011.

<sup>3</sup> Total compensation used for calculating % purposes excludes share based payments and termination benefits.

## Capral Limited

### Section 3: Relationship between remuneration and company performance

During the Financial Year and the previous 4 financial years (2008-2011), Capral's performance was as follows:

| Year Ended 31 Dec | Net Profit/<br>(Loss) \$m | Dividend<br>cents per share | Basic earnings<br>/ (loss)<br>cents per share | Share price<br>(closing)<br>\$ |
|-------------------|---------------------------|-----------------------------|-----------------------------------------------|--------------------------------|
| 2012              | (10.99)                   | -                           | (2.8) <sup>1</sup>                            | 0.215                          |
| 2011              | (8.00)                    | -                           | (2.1) <sup>1</sup>                            | 0.175                          |
| 2010              | 6.73                      | -                           | 1.7 <sup>1</sup>                              | 0.180                          |
| 2009              | (29.11)                   | -                           | (27.5) <sup>1</sup>                           | 0.335                          |
| 2008              | (130.79)                  | -                           | (58.4)                                        | 0.068                          |

<sup>1</sup> Basic earnings per share for the financial years 2009-2012 have been calculated on a post-consolidation basis

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, 2010 and 2011, 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, 2011 and 2012 offers have vested as at the relevant 31 December testing dates (refer to section 1(i) above). The rights granted as part of the 2008 offer (56,000 rights) lapsed on 1 January 2013. In relation to the 2011 offer, 20% EPS (Tranche 1) (681,419 rights) lapsed on 31 December 2011 and 20% EPS (Tranche 2) (545,314 rights) lapsed on 31 December 2012. In relation to the 2012 offer, 20% EPS (Tranche 1) (679,211 rights) lapsed on 31 December 2012.

## Capral Limited

### 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                                                              | R. Michael                                                               | R. Rolfe          |
|------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------|
| Existing contract end date               | 15 April 2013                                                            | No fixed end date                                                        | No fixed end date                                                        | No fixed end date |
| Notice of termination by Capral          | 6 months                                                                 | 6 months                                                                 | 6 months                                                                 | 16 weeks          |
| Notice of termination by employee        | 6 months                                                                 | 6 months                                                                 | 6 months                                                                 | 16 weeks          |
| Termination payments (in lieu of notice) | 6 months salary plus accrued but unpaid STIP for previous financial year | 6 months salary plus accrued but unpaid STIP for previous financial year | 6 months salary plus accrued but unpaid STIP for previous financial year | 16 weeks salary   |

# Capral Limited

## 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 32 of the financial statements.

## Auditor's independence declaration

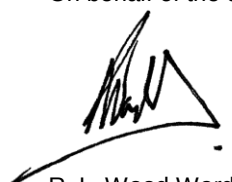
The auditors' independence declaration as required under section 307C of the Corporations Act is set out on page 21.

## 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  
21 February 2013

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

Dear Board Members

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 2012, 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
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Delaney*

X Delaney  
Partner  
Chartered Accountants  
Parramatta, 21 February 2013

## Capral Limited

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2012

| Continuing operations                                         | Note | 2012<br>\$'000  | 2011<br>\$'000 |
|---------------------------------------------------------------|------|-----------------|----------------|
| Sales revenue                                                 |      | 285,956         | 325,014        |
| Scrap and other revenue                                       |      | 17,983          | 23,548         |
| <b>Revenue</b>                                                | 3    | <b>303,939</b>  | <b>348,562</b> |
| Other income                                                  | 3    | 539             | 1,024          |
| Changes in inventories of finished goods and work in progress |      | (2,476)         | (3,038)        |
| Raw materials and consumables used                            |      | (157,074)       | (192,362)      |
| Employee benefits expense                                     | 2    | (79,728)        | (80,940)       |
| Depreciation and amortisation expense                         | 2    | (12,444)        | (12,554)       |
| Finance costs                                                 | 2    | (618)           | (1,787)        |
| Freight expense                                               |      | (10,959)        | (12,589)       |
| Occupancy costs                                               | 2    | (14,564)        | (15,134)       |
| Repairs and maintenance expense                               |      | (6,147)         | (6,766)        |
| Restructuring costs                                           |      | (1,344)         | (320)          |
| Other expenses                                                |      | (30,111)        | (32,093)       |
| <b>Loss before tax</b>                                        |      | <b>(10,987)</b> | <b>(7,997)</b> |
| Income tax benefit                                            | 4    | -               | -              |
| <b>Loss for the year</b>                                      |      | <b>(10,987)</b> | <b>(7,997)</b> |
| <b>Other comprehensive income</b>                             |      |                 |                |
| Gain on revaluation of properties                             |      | 221             | -              |
| Other comprehensive income for the year                       |      | 221             | -              |
| <b>Total comprehensive loss for the year</b>                  |      | <b>(10,766)</b> | <b>(7,997)</b> |
| Basic and Diluted loss per share (cents per share)            | 25   | (2.8)           | (2.1)          |

The weighted average number of ordinary shares on issue used in the calculation of basic and diluted loss per share was 387,898,255 (2011: 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.*



# Capral Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

|                                      | Note   | 2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------|--------|----------------|----------------|
| <b>ASSETS</b>                        |        |                |                |
| <b>Current assets</b>                |        |                |                |
| Cash and cash equivalents            | 7      | 19,997         | 15,002         |
| Trade and other receivables          | 8      | 46,320         | 44,111         |
| Inventories                          | 9      | 50,920         | 57,057         |
| Other financial assets               |        | 116            | 186            |
| Prepayments                          | 10     | 2,315          | 2,563          |
| <b>Total current assets</b>          |        | <b>119,668</b> | <b>118,919</b> |
| <b>Non-current assets</b>            |        |                |                |
| Other receivables                    | 8      | 88             | 163            |
| Deferred tax assets                  | 11     | 2,857          | 2,857          |
| Property, plant and equipment        | 14     | 91,299         | 98,506         |
| Other intangible assets              | 15     | 682            | 1,307          |
| <b>Total non-current assets</b>      |        | <b>94,926</b>  | <b>102,833</b> |
| <b>Total assets</b>                  |        | <b>214,594</b> | <b>221,752</b> |
| <b>LIABILITIES</b>                   |        |                |                |
| <b>Current liabilities</b>           |        |                |                |
| Trade and other payables             | 17     | 53,101         | 51,405         |
| Borrowings                           | 18     | 293            | 365            |
| Provisions                           | 19     | 9,593          | 8,691          |
| Deferred income                      | 20     | 491            | 333            |
| <b>Total current liabilities</b>     |        | <b>63,478</b>  | <b>60,794</b>  |
| <b>Non-current liabilities</b>       |        |                |                |
| Provisions                           | 19     | 4,271          | 4,411          |
| Deferred income                      | 21     | 155            | 310            |
| <b>Total non-current liabilities</b> |        | <b>4,426</b>   | <b>4,721</b>   |
| <b>Total liabilities</b>             |        | <b>67,904</b>  | <b>65,515</b>  |
| <b>Net assets</b>                    |        | <b>146,690</b> | <b>156,237</b> |
| <b>EQUITY</b>                        |        |                |                |
| Issued capital                       | 22     | 410,476        | 410,476        |
| Reserves                             | 23 (a) | 9,426          | 7,986          |
| Accumulated losses                   | 23 (b) | (273,212)      | (262,225)      |
| <b>Total equity</b>                  |        | <b>146,690</b> | <b>156,237</b> |

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

# Capral Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2012

|                                                                   | Note   | 2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------------------------|--------|----------------|----------------|
| <b>Cash flows from operating activities</b>                       |        |                |                |
| Receipts from customers                                           |        | 331,886        | 391,294        |
| Payments to suppliers and employees                               |        | (321,816)      | (380,884)      |
|                                                                   |        | 10,070         | 10,410         |
| Interest and other costs of finance paid                          |        | (548)          | (1,567)        |
| <b>Net cash provided by operating activities</b>                  | 34(ii) | 9,522          | 8,843          |
| <b>Cash flows from investing activities</b>                       |        |                |                |
| Payments for property, plant and equipment                        |        | (4,494)        | (5,352)        |
| Payments for software assets                                      |        | (58)           | (116)          |
| Interest received                                                 |        | 89             | 315            |
| Proceeds from sale of property, plant and equipment               |        | 8              | 6              |
| <b>Net cash flows used in investing activities</b>                |        | (4,455)        | (5,147)        |
| <b>Cash flows from financing activities</b>                       |        |                |                |
| Repayment of borrowings                                           |        | -              | (22,128)       |
| <b>Net cash used in financing activities</b>                      |        | -              | (22,128)       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       |        | 5,067          | (18,432)       |
| Cash and cash equivalents at the beginning of the financial year  |        | 14,685         | 33,117         |
| <b>Cash and cash equivalents at the end of the financial year</b> | 34(i)  | 19,752         | 14,685         |

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

## Capral Limited

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

|                                                                    | Fully paid<br>ordinary shares<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Equity-settled<br>compensation<br>reserve<br>\$'000 | Actuarial (loss) /<br>gain on<br>retirement<br>benefit plan<br>\$'000 | Asset<br>revaluation<br>reserve<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------|---------------------------------|-----------------|
| Balance as at 1 January 2011                                       | 410,476                                 | (923)                                                   | 6,764                                               | (963)                                                                 | -                                         | (253,265)                       | 162,089         |
| Loss for the year                                                  | -                                       | -                                                       | -                                                   | -                                                                     | -                                         | (7,997)                         | (7,997)         |
| Total comprehensive loss for the year                              | -                                       | -                                                       | -                                                   | -                                                                     | -                                         | (7,997)                         | (7,997)         |
| Transfer to profit and loss on disposal of<br>a foreign subsidiary | -                                       | 923                                                     | -                                                   | -                                                                     | -                                         | -                               | 923             |
| Transfer to accumulated losses                                     | -                                       | -                                                       | -                                                   | 963                                                                   | -                                         | (963)                           | -               |
| Share-based payments expense                                       | -                                       | -                                                       | 1,222                                               | -                                                                     | -                                         | -                               | 1,222           |
| <b>Balance as at 31 December 2011</b>                              | <b>410,476</b>                          | <b>-</b>                                                | <b>7,986</b>                                        | <b>-</b>                                                              | <b>-</b>                                  | <b>(262,225)</b>                | <b>156,237</b>  |
| Balance as at 1 January 2012                                       | 410,476                                 | -                                                       | 7,986                                               | -                                                                     | -                                         | (262,225)                       | 156,237         |
| Loss for the year                                                  | -                                       | -                                                       | -                                                   | -                                                                     | -                                         | (10,987)                        | (10,987)        |
| Revaluation increase                                               | -                                       | -                                                       | -                                                   | -                                                                     | 221                                       | -                               | 221             |
| Total comprehensive loss for the year                              | -                                       | -                                                       | -                                                   | -                                                                     | 221                                       | (10,987)                        | (10,766)        |
| Share-based payments expense                                       | -                                       | -                                                       | 1,219                                               | -                                                                     | -                                         | -                               | 1,219           |
| <b>Balance as at 31 December 2012</b>                              | <b>410,476</b>                          | <b>-</b>                                                | <b>9,205</b>                                        | <b>-</b>                                                              | <b>221</b>                                | <b>(273,212)</b>                | <b>146,690</b>  |

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

## Capral Limited

### NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

#### 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 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'                                        | 1 July 2012                                                  | 31 December 2013                                              |
| AASB 10 'Consolidated Financial Statements'                                                                                                              | 1 January 2013                                               | 31 December 2013                                              |
| AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'                              | 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' (2011)                                                                                                                      | 1 January 2013                                               | 31 December 2013                                              |
| AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119' (2011)                                                                | 1 January 2013                                               | 31 December 2013                                              |
| AASB 127 'Separate Financial Statements' (2011)                                                                                                          | 1 January 2013                                               | 31 December 2013                                              |
| AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)' | 1 January 2013                                               | 31 December 2013                                              |
| AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'                                             | 1 January 2013                                               | 31 December 2013                                              |
| AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'                              | 1 January 2013                                               | 31 December 2013                                              |
| AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'                        | 1 July 2013                                                  | 31 December 2014                                              |
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'             | 1 January 2014                                               | 31 December 2014                                              |
| AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'                                                                         | 1 January 2015                                               | 31 December 2015                                              |
| AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'                              | 1 January 2015                                               | 31 December 2015                                              |
| AASB 9 'Financial Instruments' (December 2010)                                                                                                           | 1 January 2015                                               | 31 December 2015                                              |
| AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'                                                          | 1 January 2015                                               | 31 December 2015                                              |

# Capral Limited

## 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. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

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 21 February 2013.

### 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 consolidated 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 30 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 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.

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.

# Capral Limited

## 1c. Significant accounting policies (cont'd)

### (g) Financial Assets (cont'd)

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 30.

#### 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 30.

#### 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.

#### 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 30.

#### 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.

## **1c. Significant accounting policies (cont'd)**

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

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.

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.



## **1c. Significant accounting policies (cont'd)**

### **(k) Government Grants (Cont'd)**

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.

#### 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.

**1c. Significant accounting policies  
(cont'd)**

**(o) Inventories (Cont'd)**

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.

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.

## Capral Limited

### 1c. Significant accounting policies (cont'd)

#### (s) Provisions (Cont'd)

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).

#### 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 36.

## **1c. Significant accounting policies (cont'd)**

### **(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 1, 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 15.

### **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.

# Capral Limited

## 2 Loss for the year

|                                                               | Consolidated |         |
|---------------------------------------------------------------|--------------|---------|
|                                                               | 2012         | 2011    |
|                                                               | \$'000       | \$'000  |
| <b>(a) Other expenses</b>                                     |              |         |
| Loss before tax includes the following specific net expenses: |              |         |
| Cost of sales of goods                                        | 239,787      | 274,424 |
| Inventory:                                                    |              |         |
| Write-down of inventory to net realisable value               | 202          | 62      |
| Reversal of write-down of inventory                           | (15)         | (567)   |
| Amortisation of other intellectual property                   | 70           | 320     |
| Amortisation of software                                      | 607          | 742     |
| Total amortisation                                            | 677          | 1,062   |
| Depreciation:                                                 |              |         |
| Buildings                                                     | 101          | 97      |
| Leasehold improvements                                        | 859          | 851     |
| Plant and equipment                                           | 10,807       | 10,544  |
| Total depreciation                                            | 11,767       | 11,492  |
| Total depreciation and amortisation                           | 12,444       | 12,554  |
| Operating lease rental expenses                               |              |         |
| Sublease income received                                      | (1,051)      | (332)   |
| Minimum lease payments                                        | 15,615       | 15,466  |
|                                                               | 14,564       | 15,134  |
| Other charges against assets                                  |              |         |
| Impairment of trade receivables                               | 166          | 288     |
| Employee benefit expense                                      |              |         |
| Post employment benefits:                                     |              |         |
| - defined contribution plans                                  | 5,586        | 5,497   |
| Equity-settled share-based payments                           | 1,219        | 1,222   |
| Termination benefits                                          | 118          | 215     |
| Other employee benefits                                       | 72,805       | 74,006  |
|                                                               | 79,728       | 80,940  |
| Finance costs                                                 |              |         |
| Interest and finance charges paid/payable                     |              |         |
| - Other persons                                               | 618          | 1,787   |
| Net finance costs are compromised of:                         |              |         |
| Interest on bank overdrafts and loans                         | 618          | 1,787   |
| Total interest expense                                        | 618          | 1,787   |
| <b>(b) Gains and Losses</b>                                   |              |         |
| Net loss on foreign exchange                                  | (39)         | (5)     |
| Net loss on disposal of property, plant and equipment         | (153)        | (645)   |
| Net loss on deregistration of a foreign subsidiary            | -            | (567)   |

### 3 Revenue and other income

#### Revenue from continuing operations

|                               |         |         |
|-------------------------------|---------|---------|
| Sales revenue - sale of goods | 285,956 | 325,014 |
| Other revenue                 |         |         |
| Scrap revenue                 | 17,894  | 23,233  |
| Interest - other              | 89      | 315     |
| Total other revenue           | 17,983  | 23,548  |

#### Other income

|                                 |     |       |
|---------------------------------|-----|-------|
| Royalties                       | 323 | 351   |
| Government grants and dividends | 216 | 155   |
| Other income                    | -   | 518   |
|                                 | 539 | 1,024 |

### 4 Income tax expense

#### (a) Reconciliation of income tax benefit to prima facie tax payable

|                                                                                  |          |         |
|----------------------------------------------------------------------------------|----------|---------|
| Loss from continuing operations before income tax expense                        | (10,987) | (7,997) |
| Income tax calculated @ 30% (2011:30%)                                           | (3,296)  | (2,399) |
| Tax effect of non-assessable / non-deductible items:                             |          |         |
| Effect of items that are not deductible or taxable in determining taxable profit | 1,433    | 566     |
| Effect of unused tax losses not recognised as deferred tax assets                | 1,863    | 1,833   |
| Income tax benefit                                                               | -        | -       |

#### (b) Tax losses

|                                                                                         |         |         |
|-----------------------------------------------------------------------------------------|---------|---------|
| Accumulated unused gross tax losses for which no deferred tax asset has been recognised | 282,151 | 275,941 |
| Potential tax benefit @ 30% (2011:30%)                                                  | 84,645  | 82,782  |

All unused tax losses were incurred by Australian entities.

### 5 Changes in accounting estimates

There were no significant changes in accounting estimates during the Financial Year (2011: none).

## Capral Limited

### 6 Segment information

The information reported to the Group's chief 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 2011 and 2012, 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

There are no individual major customers who have more than 10% of the Group's revenue in either the Financial Year or the year 2011.

|                                                       | <b>Consolidated</b> |               |
|-------------------------------------------------------|---------------------|---------------|
|                                                       | <b>2012</b>         | <b>2011</b>   |
|                                                       | <b>\$'000</b>       | <b>\$'000</b> |
| <b>7 Current assets - cash and cash equivalents</b>   |                     |               |
| Cash at bank and cash in hand                         | 19,997              | 15,002        |
| <b>8 Current assets - trade and other receivables</b> |                     |               |
| Trade receivables - at amortised cost                 | 46,582              | 44,255        |
| Allowance for doubtful debts (i)                      | (647)               | (416)         |
|                                                       | 45,935              | 43,839        |
| Other receivables - at amortised cost                 | 473                 | 435           |
|                                                       | 46,408              | 44,274        |
| Disclosed in the financial statements as:             |                     |               |
| Current trade and other receivables                   | 46,320              | 44,111        |
| Non-current other receivables                         | 88                  | 163           |
|                                                       | 46,408              | 44,274        |

The average credit period on sales of goods is approximately 54 days (2011: 51 days). No interest is charged on trade receivables.

During both the Financial Year and 2011 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.

## 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 \$0.817 million (2011: \$0.730 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 69 days (2011: 98 days).

Aging past due but not impaired:

|                      | Consolidated |        |
|----------------------|--------------|--------|
|                      | 2012         | 2011   |
|                      | \$'000       | \$'000 |
| 1-30 days past due   | 3,276        | 876    |
| 31- 60 days past due | 137          | 553    |
| 61+ days past due    | 376          | 532    |
| Total                | 3,789        | 1,961  |

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$441,000 (2011: \$198,000). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

|                      | Consolidated |        |
|----------------------|--------------|--------|
|                      | 2012         | 2011   |
|                      | \$'000       | \$'000 |
| 1-30 days past due   | -            | -      |
| 31- 60 days past due | -            | -      |
| 61+ days past due    | 441          | 198    |
| Total                | 441          | 198    |

(i) Movement in the allowance for doubtful debts.

|                                                               |       |       |
|---------------------------------------------------------------|-------|-------|
| Balance at beginning of the financial year                    | (416) | (786) |
| Amounts written off during the financial year                 | 166   | 288   |
| (Increase)/decrease in allowance recognised in profit or loss | (397) | 82    |
| Balance at end of the financial year                          | (647) | (416) |

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 |        |
|---------------------------------------|--------------|--------|
|                                       | 2012         | 2011   |
|                                       | \$'000       | \$'000 |
| <b>9 Current assets - inventories</b> |              |        |
| Raw materials and stores              | 12,397       | 16,463 |
| Work in progress                      | 1,759        | 1,610  |
| Finished goods                        | 36,764       | 38,984 |
|                                       | 50,920       | 57,057 |

All inventories are expected to be recovered within 12 months.



## Capral Limited

|                                        | Consolidated   |                |
|----------------------------------------|----------------|----------------|
|                                        | 2012<br>\$'000 | 2011<br>\$'000 |
| <b>10 Current assets - prepayments</b> |                |                |
| Prepayments                            | 2,315          | 2,563          |
| <b>11 Deferred tax assets</b>          |                |                |
| Deferred tax assets                    | 2,857          | 2,857          |

The Group has recognised deferred tax assets of \$2,857,000 (2011: \$2,857,000) (the Company \$2,650,000 - 2011: \$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 |
|-------------------------------------------------------------|----------------|-----------|--------------------------|
|                                                             | 2012<br>%      | 2011<br>% |                          |
| Aluminium Extrusion & Distribution Pty Limited <sup>1</sup> | 100            | 100       | Australia                |
| Capral Superannuation Pty Limited <sup>2,6</sup>            | -              | 100       | Australia                |
| Capral Wages Superannuation Pty Limited <sup>2,6</sup>      | -              | 100       | Australia                |
| Aluminium Distributors Pty Limited <sup>2,6</sup>           | -              | 100       | Australia                |
| Capral Finance Pty Limited <sup>2,6</sup>                   | -              | 100       | Australia                |
| Capral Aluminium NZ Limited <sup>3,5</sup>                  | -              | 100       | New Zealand              |
| Austex Dies Pty Limited <sup>4</sup>                        | 100            | 100       | Australia                |

<sup>1</sup> 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**).

<sup>2</sup> On 27 March 2009, these wholly owned Australian subsidiaries were added to the Deed. The Deed was revoked in relation to these subsidiaries on 19 March 2012 in connection with their deregistration (refer below).

<sup>3</sup> On 27 March 2009, a separate deed of cross guarantee was put in place for Capral Aluminium NZ Limited as a non-Australian subsidiary. The deed was revoked on 28 November 2011 in connection with its deregistration (refer below).

<sup>4</sup> Acquired on 17 September 2010 by Capral Limited.

<sup>5</sup> 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.

<sup>6</sup> Deregistered on 13 June 2012. The results of the group included the results of these subsidiaries until 13 June 2012.

# Capral Limited

## 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 36 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) and previous Executive General Manager, Distribution (who was key management personnel);
- rights and/or options forfeited by Capral's previous Executive General Manager, Manufacturing 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 both 2012 and 2011, as the parent entity in the consolidated entity, the Company had no loans advanced from controlled entities. The Company has entered into transactions with controlled entities and as a result has accrued interest expense of \$nil (2011: \$0.2 million) and incurred rental expense of \$0.6 million (2011: \$0.6 million) in the Financial Year. These transactions were conducted on commercial terms and conditions at market rates.

|                                                      | Consolidated   |                |
|------------------------------------------------------|----------------|----------------|
|                                                      | 2012<br>\$'000 | 2011<br>\$'000 |
| <b>14 Property, plant and equipment</b>              |                |                |
| Freehold land                                        |                |                |
| At valuation                                         | 1,200          | 1,200          |
| Accumulated depreciation                             | -              | -              |
| Net book amount                                      | 1,200          | 1,200          |
| Buildings                                            |                |                |
| At valuation                                         | 2,710          | 2,942          |
| Accumulated depreciation                             | (11)           | (362)          |
| Net book amount                                      | 2,699          | 2,580          |
| Leasehold improvements                               |                |                |
| At cost                                              | 9,709          | 9,596          |
| Accumulated depreciation                             | (5,336)        | (4,538)        |
| Net book amount                                      | 4,373          | 5,058          |
| Total land and buildings                             | 8,272          | 8,838          |
| Plant, machinery and equipment                       |                |                |
| At cost                                              | 208,923        | 205,571        |
| Accumulated depreciation                             | (117,898)      | (108,198)      |
| Accumulated impairment losses                        | (9,951)        | (9,951)        |
| Net book amount                                      | 81,074         | 87,422         |
| Construction work in progress at cost                | 1,953          | 2,246          |
| Net plant, machinery and equipment                   | 83,027         | 89,668         |
| Total property, plant and equipment - net book value | 91,299         | 98,506         |

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 |

# Capral Limited

## 14 Property, plant and equipment (Cont'd)

### (i) Valuations of land and building:

An independent valuation of the Group's land and buildings was performed as at 31 December 2012 using Capitalisation and Direct Comparison approaches to determine the fair value of the land and buildings. The valuations, which conform to International Valuation Standards, were determined by reference to recent market transactions on arm's length terms at the time. The fair value of the Land and Buildings is \$1.2 millions and \$2.7 millions respectively.

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

|                          | <b>Consolidated</b> |               |
|--------------------------|---------------------|---------------|
|                          | <b>2012</b>         | <b>2011</b>   |
|                          | <b>\$'000</b>       | <b>\$'000</b> |
| Freehold land            |                     |               |
| At cost                  | 1,750               | 1,750         |
| Accumulated depreciation | -                   | -             |
| Net book amount          | 1,750               | 1,750         |
| Buildings                |                     |               |
| At cost                  | 3,366               | 3,376         |
| Accumulated depreciation | (733)               | (641)         |
| Net book amount          | 2,633               | 2,735         |

### 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:

|                                                | <b>Freehold<br/>land at fair<br/>value</b> | <b>Buildings at<br/>fair value</b> | <b>Leasehold<br/>improvements<br/>at cost</b> | <b>Plant and<br/>equipment at<br/>cost</b> | <b>In course of<br/>construction<br/>at cost</b> | <b>Total</b>  |
|------------------------------------------------|--------------------------------------------|------------------------------------|-----------------------------------------------|--------------------------------------------|--------------------------------------------------|---------------|
|                                                | <b>\$'000</b>                              | <b>\$'000</b>                      | <b>\$'000</b>                                 | <b>\$'000</b>                              | <b>\$'000</b>                                    | <b>\$'000</b> |
| <b>Consolidated</b>                            |                                            |                                    |                                               |                                            |                                                  |               |
| <b>2012</b>                                    |                                            |                                    |                                               |                                            |                                                  |               |
| Opening net book amount                        | 1,200                                      | 2,580                              | 5,058                                         | 87,422                                     | 2,246                                            | 98,506        |
| Additions                                      | -                                          | -                                  | 258                                           | 2,452                                      | 1,784                                            | 4,494         |
| Disposals                                      | -                                          | (1)                                | (110)                                         | (44)                                       | -                                                | (155)         |
| Transfers                                      | -                                          | -                                  | 26                                            | 2,051                                      | (2,077)                                          | -             |
| Revaluation increase                           | -                                          | 221                                | -                                             | -                                          | -                                                | 221           |
| Depreciation charge (Note 2(a))                | -                                          | (101)                              | (859)                                         | (10,807)                                   | -                                                | (11,767)      |
| <b>Net book amount at 31<br/>December 2012</b> | <b>1,200</b>                               | <b>2,699</b>                       | <b>4,373</b>                                  | <b>81,074</b>                              | <b>1,953</b>                                     | <b>91,299</b> |
| <b>2011</b>                                    |                                            |                                    |                                               |                                            |                                                  |               |
| 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)           |
| Depreciation charge (Note 2(a))                | -                                          | (97)                               | (851)                                         | (10,544)                                   | -                                                | (11,492)      |
| <b>Net book amount at 31<br/>December 2011</b> | <b>1,200</b>                               | <b>2,580</b>                       | <b>5,058</b>                                  | <b>87,422</b>                              | <b>2,246</b>                                     | <b>98,506</b> |

|                               | Other<br>intellectual<br>property<br>\$'000 | Software<br>\$'000 | Total<br>\$'000 |
|-------------------------------|---------------------------------------------|--------------------|-----------------|
| <b>15 Intangibles</b>         |                                             |                    |                 |
| <b>Consolidated</b>           |                                             |                    |                 |
| <b>2012</b>                   |                                             |                    |                 |
| Cost                          | 15,915                                      | 23,022             | 38,937          |
| Accumulated amortisation      | (8,183)                                     | (20,447)           | (28,630)        |
| Accumulated impairment losses | (7,429)                                     | (2,196)            | (9,625)         |
| <b>Net book value</b>         | <b>303</b>                                  | <b>379</b>         | <b>682</b>      |
| <b>2011</b>                   |                                             |                    |                 |
| Cost                          | 15,915                                      | 23,052             | 38,967          |
| Accumulated amortisation      | (8,113)                                     | (19,922)           | (28,035)        |
| Accumulated impairment losses | (7,429)                                     | (2,196)            | (9,625)         |
| <b>Net book value</b>         | <b>373</b>                                  | <b>934</b>         | <b>1,307</b>    |

#### Impairment testing of property, plant & equipment 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 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 table below shows key assumptions in the value in use calculation as at 31 December 2012 and value of the input to which the key assumption must change in isolation for the estimated recoverable amount to be equal to its carrying value.

|                                       | Input to the model | Breakeven input |
|---------------------------------------|--------------------|-----------------|
| WACC                                  | 12.2%              | 15.9%           |
| Average volumes increase 2012-14 p.a. | 8.7%               | (6.6%)          |
| Long-term growth rate                 | 3.0%               | 1.0%            |

The valuation is based on forecast and projected cash flows for a 15 year period commencing January 2013 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 2013 to December 2014. Sales volumes for subsequent financial periods are projected to grow at 3.0% (2011: 3.1%) per annum. This growth rate corresponds to the average 10 year growth rate based on external economic sources. A discount rate of 12.2% (2011: 13.0%), representing the Company's weighted average cost of capital, has been applied to the cash flow projections.

#### 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. The volume projections estimate the sales volumes at 78.2k tonnes at the end of the 15 year period. The estimated recoverable amount is equal to its carrying value if the projected volumes are capped at 61.1 tonnes.

#### 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.

In forecasting the margin, management has considered normal production capacity of Capral compared to current volumes and concluded that increase in production volumes to satisfy demand expected by independent market predictions can be attained by predominately increasing variable cost with very limited additional fixed cost expenditure, which is reflected in the assumed average EBITDA per tonne increase of 12.3% per annum in years 2013 to 2027. The estimated recoverable amount will be equal to carrying value if the average annual EBITDA per tonne increase during this period amounts to 11.4%.

## Capral Limited

### 15 Intangibles (Cont'd)

#### **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 and considering revisions to trading terms with key suppliers and customers.

#### **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 aluminium 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 2012, 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 (2011: nil).

Refer below and Note 14 for further details.

#### **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<br>property<br>\$'000 | Software<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|------------------------------------------|--------------------|-----------------|
| <b>Consolidated</b>                 |                                          |                    |                 |
| <b>2012</b>                         |                                          |                    |                 |
| Opening net book amount             | 373                                      | 934                | 1,307           |
| Additions                           | -                                        | 58                 | 58              |
| Disposals                           | -                                        | (6)                | (6)             |
| Transfers                           | -                                        | -                  | -               |
| Amortisation                        | (70)                                     | (607)              | (677)           |
| Net book amount at 31 December 2012 | <b>303</b>                               | <b>379</b>         | <b>682</b>      |
| <b>2011</b>                         |                                          |                    |                 |
| Opening net book amount             | 693                                      | 1,556              | 2,249           |
| Additions                           | -                                        | 117                | 117             |
| Disposals                           | -                                        | -                  | -               |
| Transfers                           | -                                        | 3                  | 3               |
| Amortisation                        | (320)                                    | (742)              | (1,062)         |
| Net book amount at 31 December 2011 | <b>373</b>                               | <b>934</b>         | <b>1,307</b>    |

### 16 Assets pledged as security

In accordance with the security arrangements of liabilities disclosed in Note 26 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.

|                                          | <b>Consolidated</b>   |                       |
|------------------------------------------|-----------------------|-----------------------|
|                                          | <b>2012</b><br>\$'000 | <b>2011</b><br>\$'000 |
| <b>17 Current liabilities - payables</b> |                       |                       |
| Trade payables (i)                       | 44,022                | 42,057                |
| Goods and services tax payable           | 876                   | 796                   |
| Other payables                           | 8,203                 | 8,552                 |
|                                          | <b>53,101</b>         | <b>51,405</b>         |

(i) The average credit period on purchases is 57 days from the end of the month (2011:56 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   |                |
|-------------------------------------------|----------------|----------------|
|                                           | 2012<br>\$'000 | 2011<br>\$'000 |
| <b>18 Borrowings</b>                      |                |                |
| <b>Unsecured - at amortised cost</b>      |                |                |
| <b>Current</b>                            |                |                |
| Loans from other entities                 | 48             | 48             |
| <b>Secured - at amortised cost</b>        |                |                |
| <b>Current</b>                            |                |                |
| Overdraft Facility - Note 26              | 245            | 317            |
|                                           | 293            | 365            |
| Disclosed in the financial statements as: |                |                |
| Current borrowings                        | 293            | 365            |
|                                           | 293            | 365            |

|                                                  | Consolidated   |                |
|--------------------------------------------------|----------------|----------------|
|                                                  | 2012<br>\$'000 | 2011<br>\$'000 |
| <b>19 Provisions</b>                             |                |                |
| <b>Current</b>                                   |                |                |
| Employee benefits <sup>4</sup>                   | 9,208          | 8,244          |
| Make good on leased assets <sup>1</sup>          | 169            | 188            |
| Restructuring and termination costs <sup>5</sup> | 120            | 119            |
| Other <sup>2</sup>                               | 96             | 140            |
|                                                  | 9,593          | 8,691          |
| <b>Non-current</b>                               |                |                |
| Employee benefits                                | 1,748          | 2,015          |
| Make good on leased assets <sup>1</sup>          | 1,387          | 1,468          |
| Other <sup>3</sup>                               | 1,136          | 928            |
|                                                  | 4,271          | 4,411          |

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

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

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

<sup>4</sup> The current provision for employee benefits includes \$853,817 of annual leave entitlements accrued but not expected to be taken within 12 months (2011: \$548,023).

<sup>5</sup> 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<br>on leased<br>assets<br>\$'000 | Other<br>\$'000 | Restructuring<br>and<br>termination<br>costs<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------|--------------------------------------------|-----------------|--------------------------------------------------------|-----------------|
| <b>Movements in carrying amounts</b>                  |                                            |                 |                                                        |                 |
| Carrying value at the beginning of the financial year | 1,656                                      | 1,068           | 119                                                    | 2,843           |
| Additional amounts provided                           | -                                          | 2,191           | 120                                                    | 2,311           |
| Utilised                                              | (100)                                      | (2,027)         | (119)                                                  | (2,246)         |
| Carrying value at the end of the financial year       | 1,556                                      | 1,232           | 120                                                    | 2,908           |

## Capral Limited

|                                     | <b>Consolidated</b> |               |
|-------------------------------------|---------------------|---------------|
|                                     | <b>2012</b>         | <b>2011</b>   |
|                                     | <b>\$'000</b>       | <b>\$'000</b> |
| <b>20 Deferred income - current</b> |                     |               |
| Deferred government grants          | 155                 | 155           |
| Deferred income – other             | 336                 | 178           |
|                                     | <b>491</b>          | <b>333</b>    |

|                                         |     |     |
|-----------------------------------------|-----|-----|
| <b>21 Deferred income - non-current</b> |     |     |
| Deferred government grants              | 155 | 310 |

|                             | <b>Company</b> |                | <b>Consolidated</b> |               |
|-----------------------------|----------------|----------------|---------------------|---------------|
|                             | <b>2012</b>    | <b>2011</b>    | <b>2012</b>         | <b>2011</b>   |
|                             | <b>No. 000</b> | <b>No. 000</b> | <b>\$'000</b>       | <b>\$'000</b> |
| <b>22 Issued capital</b>    |                |                |                     |               |
| <b>(a) Share capital</b>    |                |                |                     |               |
| 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 2012 and 2011.

|                                           | <b>Consolidated</b> |                  |
|-------------------------------------------|---------------------|------------------|
|                                           | <b>2012</b>         | <b>2011</b>      |
|                                           | <b>\$'000</b>       | <b>\$'000</b>    |
| <b>23 Reserves and accumulated losses</b> |                     |                  |
| Asset revaluation reserve                 | 221                 | -                |
| Equity-settled compensation reserve       | 9,205               | 7,986            |
|                                           | <b>9,426</b>        | <b>7,986</b>     |
| Accumulated losses                        | (273,212)           | (262,225)        |
|                                           | <b>(263,786)</b>    | <b>(254,239)</b> |

## Capral Limited

### 23 Reserves and accumulated losses (cont'd)

|                                                                                                 | Consolidated   |                |
|-------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                 | 2012<br>\$'000 | 2011<br>\$'000 |
| <b>23 (a) Movements in reserves were:</b>                                                       |                |                |
| <b>Foreign currency translation reserve</b>                                                     |                |                |
| Balance at the beginning of the financial year                                                  | -              | (923)          |
| Transfer to profit and loss on disposal of a foreign subsidiary                                 | -              | 923            |
| Balance at the end of the financial year                                                        | -              | -              |
| <b>Equity-settled compensation reserve</b>                                                      |                |                |
| Balance at the beginning of the financial year                                                  | 7,986          | 6,764          |
| Expense recognised                                                                              | 1,219          | 1,222          |
| Balance at the end of the financial year                                                        | 9,205          | 7,986          |
| <b>Asset revaluation reserve</b>                                                                |                |                |
| Balance at the beginning of the financial year                                                  | -              | -              |
| Revaluation increase                                                                            | 221            | -              |
| Balance at the end of the financial year                                                        | 221            | -              |
| <b>Actuarial gains/(losses) on retirement benefit fund</b>                                      |                |                |
| Balance at the beginning of the financial year                                                  | -              | (963)          |
| Transfer to accumulated losses                                                                  | -              | 963            |
| Balance at the end of the financial year                                                        | -              | -              |
| <b>23 (b) Accumulated losses</b>                                                                |                |                |
| Balance at the beginning of the financial year                                                  | (262,225)      | (253,265)      |
| Transfer of actuarial losses on retirement benefit plan                                         | -              | (963)          |
| Net loss attributable to members of Capral Limited                                              | (10,987)       | (7,997)        |
| Balance at the end of the financial year                                                        | (273,212)      | (262,225)      |
| <b>24 Dividends</b>                                                                             |                |                |
| Ordinary shares: Nil (2011:Nil)                                                                 | -              | -              |
| <b>Franking credits</b>                                                                         |                |                |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2011:30%) | 27,105         | 27,105         |

### 25 Loss per share

|                                  | 2012<br>cents per share | 2011<br>cents per share |
|----------------------------------|-------------------------|-------------------------|
| Basic and diluted loss per share | (2.8)                   | (2.1)                   |

The weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share was 387,898,255 (2011: 387,898,255). Loss used in the calculation of basic and diluted loss per share for 2012 was \$10,987,000 (2011: \$7,997,000).

There are 38,075,646 (2011: 29,959,906) 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 |        |
|---------------------------------------------------------------------------|--------------|--------|
|                                                                           | 2012         | 2011   |
|                                                                           | \$'000       | \$'000 |
| <b>26 Stand by arrangement and credit facilities</b>                      |              |        |
| Secured bank loan facilities with various maturing dates through to 2014. |              |        |
| Amount used                                                               | 245          | 317    |
| Amount unused                                                             | 75,344       | 78,578 |
| Total available facilities                                                | 75,589       | 78,895 |

In 2011, the Company renewed 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:

1. 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% (2011: 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.
2. 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% (2011: 2.50%).

In August 2012, Austex Dies Pty Limited (a fully owned subsidiary of the Company) renewed the Overdraft Facility with the Australia and New Zealand Banking Group Limited of up to \$400,000 with an interest rate of the bank bill rate plus a margin rate of 1.5% (2011: bank reference rate minus a margin rate of 5%). The overdraft facility is fully secured by bank guarantee.

|                                                                                                                                              | Consolidated |         |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------|
|                                                                                                                                              | 2012         | 2011    |
|                                                                                                                                              | \$'000       | \$'000  |
| <b>27 Commitments for expenditure - capital</b>                                                                                              |              |         |
| Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:       |              |         |
| Within one year                                                                                                                              | 462          | 969     |
| <b>28 Commitments for expenditure - operating leases</b>                                                                                     |              |         |
| Commitments for minimum lease payments in relation to non-cancellable operating leases for office and plant premises are payable as follows: |              |         |
| Within one year                                                                                                                              | 17,314       | 17,868  |
| Later than one year but not later than five years                                                                                            | 54,286       | 59,174  |
| Later than five years                                                                                                                        | 52,883       | 63,562  |
|                                                                                                                                              | 124,483      | 140,604 |

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.

|                                                   |       |     |
|---------------------------------------------------|-------|-----|
| <b>Non-cancellable operating lease receivable</b> |       |     |
| Within one year                                   | 1,083 | 189 |
| Later than one year but not later than five years | 908   | 84  |
| Later than five years                             | -     | -   |
|                                                   | 1,991 | 273 |

Operating lease receivables relate to the sublease of warehouse and office facilities with lease term of 3 years, with an option to extend two further terms of 5 years.

## Capral Limited

### 29 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 at that time (Capral Wages Superannuation Pty Limited, Capral Superannuation Pty Limited, Capral Finance Pty Limited and Aluminium Distributors Pty Limited) were added to the Deed. During the Financial Year, the Deed was revoked in relation to these subsidiaries on 19 March 2012 in connection with their deregistration on 13 June 2012.

For the 2012 and 2011 financial years, the closed group represents the Company and its wholly owned Australian subsidiaries (except for Austex Dies Pty Limited).

|                                                               | <b>Closed Group</b> | <b>Closed Group</b> |
|---------------------------------------------------------------|---------------------|---------------------|
|                                                               | <b>2012</b>         | <b>2011</b>         |
|                                                               | <b>\$'000</b>       | <b>\$'000</b>       |
| <b>Statement of comprehensive income</b>                      |                     |                     |
| Revenue                                                       | 303,214             | 347,644             |
| Other income <sup>1</sup>                                     | 532                 | 49,905              |
| Changes in inventories of finished goods and work in progress | (2,476)             | (3,038)             |
| Raw materials and consumables used                            | (160,363)           | (195,704)           |
| Employee benefits expense                                     | (76,130)            | (78,086)            |
| Depreciation and amortisation expense                         | (12,178)            | (12,296)            |
| Finance costs                                                 | (598)               | (1,967)             |
| Freight expense                                               | (10,873)            | (12,484)            |
| Occupancy costs                                               | (14,565)            | (14,863)            |
| Repairs and maintenance expense                               | (6,039)             | (6,559)             |
| Restructuring costs                                           | (1,344)             | (320)               |
| Other expenses                                                | (29,403)            | (31,718)            |
| (Loss)/profit before income tax                               | (10,223)            | 40,514              |
| Income tax benefit                                            | -                   | -                   |
| (Loss)/profit for the year                                    | (10,223)            | 40,514              |
| Other comprehensive (loss)/income for the year (net of tax)   |                     |                     |
| Revaluation increase                                          | 221                 | -                   |
| Total comprehensive (loss)/income for the year                | (10,002)            | 40,514              |
| <b>Summary of movements in accumulated losses</b>             |                     |                     |
| Accumulated losses at the beginning of the year               | (263,418)           | (303,932)           |
| (Loss)/profit for the year                                    | (10,223)            | 40,514              |
| Accumulated losses at the end of the year                     | (273,641)           | (263,418)           |

<sup>1</sup> Includes dividend income of \$49.8m from Capral Aluminium NZ Limited - eliminated on consolidation at the end of the 2011 financial year.

## Capral Limited

### 29 Deed of Cross Guarantee (cont'd)

|                                        | Closed Group<br>2012<br>\$'000 | Closed Group<br>2011<br>\$'000 |
|----------------------------------------|--------------------------------|--------------------------------|
| <b>Statement of financial position</b> |                                |                                |
| <b>Current assets</b>                  |                                |                                |
| Cash and cash equivalents              | 19,540                         | 14,803                         |
| Trade and other receivables            | 46,157                         | 42,992                         |
| Inventories                            | 50,750                         | 56,830                         |
| Other financial assets                 | 116                            | 186                            |
| Prepayments                            | 2,394                          | 2,495                          |
| <b>Total current assets</b>            | <b>118,957</b>                 | <b>117,306</b>                 |
| <b>Non current assets</b>              |                                |                                |
| Other receivables                      | 13                             | 88                             |
| Deferred tax assets                    | 2,650                          | 2,650                          |
| Investment in subsidiaries             | 1,100                          | 1,100                          |
| Property, plant and equipment          | 90,488                         | 97,443                         |
| Other intangible assets                | 682                            | 1,307                          |
| <b>Total non current assets</b>        | <b>94,933</b>                  | <b>102,588</b>                 |
| <b>Total assets</b>                    | <b>213,890</b>                 | <b>219,894</b>                 |
| <b>LIABILITIES</b>                     |                                |                                |
| <b>Current liabilities</b>             |                                |                                |
| Trade and other payables               | 53,395                         | 51,206                         |
| Borrowings                             | 46                             | 365                            |
| Provisions                             | 9,270                          | 8,225                          |
| Deferred income                        | 491                            | 333                            |
| <b>Total current liabilities</b>       | <b>63,202</b>                  | <b>60,129</b>                  |
| <b>Non current liabilities</b>         |                                |                                |
| Borrowings                             |                                |                                |
| Provisions                             | 4,272                          | 4,411                          |
| Deferred income                        | 155                            | 310                            |
| <b>Total non current liabilities</b>   | <b>4,427</b>                   | <b>4,721</b>                   |
| <b>Total liabilities</b>               | <b>67,629</b>                  | <b>64,850</b>                  |
| <b>NET ASSETS</b>                      | <b>146,261</b>                 | <b>155,044</b>                 |
| <b>EQUITY</b>                          |                                |                                |
| Issued capital                         | 410,476                        | 410,476                        |
| Reserves                               | 9,426                          | 7,986                          |
| Accumulated losses                     | (273,641)                      | (263,418)                      |
| <b>TOTAL EQUITY</b>                    | <b>146,261</b>                 | <b>155,044</b>                 |

### 30 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 2011.

The capital structure of the group consists of debt, as disclosed in Note 26, cash and cash equivalents, and equity holders of the parent, comprising issued capital, reserves and accumulated losses, as disclosed in Notes 7, 22 and 23 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

### 30 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 26 as at 31 December 2012 as follows:

| Covenants                              | Actual  | Limit/Covenant      | Headroom |
|----------------------------------------|---------|---------------------|----------|
| Net Tangible Worth (\$'000)            | 141,236 | Greater than 45,000 | 96,236   |
| Capital Expenditure to Dec 12 (\$'000) | 3,625   | Less than 6,400     | 2,775    |
| Fixed Charge Coverage Ratio (ratio)    | 2.88    | Greater than -2:1   | 4.88     |

The Group complied with its borrowing financial covenants under its facility detailed in Note 26 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     |

#### (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<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------------------|--------------------------------|----------------|
| <b>Financial Assets</b>                                     |                                |                |
| Loans and receivables (including cash and cash equivalents) | 66,405                         | 59,276         |
| Other financial assets (capitalised borrowing costs)        | 116                            | 186            |
| <b>Financial Liabilities</b>                                |                                |                |
| Amortised cost                                              | 53,610                         | 51,770         |

#### (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 30(f)) and interest rates (refer note 30(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.

### 30 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 |        |
|-------------------------|--------------|--------|
|                         | 2012         | 2011   |
|                         | \$'000       | \$'000 |
| EURO (trade payables)   | (5)          | (72)   |
| GBP (trade payables)    | (23)         | -      |
| USD (trade payables)    | (9)          | -      |
| NZD (trade receivables) | 1            | -      |
| USD (trade receivables) | 1,051        | -      |

#### Foreign currency sensitivity

The Group is exposed to Euros, GBP, USD and NZD (2011: Euros).

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 and trade receivables 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 \$37,000 (2011: \$72,000). The total value of trade receivables denominated in currencies other than the AUD at reporting date was \$1,052,000 (2011: nil).

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 2012 and 31 December 2011 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 |        |
|-----------------------------------|--------------|--------|
|                                   | 2012         | 2011   |
|                                   | \$'000       | \$'000 |
| <b>Profit or loss (after tax)</b> |              |        |
| - AUD strengthens by 10%          | 101          | (7)    |
| - AUD weakens by 10%              | (101)        | 7      |

#### (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 exposure to interest rate risk at the reporting date was considered insignificant and as a result the Group did not enter into interest rate options.

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

### 30 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 (2011: 50bp or 0.5% increase and 50bp or 0.5% decrease). A positive number indicates an increase in profit.

|                                                              | Consolidated |        |
|--------------------------------------------------------------|--------------|--------|
|                                                              | 2012         | 2011   |
|                                                              | \$'000       | \$'000 |
| <b>Profit or loss (after tax)</b>                            |              |        |
| Impact of a 50bp (2011: 50bp) increase in AUD interest rates |              |        |
| - Cash and cash equivalents                                  | 70           | 53     |
| - Floating rate debt                                         | (1)          | (1)    |
| Impact of a 50bp (2011: 50bp) decrease in AUD interest rates |              |        |
| - Cash and cash equivalents                                  | (70)         | (53)   |
| - Floating rate debt                                         | 1            | 1      |

#### (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 statement of financial position, 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 trade receivables is detailed below:

|            | Consolidated  |               |
|------------|---------------|---------------|
|            | 2012          | 2011          |
|            | \$'000        | \$'000        |
| Current    | 42,352        | 42,096        |
| 1-30 days  | 3,276         | 876           |
| 31-60 days | 137           | 553           |
| 60+ days   | 817           | 730           |
|            | <b>46,582</b> | <b>44,255</b> |

## 30 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 26 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 \$19,997,000 (2011: \$15,002,000) and trade and other receivables of \$46,408,000 (2011: \$44,274,000). Cash is liquid and trade and other receivables are expected to be realised on average within 54 days. Cash balances earn 2.1% interest per annum (2011: 3.3%). 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<br>average<br>effective<br>interest rate<br>% | Less than 1<br>year<br>\$'000 | 1-3<br>years<br>\$'000 | 3 - 5<br>years<br>\$'000 | Greater<br>than 5<br>years<br>\$'000 |
|------------------------------|--------------------------------------------------------|-------------------------------|------------------------|--------------------------|--------------------------------------|
| <b>Consolidated<br/>2012</b> |                                                        |                               |                        |                          |                                      |
| Trade and other payables     | -                                                      | 53,101                        | -                      | -                        | -                                    |
| Floating rate debt           | 6.07%                                                  | 245                           | -                      | -                        | -                                    |
|                              |                                                        | 53,346                        | -                      | -                        | -                                    |
| <b>2011</b>                  |                                                        |                               |                        |                          |                                      |
| Trade and other payables     | -                                                      | 51,405                        | -                      | -                        | -                                    |
| Floating rate debt           | 7.32%                                                  | 317                           | -                      | -                        | -                                    |
|                              |                                                        | 51,722                        | -                      | -                        | -                                    |

### (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.

## 31 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 2012 these guarantees totalled \$4,924,144 (2011: \$4,896,301).

### 32 Remuneration of auditors

|                                                                                                               | Consolidated |            |
|---------------------------------------------------------------------------------------------------------------|--------------|------------|
|                                                                                                               | 2012<br>\$   | 2011<br>\$ |
| During the year the auditor of the parent entity and its related practices earned the following remuneration: |              |            |
| <b>Auditor of the parent entity</b>                                                                           |              |            |
| Audit or review of financial reports of the entity or any entity in the consolidated entity                   | 346,000      | 368,000    |
| Other non-audit services                                                                                      |              |            |
| - tax compliance and other consulting                                                                         | 85,709       | 337,214    |
| Total remuneration                                                                                            | 431,709      | 705,214    |

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.

### 33 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 except as disclosed in the Chairman's Report regarding Capral's ownership, the Group's state of affairs in future financial years.



### 34 Notes to the cash flow statement

(i) Reconciliation of cash and cash equivalents

|                                                                                                                                                                                                                                                                                                                   | Consolidated |        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------|
|                                                                                                                                                                                                                                                                                                                   | 2012         | 2011   |
|                                                                                                                                                                                                                                                                                                                   | \$'000       | \$'000 |
| <b>Reconciliation of cash and cash equivalents</b>                                                                                                                                                                                                                                                                |              |        |
| 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                                                                                                                                                                                                                                                                                          | 19,997       | 15,002 |
| Overdraft facility                                                                                                                                                                                                                                                                                                | (245)        | (317)  |
|                                                                                                                                                                                                                                                                                                                   | 19,752       | 14,685 |

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

|                                                      |              |              |
|------------------------------------------------------|--------------|--------------|
| Loss for the year                                    | (10,987)     | (7,997)      |
| <b>Non-cash items:</b>                               |              |              |
| Depreciation and amortisation of non-current assets  | 12,444       | 12,554       |
| Allowance for doubtful trade debts                   | 210          | (370)        |
| Loss on sale of property, plant and equipment        | 153          | 645          |
| Loss on sale of a subsidiary                         | -            | 567          |
| Share-based payments expense                         | 1,219        | 1,222        |
| Interest expense accrued but not paid                | 70           | 220          |
| Interest income reclassified to investing activities | (89)         | (315)        |
| <b>Change in assets and liabilities:</b>             |              |              |
| (Increase)/decrease in current receivables           | (2,419)      | 8,243        |
| Decrease in inventories                              | 6,137        | 6,645        |
| Decrease in prepayments                              | 248          | 84           |
| Decrease/(increase) in non-current receivables       | 75           | (163)        |
| Increase/(decrease) in trade payables and payables   | 1,695        | (12,711)     |
| Increase in employee benefit provisions              | 697          | 113          |
| Increase in other provisions                         | 66           | 158          |
| Increase/(decrease) in deferred income               | 3            | (52)         |
| <b>Net cash provided by operating activities</b>     | <b>9,522</b> | <b>8,843</b> |

(iii) Details of finance facilities are included in note 26 to the financial statements.

(iv) Non-cash financing activities

There were no non-cash financing activities during the Financial Year and the 2011 year.

# Capral Limited

## 35 Parent entity disclosures

|                                                                                                          | Company         |                |
|----------------------------------------------------------------------------------------------------------|-----------------|----------------|
|                                                                                                          | 2012<br>\$'000  | 2011<br>\$'000 |
| <b>Financial Position</b>                                                                                |                 |                |
| <b>Assets</b>                                                                                            |                 |                |
| Current assets to third parties                                                                          | 118,882         | 117,709        |
| Current assets to controlled entities                                                                    | -               | 17,211         |
| Non-current assets                                                                                       | 86,835          | 94,114         |
| <b>Total assets</b>                                                                                      | <b>205,717</b>  | <b>229,034</b> |
| <b>Liabilities</b>                                                                                       |                 |                |
| Current liabilities to third parties                                                                     | 62,685          | 60,074         |
| Current liabilities to controlled entities                                                               | 1,149           | 627            |
| Non-current liabilities                                                                                  | 4,410           | 4,721          |
| <b>Total liabilities</b>                                                                                 | <b>68,244</b>   | <b>65,422</b>  |
| <b>Equity</b>                                                                                            |                 |                |
| Issued capital                                                                                           | 410,476         | 410,476        |
| Accumulated losses                                                                                       | (282,208)       | (254,850)      |
| <b>Reserves</b>                                                                                          |                 |                |
| Equity-settled compensation reserve                                                                      | 9,205           | 7,986          |
| <b>Total Equity</b>                                                                                      | <b>137,473</b>  | <b>163,612</b> |
| <b>Financial Performance</b>                                                                             |                 |                |
| (Loss)/profit for the year                                                                               | (27,358)        | 61,836         |
| Other comprehensive income                                                                               | -               | -              |
| <b>Total comprehensive (loss)/income</b>                                                                 | <b>(27,358)</b> | <b>61,836</b>  |
| <b>Guarantees entered into by the parent entity in relation to the debts of its subsidiaries</b>         |                 |                |
| Deed of cross guarantee - refer Note 29                                                                  | -               | -              |
| <b>Contingent liabilities of the parent entity</b>                                                       |                 |                |
| Refer note 31                                                                                            |                 |                |
| <b>Commitments for the acquisition of property, plant and equipment by the parent entity</b>             |                 |                |
| Commitments for the acquisition of property, plant and equipment by the parent entity<br>Within one year | 462             | 969            |

# Capral Limited

## 36 Share-based payments

### Performance Share Rights

#### Executive and Senior Management

Refer to section 1(i) 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 12 | Grant date | Expiry Date | Exercise price \$ | Fair value at grant date \$ |
|-----------------------------------|------------------------|------------|-------------|-------------------|-----------------------------|
| Issued 31 March 2008 <sup>1</sup> | 56,000                 | 31/03/2008 | 31/12/2012  | -                 | 2.50                        |
| Issued 26 March 2009 <sup>2</sup> | 275,000                | 26/03/2009 | 31/12/2013  | -                 | 0.75                        |
| Issued 22 March 2011 <sup>3</sup> | 930,632                | 22/03/2011 | 31/12/2013  | -                 | 0.24                        |
| Issued 22 March 2011 <sup>3</sup> | 465,316                | 22/03/2011 | 31/12/2013  | -                 | 0.27                        |
| Issued 14 June 2011 <sup>4</sup>  | 160,000                | 14/06/2011 | 31/12/2013  | -                 | 0.22                        |
| Issued 14 June 2011 <sup>4</sup>  | 80,000                 | 14/06/2011 | 31/12/2013  | -                 | 0.26                        |
| Issued 14 March 2012 <sup>5</sup> | 1,358,418              | 14/03/2012 | 31/12/2014  | -                 | 0.11                        |
| Issued 14 March 2012 <sup>5</sup> | 679,211                | 14/03/2012 | 31/12/2014  | -                 | 0.17                        |
| Issued 14 March 2012 <sup>5</sup> | 679,207                | 14/03/2012 | 31/12/2014  | -                 | 0.17                        |

1 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.

2 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.

3 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.

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 2012 have an average vesting date of 1 March 2015.

The following share-based payment arrangements were in existence during the comparative 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 <sup>1</sup> | 29,500                 | 16/03/2007 | 31/12/2011  | -                 | 3.00                        |
| Issued 31 March 2008 <sup>2</sup> | 76,000                 | 31/03/2008 | 31/12/2012  | -                 | 2.50                        |
| Issued 26 March 2009 <sup>3</sup> | 365,000                | 26/03/2009 | 31/12/2013  | -                 | 0.75                        |
| Issued 22 March 2011 <sup>4</sup> | 1,202,841              | 22/03/2011 | 31/12/2013  | -                 | 0.24                        |
| Issued 22 March 2011 <sup>4</sup> | 601,420                | 22/03/2011 | 31/12/2013  | -                 | 0.27                        |
| Issued 22 March 2011 <sup>4</sup> | 601,420                | 22/03/2011 | 31/12/2013  | -                 | 0.28                        |
| Issued 14 June 2011 <sup>5</sup>  | 160,000                | 14/06/2011 | 31/12/2013  | -                 | 0.22                        |
| Issued 14 June 2011 <sup>5</sup>  | 80,000                 | 14/06/2011 | 31/12/2013  | -                 | 0.26                        |
| Issued 14 June 2011 <sup>5</sup>  | 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.

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## 36 Share-based payments (cont'd)

| Inputs into the model                          | Performance Rights (LTIP) |              |               |               |               |
|------------------------------------------------|---------------------------|--------------|---------------|---------------|---------------|
|                                                | 14 March 2012             | 14 June 2011 | 22 March 2011 | 26 March 2009 | 31 March 2008 |
| Grant date                                     | 14/03/2012                | 14/06/2011   | 22/03/2011    | 26/03/2009    | 31/03/2008    |
| Dividend yield                                 | 0%                        | 3.5%         | 3.3%          | 0%            | 0%            |
| Risk free yield                                | 3.65%                     | 4.81%        | 4.96%         | 3.32%         | 6.05%         |
| Expected volatility                            | 50%                       | 60%          | 60%           | 80%           | 55%           |
| Last testing date                              | 31/12/2014                | 31/12/2013   | 31/12/2013    | 31/12/2013    | 31/12/2012    |
| Exercise price                                 | n.a                       | n.a          | n.a           | n.a           | n.a.          |
| Share price at grant date (pre consolidation)  | n.a                       | n.a          | n.a           | \$0.082       | \$0.300       |
| Share price at grant date (post consolidation) | \$0.17                    | \$0.285      | \$0.30        | \$0.820       | \$3.000       |
| Performance right life                         | 3 years                   | 2.7 years    | 2.9 years     | 2.3 years     | 2.3 years     |

### Managing Director

During the Financial Year, 6,860,000 share rights were issued to the Managing Director as detailed below (2011: nil).

| Share rights                      | Number as at 31 Dec 12 | Grant date | Expiry Date | Exercise price \$ | Fair value at grant date \$ |
|-----------------------------------|------------------------|------------|-------------|-------------------|-----------------------------|
| Issued 17 April 2012 <sup>1</sup> | 6,860,000              | 17/04/2012 | 15/04/2013  | -                 | \$0.17                      |

1 In accordance with the terms of the share rights approved by Shareholders at the AGM on 17 April 2012, share rights issued during the Financial Year have an average vesting date of 15 April 2013. These rights are not subject to any market conditions. They are subject to a service condition and succession planning.

### Options

#### Executive and Senior Management

No options to acquire ordinary shares were granted under LTIP in the Financial Year or 2011. 231,862 options issued in 2009 were forfeited due to the departure from employment with Capral of an option holder (2011: 854,771). 2,231,863 options remain unexercised at the end of the Financial Year (2011: 2,463,725).

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 \$ (Post Consolidation) | Fair value at grant date \$ (Post Consolidation) |
|-------------------------------------|-----------------------------|------------|-------------|----------------------------------------|--------------------------------------------------|
| Issued 16 October 2009 <sup>1</sup> | 1,231,863                   | 16/10/2009 | 16/10/2014  | 0.25                                   | 0.29                                             |
| Issued 16 October 2009 <sup>2</sup> | 500,000                     | 16/10/2009 | 16/10/2014  | 0.40                                   | 0.26                                             |
| Issued 16 October 2009 <sup>2</sup> | 500,000                     | 16/10/2009 | 16/10/2014  | 0.60                                   | 0.23                                             |

1 In accordance with the terms of the LTIP arrangement, these options have a vesting date of 16 October 2011.

2 In accordance with the terms of the LTIP arrangement, these options have a vesting date of 16 October 2012.

## Capral Limited

### 36 Share-based payments (cont'd)

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

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

1 In accordance with the terms of the LTIP arrangement, these options have a vesting date of 16 October 2011.

2 In accordance with the terms of the LTIP arrangement, these options have a vesting date of 16 October 2012.

| Options (LTIP)<br>16 October 2009 |            |            |            |
|-----------------------------------|------------|------------|------------|
| Inputs into the model             | 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 2012, no options were issued to the Managing Director (2011: 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:

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

## Capral Limited

### 36 Share-based payments (cont'd)

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.

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                                         | 2012                    |                                    | 2011                    |                                    |
|-------------------------------------------------|-------------------------|------------------------------------|-------------------------|------------------------------------|
|                                                 | Number of share options | Weighted average exercise price \$ | Number of share options | Weighted average exercise price \$ |
| Balance at the beginning of the financial year  | 26,763,725              | 0.381                              | 27,618,496              | 0.381                              |
| Granted during the financial year               | -                       | -                                  | -                       | -                                  |
| Forfeited during the financial year             | (231,862)               | 0.362                              | (854,771)               | 0.375                              |
| Exercised during the financial year             | -                       | -                                  | -                       | -                                  |
| Expired during the financial year               | -                       | -                                  | -                       | -                                  |
| <b>Balance at the end of the financial year</b> | <b>26,531,863</b>       | <b>0.381</b>                       | <b>26,763,725</b>       | <b>0.381</b>                       |
| Exercisable at the end of the financial year    | 25,531,863              | 0.376                              | 19,098,529              | 0.301                              |

| Performance rights                              | 2012                               |  | 2011                               |  |
|-------------------------------------------------|------------------------------------|--|------------------------------------|--|
|                                                 | Number of share performance rights |  | Number of share performance rights |  |
| Balance at the beginning of the financial year  | 3,196,181                          |  | 599,000                            |  |
| Granted during the financial year               | 10,738,982                         |  | 3,407,101                          |  |
| Forfeited during the financial year             | (1,137,355)                        |  | (115,000)                          |  |
| Vested during the financial year                | -                                  |  | -                                  |  |
| Expired during the financial year               | (1,254,025)                        |  | (694,920)                          |  |
| <b>Balance at the end of the financial year</b> | <b>11,543,783</b>                  |  | <b>3,196,181</b>                   |  |

#### (i) Exercised during the Financial Year

No options granted to the Managing Director, executives and senior management have been exercised during the Financial Year.

No performance rights granted to the executives and senior management have vested during the Financial Year.

## Capral Limited

### 36 Share-based payments (cont'd)

(ii) Balance at the end of the Financial Year

The options outstanding at the end of the Financial Year were 26,531,863 (2011: 26,763,725), with a weighted average remaining contractual life of 2 years (2011: 3.0).

The performance rights outstanding at the end of the Financial Year were 11,543,783 (2011: 3,196,181), with a weighted average remaining contractual life of 1 year (2011: 1.7 years).

### 37 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 |           |
|--------------------------|----------------------|-----------|
|                          | 2012                 | 2011      |
|                          | \$                   | \$        |
| Short-term benefits      | 3,964,073            | 3,730,172 |
| Post-employment benefits | 180,193              | 182,387   |
| Other long-term benefits | -                    | -         |
| Termination benefits     | 271,591              | 155,854   |
| Share-based payments     | 1,022,780            | 873,387   |
|                          | 5,438,637            | 4,941,800 |

#### (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:

| 2012 -<br>Performance<br>share rights | Held at start<br>of year | Granted as<br>compensation | Lapsed      | Vested | Held at end of<br>year |
|---------------------------------------|--------------------------|----------------------------|-------------|--------|------------------------|
| <b>Directors</b>                      |                          |                            |             |        |                        |
| P Jobe                                | -                        | 6,860,000                  | -           | -      | 6,860,000              |
| <b>Executives</b>                     |                          |                            |             |        |                        |
| T Campbell                            | 320,000                  | 451,303                    | (170,261)   | -      | 601,042                |
| R Michael <sup>1</sup>                | -                        | 255,472                    | (51,094)    | -      | 204,378                |
| M Haszard <sup>2</sup>                | 624,307                  | -                          | (624,307)   | -      | -                      |
| D Munro <sup>3</sup>                  | -                        | 414,039                    | (414,039)   | -      | -                      |
| R Rolfe                               | 172,183                  | 221,760                    | (74,898)    | -      | 319,045                |
|                                       | 1,116,490                | 8,202,574                  | (1,334,599) | -      | 7,984,465              |

None of the performance rights included in the above table vested as at 31 December 2012.

# Capral Limited

## 37 Key management personnel compensation (cont'd)

| 2012 - Options         | Held at start of year | Granted as compensation | Other     | Exercised | Held at end of year |
|------------------------|-----------------------|-------------------------|-----------|-----------|---------------------|
| <b>Directors</b>       |                       |                         |           |           |                     |
| P Jobe                 | 24,300,000            | -                       | -         | -         | 24,300,000          |
| <b>Executives</b>      |                       |                         |           |           |                     |
| T Campbell             | -                     | -                       | -         | -         | -                   |
| R Michael <sup>1</sup> | 165,000               | -                       | -         | -         | 165,000             |
| M Haszard <sup>2</sup> | 463,725               | -                       | (231,862) | -         | 231,863             |
| D Munro <sup>3</sup>   | -                     | -                       | -         | -         | -                   |
| R Rolfe                | 120,000               | -                       | -         | -         | 120,000             |
|                        | 25,048,725            | -                       | (231,862) | -         | 24,816,863          |

<sup>1</sup> Mr Michael was appointed as Executive General Manager, Manufacturing in April 2012

<sup>2</sup> Mr Haszard retired in March 2012

<sup>3</sup> Mr Munro left employment on 9 November 2012

All of the options granted to Mr Jobe and 516,863 options issued under LTIP included in the above table are exercisable as at 31 December 2012. 142,500 options issued under LTIP included in the above table have vested but, at the date of this report, remain subject to a disposal restriction and not yet exercisable.

Details of the performance rights and options held by Key Management Personnel during the financial year ended 31 December 2011 were as follows:

| 2011 - Performance share rights | Held at start of year | Granted as compensation | Lapsed    | Vested | Held at end of year |
|---------------------------------|-----------------------|-------------------------|-----------|--------|---------------------|
| <b>Directors</b>                |                       |                         |           |        |                     |
| P Jobe                          | -                     | -                       | -         | -      | -                   |
| <b>Executives</b>               |                       |                         |           |        |                     |
| T Campbell <sup>1</sup>         | -                     | 400,000                 | (80,000)  | -      | 320,000             |
| M Lamb <sup>2</sup>             | -                     | -                       | -         | -      | -                   |
| M Haszard                       | 125,000               | 624,134                 | (124,827) | -      | 624,307             |
| A Simmonds <sup>3</sup>         | 117,000               | -                       | (117,000) | -      | -                   |
| D Munro <sup>4</sup>            | -                     | -                       | -         | -      | -                   |
| 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 |
|-------------------------|-----------------------|-------------------------|-----------|-----------|---------------------|
| <b>Directors</b>        |                       |                         |           |           |                     |
| P Jobe                  | 24,300,000            | -                       | -         | -         | 24,300,000          |
| <b>Executives</b>       |                       |                         |           |           |                     |
| T Campbell <sup>1</sup> | -                     | -                       | -         | -         | -                   |
| M Lamb <sup>2</sup>     | 459,000               | -                       | (459,000) | -         | -                   |
| M Haszard               | 463,725               | -                       | -         | -         | 463,725             |
| A Simmonds <sup>3</sup> | 395,771               | -                       | (395,771) | -         | -                   |
| D Munro <sup>4</sup>    | -                     | -                       | -         | -         | -                   |
| R Rolfe                 | 120,000               | -                       | -         | -         | 120,000             |
|                         | 25,738,496            | -                       | (854,771) | -         | 24,883,725          |

<sup>1</sup> Mr Campbell commenced employment with Capral in June 2011

<sup>2</sup> Mr Lamb left employment with Capral in June 2011

<sup>3</sup> Mr Simmonds retired on 9 June 2011

<sup>4</sup> 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 were exercisable as at 31 December 2011.



# Capral Limited

## 37 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 2011 financial year are as follows:

| 2012                    | 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 |
|-------------------------|-----------------------|-------------------------|----------------------------------------------------------------|-------------------------------|---------------------|
| <b>Directors</b>        |                       |                         |                                                                |                               |                     |
| R.L. Wood-Ward          | -                     | -                       | -                                                              | -                             | -                   |
| P.J. Jobe               | 185,500               | -                       | -                                                              | 55,000 <sup>1</sup>           | 240,500             |
| I.B. Blair              | 227,348               | -                       | -                                                              | -                             | 227,348             |
| A.M. Eisen              | -                     | -                       | -                                                              | -                             | -                   |
| M.L. Jefferies          | -                     | -                       | -                                                              | -                             | -                   |
| G.F. Pettigrew          | -                     | -                       | -                                                              | -                             | -                   |
| <b>Executives</b>       |                       |                         |                                                                |                               |                     |
| T. Campbell             | -                     | -                       | -                                                              | -                             | -                   |
| R. Michael <sup>2</sup> | -                     | -                       | -                                                              | -                             | -                   |
| R. Rolfe                | 90,340                | -                       | -                                                              | -                             | 90,340              |
|                         | 503,188               | -                       | -                                                              | 55,000                        | 558,188             |

<sup>1</sup> Acquired on market in accordance with the Capral Securities Trading Policy

<sup>2</sup> Mr Michael was appointed as Executive General Manager, Manufacturing in April 2012

| 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 |
|--------------------------|-----------------------|-------------------------|----------------------------------------------------------------|-------------------------------|---------------------|
| <b>Directors</b>         |                       |                         |                                                                |                               |                     |
| R.L. Wood-Ward           | -                     | -                       | -                                                              | -                             | -                   |
| P.J. Jobe                | 185,500               | -                       | -                                                              | -                             | 185,500             |
| I.B. Blair               | 227,348               | -                       | -                                                              | -                             | 227,348             |
| A.M. Eisen               | -                     | -                       | -                                                              | -                             | -                   |
| M.L. Jefferies           | -                     | -                       | -                                                              | -                             | -                   |
| G.F. Pettigrew           | -                     | -                       | -                                                              | -                             | -                   |
| <b>Executives</b>        |                       |                         |                                                                |                               |                     |
| T. Campbell <sup>1</sup> | -                     | -                       | -                                                              | -                             | -                   |
| M. Haszard               | 100,000               | -                       | -                                                              | (100,000) <sup>2</sup>        | -                   |
| D. Munro <sup>3</sup>    | -                     | -                       | -                                                              | -                             | -                   |
| R. Rolfe                 | 90,340                | -                       | -                                                              | -                             | 90,340              |
|                          | 603,188               | -                       | -                                                              | (100,000)                     | 503,188             |

<sup>1</sup> Mr Campbell commenced employment with Capral in June 2011

<sup>2</sup> Disposed on market in accordance with the Capral Securities Trading Policy

<sup>3</sup> Mr Munro commenced employment with Capral in June 2011

## Capral Limited

### 37 Key management personnel compensation (cont'd)

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

| 2012                    | Held at start of year | Granted as remuneration | On exercise of option | Other changes during the year | Held at date of termination |
|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------------|-----------------------------|
| <b>Directors</b>        |                       |                         |                       |                               |                             |
|                         | -                     | -                       | -                     | -                             | -                           |
| <b>Executives</b>       |                       |                         |                       |                               |                             |
| M. Haszard <sup>1</sup> | -                     | -                       | -                     | -                             | -                           |
| D. Munro <sup>2</sup>   | -                     | -                       | -                     | -                             | -                           |

<sup>1</sup> Mr Lamb retired in March 2012

<sup>2</sup> Mr Munro left employment on 9 November 2012

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

<sup>1</sup> Mr Lamb left employment in June 2011

<sup>2</sup> Mr Simmonds retired on 9 June 2011

<sup>3</sup> Disposed on market in accordance with the Capral Securities Trading Policy

# 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 29 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

21 February 2013



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 consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated 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 22 to 65.

## 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 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 gives a true and fair view and 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 the consolidated financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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, which has been given to the directors of Capral Limited, would be in the same terms if given to the directors as at the time 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 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated financial statements also comply 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 19 of the directors' report for the year ended 31 December 2012. 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.

## Opinion

In our opinion the Remuneration Report of Capral Limited for the year ended 31 December 2012, complies with section 300A of the Corporations Act 2001.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Delaney*

X Delaney  
Partner  
Chartered Accountants  
Parramatta, 21 February 2013