



CAPRAL LIMITED ANNUAL REPORT 2010

ABN 78 004 213 692

CAPRAL
CELEBRATING 75 YEARS

Corporate Directory

Capral's Registered Office & Principal Administration Office

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Tel: +61 (0)7 3816 7000
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Auditor

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000

Share Registry

Computershare Investor Services
Pty Limited
ABN 48 078 279 277
Level 2, 60 Carrington Street
Sydney NSW 2000
Tel: 1800 855 080
Fax: +61 (0)3 9473 2118

Securities Exchange Listing

Capral's shares are quoted on the Australian Securities Exchange (Code: **CAA**).

Company Secretary

Mr Richard Rolfe

Capral's Resolutions

We consider SAFETY FIRST.

We know that no job is so important that it can't be done safely. We accept nothing less than zero injuries...

We recognise our customers as the people who determine our success.

*We know who our customers are and the **SERVICE** they expect. And we deliver...*

We take OWNERSHIP for everything that we do.

We are empowered to make decisions and always think about the business as our own...

We know that TEAMWORK will achieve the best overall business outcome.

We share ideas and resources to achieve more for us all. We trust each other to do a good job...

We have a PASSION for excellence.

We stretch ourselves to do the very best we can. We work with urgency and share a will to win...

We have INTEGRITY.

We are honest and straight-talking and we do the right thing.

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Key Statistics

For the year ended 31 December	2010	2009	Variance
Sales Volumes – External ('000)	55.6	55.2	0.4
	\$M	\$M	\$M
Revenue	399.7	381.4	4.8
Trading EBITDA ¹	23.5	3.6	20.0
EBITDA ²	19.2	(0.7)	19.9
Profit after Tax	6.7	(29.1)	35.8
Operating Cash Flow	19.8	(7.4)	27.2
Net Cash/(Debt)	11.3	(5.3)	16.6
¹ Earnings before interest, tax, depreciation, amortisation, restructuring and equity compensation amortisation ² Earnings before interest, tax, depreciation and amortisation			

Chairman's Report

It is most pleasing to report that Capral has produced a profit for the 2010 year, its first since 2002.

Capral recorded a profit after tax of \$6.7 million for the year ended 31 December 2010 (2009: \$29.1 million loss) which includes a \$2.6 million benefit (2009: Nil) resulting from the recognition of a portion of our deferred tax asset.

The promising start to a market recovery in 2010 stalled early in the year as Government stimulus initiatives wound down and the mild residential building recovery slowed. Whilst it was anticipated in mid-2010 that the difficult trading environment experienced in the second quarter would continue, it was hoped that the market overall would improve in the traditionally busy fourth quarter. Unfortunately, no improvement in market conditions was forthcoming, with the result that volumes in 2010 were substantially in line with those achieved in 2009.

However, despite the flat market conditions, Capral's strategic focus on end-to-end operating efficiency initiatives during 2010 has created a more sustainable operating cost base and service enhancement initiatives are continually being developed for each market segment. As these initiatives developed, their alignment to the overall productivity and efficiency of the business resulted in improved profit and effective cash flow generation. Despite the flat volumes, Capral produced a full year EBITDA result of \$19.2 million (2009: \$0.7 million loss) and cash flow from operations was \$19.8 million (2009: (\$7.4) million), resulting in net cash on hand at 31 December 2010 of \$11.3 million compared to net debt of \$5.3 million a year earlier.

In October 2010, and acting on an application initiated by Capral, the Federal Government introduced anti-dumping and countervailing measures on certain aluminium extrusions imported from China. Through the Trade Measures Branch of Australian Customs, it was found that the Government of China does subsidise the supply of primary aluminium and that price dumping is occurring in Australia. Capral's application was made in response to the rapid build up of imports of aluminium to Australia in recent years and the material injury that has been caused to the Australian industry. Australia now imports five times more of this product per capita than any other country. However, after imposing provisional dumping duties of 16% in November 2009, Customs reduced the quantum to an average of around 6% to the larger importers. This contrasts to imposed measures of around 33% in Canada and now a similar level in the USA. Capral has appealed parts of the findings and the timing of any further determination by Customs is unknown. Capral intends to continue to fight for its right to compete, within the rules and regulations of the WTO and Customs, in an open market without the fear that Chinese government subsidies will unfairly disadvantage Australian manufacturers.

Industry conditions remain tight as a consequence of soft residential construction market demand, the continued inflow of low-priced imported product and some increases in domestic extrusion capacity. However, the lower operating cost base and other initiatives which have enabled the sustainable return to profitability for the past 18 months continue to gain traction. 2011 has started with abnormal weather impacting a number of states. Fortunately, all of our facilities escaped major damage, but many of our customers in those affected areas were impacted, with the result that Capral expects activity in Q1 of 2011 to be behind plan to a small extent. However, we expect any first quarter shortfall to be regained during the remainder of the year as those areas affected recover and return to normal.



Above: Capral's Bremer Park facility, near Ipswich, QLD – January 2011 floods (Source: Above Photography, Jan 2011)

No dividends have been declared or paid for the 2010 Financial Year. The Board will continue to regularly review dividend policy having regard to operating cashflows.

In March 2010, Phil Arnall retired as Chairman and director, after 8 years of service to Capral. The Board is most appreciative of Phil's substantial contribution to Capral over those difficult years. It is a great pleasure to welcome Graeme Pettigrew, who was appointed as a director in June 2010, to the Board. I am sure that Graeme's extensive knowledge and experience of the building and construction industries will bring crucial insights and benefits to the Board and Capral. I thank my co-directors for their invaluable assistance and contributions during the year.

I would also like to extend the Board's appreciation to Phil Jobe and the entire Capral team for their tireless dedication and hard work towards restoring Capral as Australia's premier producer and distributor of extruded aluminium. Finally, our thanks to all stakeholders for their continued support.

Rex Wood-Ward
Chairman

22 February 2011

Managing Director's Report

The Turnaround Strategy is delivering...

- The EBITDA¹ was a profit of \$19.2 million compared to a loss of \$0.7 million in 2009 and a loss of \$7.6 million in 2008. Significant cost savings, which exceeded internal targets, anchored the year's improved results.
- After seven years of losses, Capral achieved a profit after tax of \$6.7 million.
- The operating cash flow of \$19.8 million also confirms the turnaround strategy is delivering on promise. Positive Earnings Per Share (EPS) of 1.7¢ compares to -27.5¢ in the prior year.
- The first phase of the turnaround strategy has been successfully completed. The business is stable, a new operating philosophy embedded, and a leaner management structure with increased accountability implemented. Significant cost savings have been realised resulting in positive cash flows and profitability.

Encouraging progress is being made with the second stage of the strategy. The focus is on optimising business performance. It is underpinned by the roll out of "Project Relaunch". Key objectives are to:

- Transition to a state based manufacturing approach.
- Fix or exit unprofitable "value adding" activities.
- Consolidate space requirements at the Bremer facility.
- Lift under performing state operations.
- Optimise the supply chain.
- Implement sales growth initiatives.
- Continue to right size corporate costs.
- Lift anti-dumping measures.

Progressively, the focus will move to the third phase of the strategy which is to leverage our capabilities and to pursue strategic growth opportunities.

Capral's balance sheet is in good shape. The strong operating cash flow, following on from the Recapitalisation Program in 2009, has transformed the balance sheet with the result that Capral is in a net cash position of \$11.3 million at year end, compared to a \$112.9 million net debt in mid 2009. Management are confident of a favourable outcome in renegotiating Capral's financing facilities which expire in September 2011.

Safety is a core value at Capral. There were a number of highlights in 2010 with the majority of business units achieving 12 months injury free and a number heading for two years and beyond injury free. Bremer Park Manufacturing secured AS4801 accreditation which is a challenging standard. Bremer Park Manufacturing also achieved a 50% reduction in reportable injuries in the second half of 2010. After a significant improvement in the prior year in the lag indicators, the number of lost time injuries reverted in 2010, mainly in the NSW business units. This is a key focus in 2011.

Market conditions remained challenging in 2010. The early part of the year benefited from the flow on from the second half of 2009 when activities increased as a result of the Government Stimulus Package. This was particularly the case in the residential market boosted by the First Home Owners Scheme. The Schools Program (BER) also assisted the commercial segment. First half volumes were 15% above the prior year first half. However, the market lift stalled and housing approvals declined over the balance of the year to be around 10% lower in December 2010 compared to the prior year. Customers destocking in the second half exacerbated the situation resulting in Capral's volumes being steady for the year in a flat market that remains at a low point in the cycle.

¹ Earnings before interest, tax, depreciation and amortisation.

The anti-dumping investigation into imports of aluminium extrusion from China is now the longest running case in Australia. The Government decision in October 2010 was positive in that it established that dumping and Chinese Government subsidies were unfairly occurring and causing injury to the Australian industry. China's policy of undervaluing their currency (some call it manipulation) aggravates the problem. Capral is not satisfied with the level of measures found and has challenged aspects of the methodology utilised by the Trade Measures Branch of Australian Customs. To this point, this decision has only had a minimal impact on the market and ensuring compliance will be an emphasis in 2011.

In Capral's view, the aluminium extrusion case has highlighted shortcomings in the Australian Anti-Dumping Regime. Momentum is building from Industry, the Unions and Politicians to address these shortcomings.

The contribution from Capral's employees to the improved result cannot be understated. They have risen to the challenge of producing "more with less" and delivering a compelling value proposition for our customers.

Customer service levels and product quality remained at high levels and Capral appreciates the ongoing support from our customers.

The market in the first half of 2011 will be subdued after the weather impacted start to the year. Offsetting this, the residential market is expected to strengthen in the second half of 2011 and then lift significantly in 2012. Australia continues to under build compared to underlying demand, resulting in a large pent up demand, especially in NSW. Commercial activities are forecast to remain subdued and the industrial segment should grow with GDP.

Pricing gains are expected to remain modest:

- While the market softness continues.
- Until the level of imports begin to moderate, as anti-dumping compliance measures coupled with rising costs in China and a revaluing currency start to have an impact.
- As some additional capacity in Australia is absorbed by market growth and import substitution.

"Project Relaunch" will continue to deliver ongoing business improvement and sustainability.

Regaining market share in the Distributor sector is an objective in 2011, coupled with the introduction of innovative new products.

Capral will continue to strive to lift margins and its return on equity and expects to benefit as the Turnaround Strategy is fully implemented.



Phil Jobe
Managing Director

22 February 2011

Board of Directors and Executive Management Team

Directors in office at the date of this report:

Rex Wood-Ward

Chairman of Board (Independent)

Appointed 6 November 2008

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

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

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

- None

Philip Jobe B. Comm

Managing Director (Non-independent)

Appointed 24 April 2009

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

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 ClearView Wealth Limited, Tower Limited, Metals X Limited and Ozgrowth Limited.

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

- Non-executive director of Tower Limited: 19 December 2006 to Current.
- Non-executive director of Metals X Limited: 29 December 2006 to Current.
- Non-executive director of Ozgrowth Limited: 31 October 2007 to Current.
- Non-executive director of ClearView Wealth Limited: 4 November 2008 to Current.
- Non-executive director of Tower Australia Group Limited: 8 August 2006 to 8 August 2008.

Ian Blair M.mgt, FCA

Non-executive director (Independent)

Appointed 23 May 2006

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

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

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

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

Executive Management Team

Anthony Eisen B.Comm, CA

Non-executive director (Non-independent)

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

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

Mr Eisen has over 15 years experience in commerce and financial advice. He is currently an investment manager 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:

- Alternate Director of Tower Australia Group Limited: 19 December 2006 to 8 August 2008.
- Alternate Director of Tower Limited: 12 December 2006 to Current.
- Director of ClearView Wealth Limited: 12 November 2007 to Current.
- Director of eServGlobal Limited: 20 March 2009 to Current.

Graeme Pettigrew FPNA, 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 and Chubb-Wormald and he is currently a non-executive director of Adelaide Brighton Ltd, Bisalloy Steel Group Ltd and Lafarge Plasterboard Pty Ltd. He has relevant experience in the construction and building materials industry, as well as manufacturing and distribution businesses.

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

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

Martin Haszard BSc

Executive General Manager Manufacturing

Martin joined Capral in October 2005, as part of the Crane Aluminium (Extrusion) business acquisition. He spent the previous four years as General Manager Crane Aluminium Extrusions. Prior to that he worked with Capral/Alcan for 19 years, in various general management and technical roles.

Alan Simmonds FAICD

Executive General Manager Distribution

Alan joined Capral in November 2005 as part of the Crane Aluminium (Systems) business acquisition. He spent the previous five years as General Manager of Crane Aluminium Systems. Prior to that he held various state, national and corporate positions with Boral Limited in general management and marketing roles.

Michael Lamb BEcon

Chief Financial Officer

Michael joined Capral in March 2010. Before his appointment, he was CFO and then President of Chep, USA. Prior to this, Michael was Group Financial Controller at Brambles Limited. He has also held senior finance roles in PepsiCo Restaurants and Vox Retail Group. He is qualified as a CPA and is a graduate of the AICD.

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*. Capral intends to comply with the 2010 amendments to these Recommendations effective from 1 January 2011 and explain any departure where it is not practicable to comply due to the size and nature of its operations.

1. Lay Solid Foundations for Management and Oversight

1.1 Board and Management Roles

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

- (d) Non-executive directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

1.2 Evaluation of senior executives

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

2. Structure the Board to add value

2.1 The Directors

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

2.2 Independence of Directors

- (a) The Board considers independent decision-making as critical to effective governance. Independent directors are those who have the ability to exercise their duties unfettered by any business or other relationship. The independence of non-executive directors is assessed

by the Board against the definition outlined in the Board Charter.

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

- (c) The directors considered by the Board to be independent directors are Mr Pettigrew, Mr Blair and Mr Wood-Ward. It is the intention of Capral, in time, 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, 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 operation 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 Board Charter.
- (b) With the exception of the Managing Director:
- (1) directors appointed by the Board are required by Capral's constitution to submit themselves for re-election by shareholders at the Annual General Meeting following their appointment; and
 - (2) no director will hold office for a continuous period in excess of 3 years or past the third Annual General Meeting following the director's appointment, whichever is the longer, without submitting for re-election.

2.5 Remuneration & Nomination Committee

- (a) The Board has established a Remuneration & Nomination Committee that is primarily responsible for determining remuneration and monitoring and reviewing the performance of the Board, its committees, individual directors and senior management. The Committee is responsible for assessing the necessary desirable competencies of Board members, reviewing Board succession plans and providing recommendations for the appointment and removal of directors. Recommendations of the Committee are given to the Board for their consideration and approval.
- (b) The Committee Charter is reviewed regularly and is available on Capral's website, www.capral.com.au (under Corporate Governance).
- (c) Given the number of directors, the Committee comprises all of the 5 non-executive directors (3 of whom are independent) and is chaired by Mr Wood-Ward (an independent non-executive director).
- (d) Details of Committee members, their Committee meeting attendance and their qualifications are set out in the Directors' Report.

2.6 Induction and Access to Information

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

- (c) The Board participates in an annual self-assessment, with the outcomes substantially addressed (as appropriate).

3. Promote Ethical and Responsible Decision-Making

3.1 Code of Conduct

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

3.2 Securities Trading

- (a) Directors and employees may only trade in Capral securities during prescribed trading windows and only then if they are not in possession of any material non-public information. There is a prescribed procedure for trading in closed periods and in exceptional circumstances in accordance with the revisions to the ASX Listing Rules effective 1 January 2011.
- (b) Any director or senior manager intending to deal in Capral securities must send a notice of intent to the relevant Capral officer.

- (c) The Board is committed to ensuring that directors' transactions in Capral securities are publicly disclosed within 5 business days, in accordance with the ASX Listing Rules.
- (d) A copy of the Securities Trading Policy is available on Capral's website, www.capral.com.au (under Corporate Governance).

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 4 times per year.

4.2 Structure

- (a) Given the number of directors, the Committee comprises all of the 5 non-executive directors (3 of whom are independent) and is chaired by Mr Blair (an independent non-executive director).
- (b) Details of Committee members, their Committee meeting attendance and their qualifications and financial expertise are set out in the Directors' Report. It includes members who are all financially literate, members with relevant financial experience and members with relevant industry experience.
- (c) The Committee's Charter is available on Capral's website, www.capral.com.au (under Corporate Governance) and is reviewed regularly.
- (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 certificate confirming their independence.

5. Make Timely and Balanced Disclosure

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

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

6. Respect the Rights of Shareholders

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

6.2 Shareholders can access Capral's share price and all recent ASX announcements, via Capral's website, www.capral.com.au (under Invest/Shareholder Information/Share Price).

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

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

7. Recognise and Manage Risk

7.1 Risk Management Policies

- (a) The Board recognises that there are strategic, operational and financial risks in Capral's business and has established a sound system of risk oversight and management and internal control to identify, assess, monitor and manage risk.
- (b) Capral has a Board approved Risk Management Policy, published on its website, www.capral.com.au (under Corporate Governance), that assists Capral in identifying and managing risk in accordance with best practice.

7.2 Risk Reporting

- (a) Management is responsible for designing and implementing the risk management framework. Management identifies and reviews the key risks impacting each area of the business and develops strategies to effectively mitigate these risks. Management reports to the Board on the effectiveness of Capral's management of its material business risks.
- (b) The Audit Committee is responsible for risk oversight, risk management and internal control. There is currently no designated Internal Audit resource but the function, which is undertaken by management, assists with regard to business risk management, and provides periodic 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.

- 8.2** The remuneration policies and practices of Capral are designed to remunerate fairly and responsibly, to attract qualified and experienced candidates and to retain and motivate senior management and employees.
- 8.3** The payment of bonuses and other incentive payments are reviewed at least annually by the Committee and recommendations are put to the Board for its approval. All bonuses and incentives are linked to performance criteria. The Board can exercise its discretion in relation to approving bonuses and incentives but, any changes are justified by reference to measurable performance criteria.
- 8.4** Remuneration for senior management is divided into three parts:
 - (a) a fixed remuneration which is made up of base salary, superannuation and salary sacrifices;
 - (b) short term incentives paid in cash, directly earned upon the successful achievement of specific financial and operational targets. Incentives are based on performance criteria which are set and reviewed by the Committee at least annually; and
 - (c) long term incentives for specific senior managers, that vest upon the successful achievement of performance hurdles or vesting conditions (as applicable) which are determined by the Committee.
- 8.5** Details of the Managing Director's employment contract are set out in the Remuneration Report.
- 8.6** Non-executive directors are entitled to receive fees (from a pool of funds, the limit of which is approved by shareholders in general meeting). There are no schemes for retirement benefits, other than statutory superannuation, for non-executive directors.
- 8.7** Further details about Capral's remuneration policies are set out in the Remuneration Report.

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

Corporate Social Responsibility Statement

Capral has implemented policies and management systems to deliver beyond compliance requirements in the areas of safety and the environment. Capral has strong links with the communities where it operates.

Safety

Safety is one of Capral's key Resolutions. Capral understands the necessity of providing a safe work-place and is committed to ensuring people return home safely through safe working conditions and behaviours through 'Safety First' and related programs.

There were notable safety achievements during the year:

- Bremer Park Manufacturing secured AS4801 accreditation and the Distribution Centre completed 12 months LTI free
- 23 months injury free at Canning Vale (WA) Manufacturing, and 20 months at Campbellfield (VIC) Manufacturing
- All WA Distribution sites completed 12 months injury free
- QLD and NSW Trade Centres completed 12 months injury free, and VIC Trade Centres completed 40 months injury free
- Safety Leadership development program continued in 2010 with approximately 60 managers undergoing the two day training course.

In 2010, 43 people required medical treatment compared to 31 in 2009, 41 in 2008 and 60 in 2007. Capral intensified its focus on safety lead indicators, such as behavioural observations and risk management, in the second half of 2010 after a poor start to the year. At our Bremer Park facility, this focus saw a 50% reduction in reportable injuries compared to the first half of 2010.

In 2011, Capral will continue to promote lead indicators throughout the business, with more involvement from all employees in undertaking behavioural observations and driving the reduction of hazards in the work place.

Environment

Capral is committed to minimising the environmental impacts of its extrusion and distribution activities; this involves examining our operations to identify environmental friendly opportunities; minimising adverse consequences of new plant, equipment and processes by assessing implications in the design, purchase and commissioning phases, ensuring prevention measures are taken prior to operation; managing waste materials using the hierarchy of reduce/reuse/recycle, ensuring that any disposal will be to appropriate environmental standards. Capral also continues to investigate the potential use of recycled materials into a range of products.

In 2010 both Campbellfield and Bremer Park facilities achieved certification to ISO14001 – Environmental Management Systems. This International Standard requires a management system that recognizes and manages the primary environmental issues through awareness and assessment of applicable legal requirements, objectives for improvement, assignment of responsibilities, competent personnel, communications, procedures, controls and monitoring, emergency response capability, self correction and assessment, and internal reviews.

Examples of Capral's activities undertaken at some of its sites are detailed below:

- initiatives to identify and target opportunities for waste reduction;
- working with customers to optimise the recycling of packaging materials;
- working with suppliers to develop new packaging techniques aimed at minimising packaging materials and reducing product damage and waste;
- customer return of timber bases for recycling or reusing;
- utilization of Hydrochloric Acid 33% to substitute Sulphuric Acid to reduce excess of sulphate discharges to Trade Waste system;

- introduction of a number of water efficiency initiatives, including continual monitoring of piping and valves;
- implementation of a closed lock system for de-ironised rinse tanks;
- implementation of cascade system in Anodising process rinse tanks.

Capral is committed to meeting its obligations under the National Greenhouse Energy Reporting Act.

Community

Capral contributes in a variety of ways to the communities where its facilities are located including the provision of a range of skilled and unskilled employment opportunities, the positive economic impact on other local businesses and involvement in community based groups including education institutions.

A number of our employees were personally impacted by the flooding in Queensland in January 2011. Both Capral and its employees made donations to those affected.

At Bremer Park, Queensland where Capral operates its largest operation, Capral is a corporate sponsor of the Ipswich Festival.

Capral continued to increase the number of employees undergoing traineeships in 2010, with 204 employees across the country registered for Certificate 3 and 117 for Certificate 4. These programs will result in development and formal recognition of skills.

Capral offers a number of apprenticeships in areas such as Engineering (Mechanical and Electrical) and Boilermaking. Capral also operates a Study Assistance program which provides financial support for employees choosing to undertake professional qualifications.

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 2010 (**Financial Year**).

Directors

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

Name	Period Office Held
R. L. Wood-Ward	6 November 2008 – Date of this report
P. J. Jobe	24 April 2009 – Date of this report
I. B. Blair	23 May 2006 – Date of this report
A. M. Eisen	19 October 2006 (as alternate) and 29 August 2008 (as director) – Date of this report
M. Jefferies	6 November 2008 – Date of this report
G. F. Pettigrew	18 June 2010 – Date of this report
P. J. Arnall	25 February 2002 – 17 March 2010

Details of directors, their qualifications, experience, special responsibilities (including committee memberships) and directorships of other listed companies held in last three years before end of the Financial Year are set out on pages 6 and 7.

Principal activities

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

Dividends

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

Review of operations

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the Financial Year

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

Likely developments and expected results of operations

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

Other information for members to make an informed assessment

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

Directors' meetings

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

Director	Board		Audit Committee		Remuneration & Nomination Committee	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
R. L. Wood-Ward	10	9	4	3	4	4
P. J. Jobe	10	10	4	4 ⁴	4	4 ⁴
I. B. Blair	10	9	4	4	4	4
A. M. Eisen	10	9	4	4	4	4
M. Jefferies	10	8	4	3	4	4
G. F. Pettigrew ²	5	5	2	2	1	1
P. J. Arnall ³	4	4	2	2	3	3

¹ Reflects the number of meetings held during the time that the director held office during the Financial Year.

² Appointed on 18 June 2010

³ Retired on 17 March 2010

⁴ 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 1.1.2010	Balance at 31.12.2010	Balance at date of this report
R. L. Wood-Ward	Director and Chairman of the Board	–	–	–
P. J. Jobe	Managing Director	35,500	85,500 ¹	85,500
I. B. Blair	Director	227,348	227,348	227,348
A. M. Eisen	Director	–	–	–
M. Jefferies	Director	–	–	–
G. F. Pettigrew ²	Director	–	–	–
P. J. Arnall ³	Director	36,348	–	–

¹ Shares purchased on-market during the Financial Year

² Appointed as Director on 18 June 2010

³ Retired as Director on 17 March 2010

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 ¹	Balance at 1.1.2010	Balance at 31.12.2010	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

¹ Refer to page 24 in the Remuneration Report.

Unissued shares or interests under option

At the date of this report, there are 28,203,996 (2009: 28,935,496) unissued shares or interests under option. Refer to sections 1 and 2 of the Remuneration Report.

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

Company Secretary

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

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

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

Remuneration Report (Audited)

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

Section 1: The Remuneration Philosophy and Process

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

(a) Remuneration & Nomination Committee

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

Remuneration of the Managing Director and Executive Management Team is reviewed annually by the Remuneration & Nomination Committee and recommendations are put to the Board for its approval. The payment of bonuses and other incentive payments are reviewed at least annually by the Remuneration & Nomination Committee and recommendations are put to the Board for its approval. All bonuses and incentives are linked to performance criteria. The Board can exercise its discretion in relation to approving bonuses and incentives. Any changes must be justified by reference to measurable performance criteria.

The Remuneration & Nomination Committee seeks independent advice in setting the structure and levels of remuneration based on the principle that all elements of remuneration should be set at an appropriate level having regard to market practice for roles of similar scope and skill.

The advice of internal resources and independent remuneration consultants is taken to ensure that remuneration arrangements (including directors' fees) are in line with market levels.

(b) Performance Planning and Review

Capral has a process to formally evaluate and discuss performance and development plans at least annually with all salaried employees including the Executive Management Team and other senior managers. 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 and against the achievement of corporate capabilities.
- Step 3:** Employee comment and feedback on the previous year, their manager and team dynamics.
- Step 4:** Short and long term training and development needs and career aspirations.

Within Capral, all 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.

Remuneration administration is an integral part of the overall management of Capral's people. Annual remuneration reviews occur with regard to the PPR outcome.

(c) Non-executive Directors

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

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

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

Details of payments to non-executive directors are set out on pages 21 and 22.

(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 December (for the Managing Director and a number of the Executive Management Team) and February (for all other employees) and approved changes applied from 1 January and 1 March respectively.

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

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

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

(e) Base Salary Plus Superannuation = Total Employment Cost

The level of the total employment cost (being base salary plus superannuation) (**TEC**) is determined having regard to job responsibilities, skills, experience and performance. Salaries are reviewed annually. An in-house job evaluation system and market remuneration surveys are used to determine salary ranges.

The review process is detailed above (**PPR**). The policy aims to be consistent across all salaried employees and competitive within the industries in which Capral operates, for the type and level of work each employee is performing.

(f) Short Term Incentive Plan

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

For the Financial Year, there were 3 separate STIP programs: (1) approximately 65 Band 1-3 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) approximately 145 Band 4-6 employees can earn payments for achieving targets set by their managers and generally aligned with their manager's targets; and (3) approximately 190 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, these 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, these targets also relate to business unit EBITDA and working capital. An amount higher than the specified percentage of total employment cost is paid if 'stretch' targets are achieved.

For Mr Jobe, the Managing Director, these targets relate to performance criteria determined annually by the Board. Under Mr Jobe's employment contract, Capral has guaranteed a minimum annual STIP payment of \$800,000 for each of the first 2 years of the contract. This guaranteed component was part of the incentive used to secure Mr Jobe's services having regard to Capral's financial position at that time.

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 for the Executive Management Team and the amount of STIP, if any, to be paid. The Executive Management Team then set the targets for senior management and other employees using these parameters.

For the Managing Director, up to and beyond 100% of base salary is payable as STIP. For the Executive Management Team, 25% of total employment cost is payable for the achievement of 'target' goals and 50% for the achievement of 'stretch'. A pro rata amount is payable for achievement between the 'minimum' and 'target' and the 'target' and 'stretch' goals.

STIP payments were made in the Financial Year.

(g) Managing Director – Options

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

No options have been granted to the Managing Director during the Financial Year.

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 38 of the Financial Report.

(h) Long Term Incentive Plan

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

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

Performance Rights

Rights to ordinary shares issued under LTIP 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. 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. After the third re-test, unvested rights will lapse. The use of a relative TSR test 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 2010, none of the remaining rights granted as part of the 2006 offer (13,500 rights), 2007 offer (41,500 rights), 2008 offer (116,000 rights) or 2009 offer (570,000 rights) vested as at the 31 December 2007 (in relation to the 2006 offer only) or 31 December 2008 (in relation to the 2006 and 2007 offers) or 31 December 2009 (in relation to the 2006, 2007 and 2008 offers) or 31 December 2010 testing dates. The rights granted as part of the 2006 offer (13,500 rights) lapsed on 1 January 2011.

No rights were granted under LTIP during the Financial Year (2009: 570,000, post-Share Consolidation). 599,000 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 2011.

Options

459,000 options to acquire ordinary shares were granted under LTIP during the Financial Year (2009: 3,871,996 post-Share Consolidation). 3,318,496 options remain outstanding at the end of the Financial Year.

Refer to section 2 of this report for further details.

(i) Capral Employee Share Ownership Plan

During 2007, Capral offered to all eligible employees (except the Managing Director and participants in LTIP) 500 ordinary shares in Capral under the Capral Employee Share Ownership Plan (CESOP). CESOP was designed to reward eligible employees for contribution to Capral, enable them to have greater involvement with, and share in, the future growth and profitability of Capral and give them an opportunity to become a shareholder in Capral. 451,500 ordinary shares in Capral were allotted in May 2007 under CESOP. As a result of the Share Consolidation in 2009, the number of CESOP shares reduced in proportion to the ordinary capital, on a 10 for 1 basis, to 45,150 shares. Until 1 May 2010, these shares were generally held subject to a holding lock and on this date they were released to each participating employee.

(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.

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 of Capral 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, five company executives who received the highest remuneration and other key management personnel for the year ended 31 December 2009 and the Financial Year are detailed below.

	Short term employee benefits			Post employment benefits	Other long term benefits	Termination benefits	Share-based payments		Total	Total performance related
Name, Year and Title	Cash salary and fees	Cash bonus ¹²	Non-monetary benefits	Superannuation			Performance Rights ¹³	Options ¹³		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
DIRECTORS										
P. J. Jobe¹⁺ *										
2010 Managing Director	1,140,396	710,000	–	18,064	–	–	–	3,321,949	5,190,409	78
2009 Managing Director	791,814	300,000 ¹⁵	–	98,263	–	–	–	1,771,665	2,961,742	60
R. Wood-Ward²										
2010 Chairman	107,211	–	–	9,649	–	–	–	–	116,860	–
2009 Non-executive director	55,211	–	–	4,968	–	–	–	–	60,179	–
I.B. Blair										
2010 Non-executive director	70,269	–	–	6,324	–	–	–	–	76,593	–
2009 Non-executive director	70,269	–	–	6,324	–	–	–	–	76,593	–
A.M. Eisen³										
2010 Non-executive director	55,000	–	–	–	–	–	–	–	55,000	–
2009 Non-executive director	–	–	–	–	–	–	–	–	–	–
M. Jefferies⁴										
2010 Non-executive director	55,000	–	–	–	–	–	–	–	55,000	–
2009 Non-executive director	–	–	–	–	–	–	–	–	–	–

Continued on following page

Name, Year and Title	Short term employee benefits			Post employ- ment benefits	Other long term benefits	Termin- ation benefits	Share-based payments		Total	Total performance related
	Cash salary and fees	Cash bonus ¹²	Non- monetary benefits	Super- annuation			Perform- ance Rights ¹³	Options ¹³		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
DIRECTORS continued										
P.J. Arnall⁵										
2010 Chairman	28,615	—	—	2,575	—	—	—	—	31,190	—
2009 Chairman	160,461	—	—	14,441	—	—	—	—	174,902	—
G. Pettigrew⁶										
2010 Non-executive director	27,711	—	—	2,494	—	—	—	—	30,205	—
R.W. Freeman⁷										
2009 Managing Director	141,366	—	—	12,723	—	980,785	143,000	—	1,277,874	11
EXECUTIVES										
M. Lamb⁸ *+										
2010 Chief Financial Officer	274,100	—	—	28,722	—	—	—	23,023	325,845	7
M. Haszard⁹ *										
2010 EGM Manufacturing	357,213	121,452	—	20,023	—	—	44,287	50,901	593,876	29
2009 EGM Manufacturing	332,396	—	—	13,798	—	—	62,799	7,140	416,133	17
E. Pollard¹⁶ *										
2010 EGM Human Resources	161,963	30,000	—	17,277	—	—	(109,871)	(4,365)	95,004	—
2009 EGM Human Resources	195,188	—	—	17,535	—	—	58,977	4,365	276,065	23
A. Simmonds¹⁰ *										
2010 EGM Distribution	300,390	50,000	—	14,517	—	—	40,207	43,442	448,556	30
2009 EGM Distribution	277,095	—	—	13,796	—	—	56,879	6,094	353,864	18
I. Timmis⁹ *										
2010 Chief Financial Officer	59,050	48,250	—	10,812	—	2,867	—	(7,068)	113,911	39
2009 Chief Financial Officer	184,757	—	—	16,628	—	—	—	7,068	208,453	3
R. Rolfe¹¹ *										
2010 Gen. Counsel/Co. Sec.	232,967	25,754	—	23,284	—	—	18,051	12,375	312,431	18
R. Stephenson¹⁰ *+										
2009 CFO	132,489	—	—	11,871	—	247,118	(75,124)	—	316,354	—
P. Gregg¹¹ *+										
2009 EGM Logistics	225,829	—	71,106 ¹⁴	21,560	—	453,421	(106,523)	—	665,393	—
Total 2010	2,869,885	985,456	—	153,741	—	2,867	(7,326)	3,440,257	7,444,880	
Total 2009	2,566,875	300,000	71,106	231,907	—	1,681,324	140,008	1,796,332	6,787,552	

1 Mr Jobe commenced as Chief Executive Officer on 15 April 2009 and appointed as Managing Director on 24 April 2009.

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

3 Mr Eisen waived receiving any director fees in respect of the 2009 financial year.

4 Mr Jefferies waived receiving any director fees in respect of the 2009 financial year.

5 Mr Arnall resigned on 17 March 2010. His director fees in respect of the 2009 financial year include \$40,000 plus superannuation in fees for acting in the role as CEO between 6 March and 20 April 2009.

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

7 Mr Freeman resigned on 5 March 2009.

8 Mr Lamb was appointed as Chief Financial Officer on 1 March 2010.

9 Mr Timmis was appointed as Chief Financial Officer on 1 June 2009 and left employment with Capral on 5 March 2010.

10 Mr Stephenson left employment with Capral on 5 June 2009.

11 Mr Gregg left employment with Capral in September 2009.

12 Executive cash bonuses for the Financial Year include actual payments for 2009 STIP. No STIP payments were paid in the 2009 financial year.

13 All LTIP performance rights and options listed are securities that have not yet vested. Refer to section 1(h) of this report. In relation to options of the Managing Director, refer to Note 39(b) of the financial report.

14 Mr Gregg was a participant in the 2003 employee share scheme and his non-monetary benefit relates to applicable notional interest on interest free loans that relate to this scheme.

15 Mr Jobe received a sign-on payment under his employment contract in respect of the 2009 financial year.

16 Ms Pollard resigned on 15 November 2010.

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

+ Capral's top five remunerated executives.

Refer to section 1 of the Remuneration Report for terms and conditions of compensation for the Managing Director, the other executives who received the highest remuneration and other key management personnel.

Performance rights, Options and bonuses provided as compensation

Performance rights

No performance rights were issued under the LTIP during the Financial Year.

During the financial year ended 31 December 2009, 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. As a result of the Share Consolidation in 2009, the number of rights reduced in proportion to the ordinary capital, on a 10 for 1 basis. Unless stated otherwise, the numbers in each table below are post-Share Consolidation. None of the rights granted have vested or been forfeited as at the relevant 31 December 2010 testing date. For details of the vesting conditions and further details relating to the performance rights, refer to section 1 of this report.

	Vested No.	Granted No. (pre-consolidation)	Grant date	Fair value per right at grant date	Granted No. (post-consolidation)	Fair value per right at grant date (post-consolidation)	First test date	Last test date
2009				\$		\$		
EXECUTIVES								
M. Haszard	–	900,000	26/03/2009	0.075	90,000	0.75	31/12/2010	31/12/2013
A. Simmonds	–	900,000	26/03/2009	0.075	90,000	0.75	31/12/2010	31/12/2013
E. Pollard ¹	–	900,000	26/03/2009	0.075	90,000	0.75	31/12/2010	31/12/2013
P. Gregg ²	–	900,000	26/03/2009	0.075	n.a	n.a	31/12/2010	31/12/2013
R. Stephenson ²	–	900,000	26/03/2009	0.075	n.a	n.a	31/12/2010	31/12/2013
Total	–	4,500,000			270,000			

Notes

¹ Ms Pollard resigned on 15 November 2010 and her performance rights lapsed.

² Mr Stephenson and Mr Gregg left employment with Capral during the 2009 financial year and their performance rights lapsed.

Options

During the Financial Year, options were granted as equity compensation benefits to the Chief Financial Officer under the LTIP, as part of the 2010 offer, as disclosed below.

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

Notes

¹ Mr Lamb commenced with Capral on 1 March 2010.

During the financial year ended 31 December 2009, options were granted as equity compensation benefits to: (a) the Managing Director under his employment contract and pursuant to shareholder approval; and (b) certain key management personnel under the LTIP, as part of the 2010 offer, as disclosed below. The options were granted at no cost to the participant. As a result of the Share Consolidation in 2009, the number of options reduced in proportion to the ordinary capital, on a 10 for 1 basis. Unless stated otherwise, the numbers in each table below are post-Share Consolidation.

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

(a) Managing Director Options

	Vested No.	Tranche	Granted No.	Grant date	Exercise price per option	Fair value per option at grant date	Exercise date	Expiry date
2009					\$	\$		
P. Jobe	1,433,333	Tranche 1	4,300,000 1,433,333	24/04/2009	0.50	0.52	20/04/2009	20/04/2016
	–	Tranche 2	1,433,333			0.54	20/10/2010	
	–	Tranche 3	1,433,334			0.54	20/04/2012	
	–	n.a	10,000,000	9/10/2009	0.25	0.22	16/10/2010	16/10/2014
	–	n.a	5,000,000	9/10/2009	0.40	0.19	16/10/2011	16/10/2014
	–	n.a	5,000,000	9/10/2009	0.60	0.18	16/10/2012	16/10/2014
Total	1,433,333		24,300,000					

(b) Key Management Personnel Options

	Vested No.	Tranche	Granted No.	Grant date	Exercise price per option	Fair value per option at grant date	Exercise date	Expiry date
2009					\$	\$		
EXECUTIVES								
M. Haszard	–	Tranche 1	463,725 231,863	16/10/2009	0.25	0.29	16/10/2011	16/10/2014
		Tranche 2	115,931		0.40	0.26	16/10/2012	
		Tranche 3	115,931		0.60	0.23	16/10/2012	
A. Simmonds	–	Tranche 1	395,772 197,886	16/10/2009	0.25	0.29	16/10/2011	16/10/2014
		Tranche 2	98,943		0.40	0.26	16/10/2012	
		Tranche 3	98,943		0.60	0.23	16/10/2012	
E. Pollard ¹	–	Tranche 1	283,500 141,750	16/10/2009	0.25	0.29	16/10/2011	16/10/2014
		Tranche 2	70,875		0.40	0.26	16/10/2012	
		Tranche 3	70,875		0.60	0.23	16/10/2012	
I. Timmis ²	–	Tranche 1	459,000 229,500	16/10/2009	0.25	0.29	16/10/2011	16/10/2014
		Tranche 2	114,750		0.40	0.26	16/10/2012	
		Tranche 3	114,750		0.60	0.23	16/10/2012	
Total	–		1,601,997					

Notes

¹ Ms Pollard resigned on 15 November 2010 and her options lapsed.

² Mr Timmis left employment with Capral during the Financial Year and his options lapsed.

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. Details of STIP are set out in section 1(f) of this report.

2010	% of bonus paid	% of bonus forfeited	% of compensation for the year consisting of STIP bonus
EXECUTIVES			
P. Jobe	100	–	38.0
M. Haszard	87.3	12.7	15.0
A. Simmonds	68.2	31.8	13.7
M. Lamb ³	–	–	–
E. Pollard ²	57.1	42.9	14.3
I. Timmis ¹	56.8	43.2	40.9

Notes

1 Mr Timmis left employment with Capral during the Financial Year.

2 Ms Pollard resigned on 15 November 2010.

3 Mr Lamb commenced with Capral in March 2010.

During the financial year ended 31 December 2009, no STIP payments were paid. A sign-on payment was made to the Managing Director on his commencement with Capral.

Section 3: Relationship between remuneration and company performance

During the Financial Year and the previous 4 financial years (2006-2009), Capral's performance was as follows:

	Net Profit/(Loss)	Dividend	Basic earnings/(loss)	Share price (closing)
Year Ended 31 Dec	\$m	cents per share	cents per share	\$
2010	6.73	–	1.7	0.18
2009	(29.11)	–	(27.5) ¹	0.335
2008	(130.79)	–	(58.4)	0.068
2007	(33.57)	–	(17.2)	0.380
2006	(25.41)	–	(13.1)	1.100

1 Basic earnings per share for the financial years 2009 and 2010 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 years ended 31 December 2006 and 31 December 2007, Capral made a STIP payment based upon the achievement of performance measures. 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. STIP payments were made in the Financial Year based upon the achievement of performance measures in respect of the prior year. Refer to section 1(f) above for further details.

None of the LTIP rights granted as part of the 2006, 2007, 2008 or 2009 offers have vested as at the relevant 31 December testing dates (refer to section 1(h) above).

Section 4: Summary of Key Employment Contracts

Details of the key contract terms for the Managing Director, the other executives who received the highest remuneration and other key management personnel for the Financial Year are as follows:

Contract Details	P. Jobe	M. Lamb	M. Haszard	E. Pollard ¹	A. Simmonds	R. Rolfe
Existing contract end date	20 April 2012	No fixed end date	No fixed end date	7 January 2011	No fixed end date	No fixed end date
Notice of termination by Capral	6 months	12 months	1 month; 13 months for redundancy	N/A	1 month; 13 months for redundancy	16 weeks
Notice of termination by employee	6 months	12 months	6 months	N/A	6 months	16 weeks
Termination payments	As at 31 December 2010, Mr Jobe is entitled to a non-qualifying termination payment of \$1.63m.	12 months salary plus accrued but unpaid STIP for previous financial year. Reverting to 6 months from 1 March 2011.	1 month salary plus all accrued but unpaid STIP for the previous financial year; 13 months salary plus accrued but unpaid STIP for previous financial year in case of redundancy.	No termination payments other than accrued but unpaid STIP for previous financial year.	1 month salary plus all accrued but unpaid STIP for the previous financial year; 13 months salary plus accrued but unpaid STIP for previous financial year in case of redundancy.	Not specified

¹ Ms Pollard has left employment with Capral.

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 pages 6 and 7 and the secretary listed on page 17 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 Corporation 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 34 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 28.

Rounding of amounts

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

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

On behalf of the directors



R. L. Wood-Ward
Chairman



P.J. Jobe
Managing Director

Sydney

22 February 2011

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Capral Limited
Level 4
10 Smith Street
Parramatta NSW 2150

Dear Board Members

Auditor's Independence Declaration to Capral Limited

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

As lead audit partner for the audit of the financial statements of Capral Limited for the financial year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



P G Forrester

Partner
Chartered Accountants
Parramatta, 22 February 2011

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2010

		2010	2009
	Note	\$'000	\$'000
CONTINUING OPERATIONS			
Sales revenue		374,235	357,492
Scrap and other revenue		25,431	23,937
Revenue	3	399,666	381,429
Other income	3	1,945	25,061
Changes in inventories of finished goods and work in progress		3,013	(15,685)
Raw materials and consumables used		(224,887)	(212,344)
Employee benefits expense	2	(85,460)	(86,141)
Depreciation and amortisation expense	2	(12,116)	(17,283)
Impairment of non-current assets		(114)	(19,462)
Finance costs	2	(3,238)	(11,745)
Freight expense		(14,981)	(14,463)
Occupancy costs	2	(14,722)	(13,810)
Repairs and maintenance expense		(6,827)	(6,727)
Other expenses		(38,197)	(38,420)
Profit/(loss) before tax		4,082	(29,590)
Income tax benefit	4	2,650	485
Profit/(loss) for the year		6,732	(29,105)
Other comprehensive income			
Exchange differences arising on translation of foreign operation		(4)	26
Actuarial gain/(loss) on defined benefit plans		–	442
Other comprehensive income for the year (net of tax)		(4)	468
Total comprehensive income for the year		6,728	(28,637)
Basic and Diluted earnings/(loss) per share (cents per share)	26	1.7	(27.5)

The weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings/(loss) per share was 387,898,255 (2009: 105,689,463 on a post-share consolidation basis).

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

Consolidated Statement of Financial Position

as at 31 December 2010

		2010	2009
	Note	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	33,400	21,658
Trade and other receivables	8	51,984	59,425
Inventories	9	63,703	48,725
Prepayments	10	2,647	2,681
Total current assets		151,734	132,489
Non-current assets			
Deferred tax assets	11	2,857	–
Property, plant and equipment	15	105,301	113,588
Other intangible assets	16	2,249	3,281
Total non-current assets		110,407	116,869
Total assets		262,141	249,358
LIABILITIES			
Current liabilities			
Trade and other payables	18	64,473	57,556
Borrowings	19	22,053	5,844
Provisions	20	8,998	9,515
Deferred income	21	231	309
Total current liabilities		95,755	73,224
Non-current liabilities			
Borrowings	19	–	21,135
Provisions	20	3,833	2,742
Deferred income	22	464	620
Total non-current liabilities		4,297	24,497
Total liabilities		100,052	97,721
Net assets		162,089	151,637
EQUITY			
Issued capital	23	410,476	410,476
Reserves	24 (a)	4,878	1,158
Accumulated losses	24 (b)	(253,265)	(259,997)
Total equity		162,089	151,637

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

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2010

		2010	2009
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		446,835	436,618
Payments to suppliers and employees		(424,340)	(437,866)
		22,495	(1,248)
Interest and other costs of finance paid		(2,697)	(5,923)
Income tax paid		–	(255)
Net cash provided by/(used in) operating activities	36(ii)	19,798	(7,426)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,937)	(2,483)
Payments for software assets		(39)	(88)
Net cash outflow on acquisition of subsidiary		(1,257)	–
Interest received		212	153
Proceeds from sale of property, plant and equipment		1,436	13,215
Net cash flows (used in)/provided by investing activities		(2,585)	10,797
Cash flows from financing activities			
Proceeds from issues of equity securities		–	47,232
Payment for share issue costs		–	(4,375)
Repayment of borrowings		(5,750)	(26,239)
Net cash (used in)/provided by financing activities		(5,750)	16,618
Net increase in cash and cash equivalents		11,463	19,989
Cash and cash equivalents at the beginning of the financial year		21,658	1,671
Effects of exchange rate changes on the balance of cash held in foreign currencies		(4)	(2)
Cash and cash equivalents at the end of the financial year	36(i)	33,117	21,658

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2010

	Fully paid ordinary shares	Asset revaluation reserve	Foreign currency translation reserve	Equity-settled compensation reserve	Actuarial (loss)/gain on retirement benefit plan	Amounts recognised directly in equity relating to non-current assets held for sale	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2009	326,438	—	(945)	1,989	(1,405)	6,095	(236,987)	95,185
Loss for the period	—	—	—	—	—	—	(29,105)	(29,105)
Exchange differences arising on translation of foreign operations	—	—	26	—	—	—	—	26
Actuarial gain on defined benefit plans	—	—	—	—	442	—	—	442
Total comprehensive income for the period	—	—	26	—	442	—	(29,105)	(28,637)
Issue of shares under Recapitalisation Program	77,511	—	—	—	—	—	—	77,511
Issue of shares under rights issue	9,732	—	—	—	—	—	—	9,732
Share issue costs	(3,205)	—	—	—	—	—	—	(3,205)
Transfer of equity relating to non-current assets classified as held for sale	—	—	—	—	—	(6,095)	6,095	—
Share-based payments expense	—	—	—	1,051	—	—	—	1,051
Balance as at 31 December 2009	410,476	—	(919)	3,040	(963)	—	(259,997)	151,637
Balance as at 1 January 2010	410,476	—	(919)	3,040	(963)	—	(259,997)	151,637
Profit for the period	—	—	—	—	—	—	6,732	6,732
Exchange differences arising on translation of foreign operations	—	—	(4)	—	—	—	—	(4)
Actuarial gain on defined benefit plans	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	(4)	—	—	—	6,732	6,728
Issue of shares under rights issue	—	—	—	—	—	—	—	—
Share issue costs	—	—	—	—	—	—	—	—
Transfer of equity relating to non-current assets classified as held for sale	—	—	—	—	—	—	—	—
Share-based payments expense	—	—	—	3,724	—	—	—	3,724
Balance as at 31 December 2010	410,476	—	(923)	6,764	(963)	—	(253,265)	162,089

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

Notes to the Financial Statements

for the financial year ended 31 December 2010

1a. General Information

Capral Limited (the Company) is a public 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 Group adopted AASB 3 'Business Combinations' (as revised in 2008) which requires that acquisition-related costs be accounted for separately for business combinations generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. The adoption of other new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies, and has only impacted on the Group's financial statements with respect to disclosure.

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

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments'	1 January 2013	31 December 2013
AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	31 December 2013
AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	31 December 2011
AASB 2009-13 'Amendments to Australian Accounting Standards arising from Interpretation 19'	1 July 2010	31 December 2011
Interpretations 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010	31 December 2011

1c. Significant accounting policies

Statement of Compliance

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

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

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

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

Basis of Preparation

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

The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar as indicated.

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

(a) Basis of Consolidation

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

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

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

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

(b) Borrowing Costs

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

(c) Business Combinations

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

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

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

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

(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 32 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

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

Embedded Derivatives

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

(f) Employee Benefits

(i) Salaries, wages and leave benefits

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

(ii) Share-based payments

Equity-settled share-based payments granted under the Managing Director's employment contract, and the Long Term Incentive Plan (**LTIP**), are independently valued at grant date. The fair value determined at the grant date of

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

(iii) Defined benefit plan

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

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

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

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan (refer Note 30).

(iv) Defined contribution plan

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial Assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

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 32.

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 32.

Other financial liabilities

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

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

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

(i) Foreign Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the Company, and the presentation currency for the financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- (i) Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- (ii) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- (iii) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

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

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

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

(j) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the

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

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

(k) Government Grants

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

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

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

(m) Income Tax

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

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

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

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

(n) Intangible Assets

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

Patents, trademarks and licences

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

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

Software

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

(o) Inventories

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

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

Aluminium log is valued at moving average of direct purchase cost. Cost of rolled product has been determined principally on moving average of direct purchase costs. Costs for finished and partly finished includes moving average metal cost, direct labour, and appropriate proportion of fixed and variable factory overhead.

(p) Leased Assets

The Group as lessee:

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

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

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

(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.

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.

(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.

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.

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 38.

(v) Goods and Services Tax

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

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

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

(w) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

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

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

Key sources of estimation uncertainty

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

Impairment of non-current assets

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

Details of the impairment calculation is provided in Note 16.

Critical judgements in applying the Company's accounting policies

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

Inventories

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

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

Employee benefits

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

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

Useful lives of property, plant and equipment

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

2. Profit for the year

(a) Other expenses

Profit/(loss) before tax includes the following specific net expenses:

Cost of sales of goods

Inventory:

Write-down of inventory to net realisable value

Reversal of write-down of inventory

Contractual penalties to suppliers

Amortisation of other intellectual property

Amortisation of software

Total amortisation

Depreciation:

Buildings

Leasehold improvements

Plant and equipment

Total depreciation

Total depreciation and amortisation

Operating lease rental expenses

Sublease income received

Minimum lease payments

Other charges against assets

Impairment of trade receivables

Employee benefit expense

Post employment benefits:

– defined contribution plans

– defined benefit plans

Equity-settled share-based payments

Termination benefits

Other employee benefits

Finance costs

Interest and finance charges paid/payable

– Other persons

Net finance costs are compromised of:

Interest on bank overdrafts and loans

Interest on convertible notes

Other interest expense

Total interest expense

(b) Gains and Losses

Net (loss)/ gain on foreign exchange

Net gain on disposal of property, plant and equipment

Movement in the fair value of embedded derivatives on convertible notes

Gain on convertible note takeover

Consolidated	
2010	2009
\$'000	\$'000
306,829	308,836
482	958
(19)	(416)
452	–
349	1,322
722	2,642
1,071	3,964
90	174
874	899
10,081	12,246
11,045	13,319
12,116	17,283
(196)	(221)
14,918	14,031
14,722	13,810
752	608
5,539	5,655
–	752
3,724	1,051
595	3,175
75,602	75,508
85,460	86,141
3,238	11,745
3,238	6,044
–	5,424
–	277
3,238	11,745
(4)	79
129	1,082
–	29
–	22,957

3. Revenue and other income

Revenue from continuing operations

	Consolidated	
	2010	2009
	\$'000	\$'000
Sales revenue – sale of goods	374,235	357,492
Other revenue		
Scrap revenue	25,214	23,785
Interest – other	217	152
Total other revenue	25,431	23,937
Other income		
Discount on acquisition of a subsidiary	804	–
Royalties	248	247
Government grants and dividends	155	155
Net gain on disposal of property, plant and equipment	129	1,082
Gain on convertible note takeover	–	22,957
Movement in the fair value of embedded derivatives on convertible notes	–	29
Foreign exchange gains	–	79
Other income	609	512
	1,945	25,061

4. Income tax expense

(a) Income tax comprises:

Deferred tax benefit	2,650	485
(b) Reconciliation of income tax benefit to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	4,082	(29,590)
Income tax calculated @ 30% (2009: 30%)	1,225	(8,877)
Tax effect of non-assessable/non-deductible items:		
Effect of revenue that is exempt from taxation	(242)	(93)
Effect of expenses that are not deductible in determining taxable profit	1,582	7,660
Effect of tax losses utilized	(2,565)	–
Previously unrecognised and unused tax losses now recognised deferred tax assets	(2,650)	–
Effect of unused tax losses not recognised as deferred tax assets	–	825
Income tax benefit	(2,650)	(485)
(c) Tax losses		
Accumulated unused gross tax losses for which no deferred tax asset has been recognised	266,018	283,401
Potential tax benefit @ 30% (2009:30%)	79,805	85,020

All unused tax losses were incurred by Australian entities.

5. Changes in accounting estimates

Refer to Note 8 describing the change to the method of estimating provision for doubtful debts. Apart from that, there were no other changes in accounting estimates during the financial year.

6. Segment information

In 2009, the Group adopted AASB 8 'Operating Segments'. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (AASB 114 'Segment Reporting') required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the process of identifying the Group's reportable segments has changed.

The information reported to the Group's chief financial operating decision maker for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2009 and 2010, the Group operated in one reportable segment under AASB 8.

Major Products and Services

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

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

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

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

Geographic Information

The Group operates in one geographical area, Australia.

Information About Major Customers

Included in the Group's revenues arising from extrusion and distribution of aluminium products of \$399,449,000 (2009: \$381,277,000) are revenues of approximately \$27,354,000 (2009: \$28,604,000) which arose from sales to the Group's largest customer.

7. Current assets – cash and cash equivalents

Cash at bank and cash in hand

Consolidated	
2010	2009
\$'000	\$'000
33,400	21,658

8. Current assets - trade and other receivables

Trade receivables – at amortised cost
Allowance for doubtful debts (i)

Goods and services tax receivable
Other receivables – at amortised cost

Consolidated	
2010	2009
\$'000	\$'000
51,224	60,044
(786)	(735)
50,438	59,309
1,197	–
349	116
51,984	59,425

The average credit period on sales of goods is approximately 53 days (2009: 55 days). No interest is charged on trade receivables. The Group in the past has provided for Doubtful Debts based on a percentage of outstanding debts in excess of terms (2009 from 0.5% for receivables between 31 to 90 days and 1.75% to 2.5% for debts over 90 days). During 2010 the provision has been based on a percentage of the total debt for customers who are subject to formal payment plans or legal action and 1.75% of the 90 day and over balances. The change of approach provides a more accurate and specific provision relative to repayment risk. 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.

As the result of the change to the method of estimating the provision for doubtful debts, the profit for the Financial Year ended 31 December 2010 increased by \$14,000.

Included in the Group's trade receivables are debtors with balances in 61 days and over of \$1.301 million (2009: \$1.170 million). The increase is due to a substantial debtor experiencing trading difficulties for which a repayment plan has been established. Provision for this debt is included in the provision for doubtful debts. This is done after deducting specific allowances for doubtful debts. 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 91 days (2009: 86 days).

Aging past due but not impaired:

Consolidated	
2010	2009
\$'000	\$'000
1–30 days past due	3,160
31–60 days past due	429
61+ days past due	557
Total	4,146

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$354,000 (2009: \$613,000). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

	Consolidated	
	2010	2009
	\$'000	\$'000
1–30 days past due	13	–
60 days past due	1	–
61+ days past due	340	613
Total	354	613
(i) Movement in the allowance for doubtful debts		
Balance at beginning of the financial year	(735)	(599)
Amounts written off during the financial year	752	608
Increase in allowance recognised in profit or loss	(803)	(744)
Balance at end of the financial year	(786)	(735)

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, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

9. Current assets – inventories

	Consolidated	
	2010	2009
	\$'000	\$'000
Raw materials and stores	19,485	8,461
Work in progress	2,129	1,723
Finished goods	42,089	38,541
	63,703	48,725

All inventories are expected to be recovered within 12 months.

10. Current assets – prepayments

Prepayments	2,647	2,681
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11. Deferred tax assets

Deferred tax assets	2,857	–
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The Group has recognised deferred tax assets of \$2,857,000 (the Company \$2,650,000) based upon the improved 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:

	Equity Holding		Country of incorporation
	2010	2009	
	%	%	
Aluminium Extrusion & Distribution Pty Limited ¹	100	100	Australia
Capral Superannuation Pty Limited ²	100	100	Australia
Capral Wages Superannuation Pty Limited ²	100	100	Australia
Aluminium Distributors Pty Limited ²	100	100	Australia
Capral Finance Pty Limited ²	100	100	Australia
Capral Aluminium NZ Limited ³	100	100	New Zealand
Austex Dies Pty Limited ⁴	100	–	Australia

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

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

³ On 27 March 2009, a separate deed of cross guarantee was put in place for Capral Aluminium NZ Limited as it is a non-Australian subsidiary.

⁴ Acquired on 17 September 2010 by Capral Limited.

13. Related parties

Parent entities

The ultimate parent entity within the Group is Capral Limited. From 6 November 2008 until 16 October 2009, Guinness Peat Group Plc (**GPG**) (incorporated in the United Kingdom, and listed in the United Kingdom, Australia and New Zealand) held 75.6% of the issued ordinary shares of the Company. As a result of the Recapitalisation Program and Rights Issue in 2009, GPG's holding decreased to 44.37% of the issued ordinary shares of the Company and is no longer the ultimate parent entity. Refer to Note 23.

Equity interests in controlled entities

Interests in controlled entities are set out in Note 12.

Transactions with key management personnel

On 1 March 2010, Capral appointed Mr Michael Lamb as its new Chief Financial Officer and he was granted 459,000 options under the Long Term Incentive Plan.

On 5 March 2009, Capral appointed Mr Phil Jobe as its new Chief Executive Officer and entered into an employment contract with him. Under that contract, Capral agreed to issue Mr Jobe with 43,000,000 options (4,300,000 on a post-share consolidation basis) over ordinary shares and an amortising termination payment starting at \$4.4 million, both subject to shareholder approval and this approval was provided at Capral's AGM on 24 April 2009. The number of options was consolidated to 4,300,000 options on 24 November 2009, following Capral's share consolidation. On or about 5 March 2009, GPG provided a guarantee to Mr Jobe regarding his amortising termination payment of \$4.4 million. On 9 October 2009, Capral agreed to issue Mr Jobe with 20,000,000 options over ordinary shares.

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.

14. Business combinations continued

Consideration transferred

	Consolidated	
	2010	2009
	\$'000	\$'000
Cash	1,100	—
Total consideration transferred	1,100	—

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

Assets acquired and liabilities assumed at the date of acquisition

Current assets		
Trade and other receivables	1,395	—
Inventories	280	—
Non-current assets		
Fixed assets	1,242	—
Deferred tax assets	207	—
Current liabilities		
Overdraft facility	(157)	—
Trade and other payables	(458)	—
Employee benefits	(605)	—
Total	1,904	—

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

Discount on acquisition

Consideration transferred	1,100	—
Less: fair value of identifiable net assets acquired	(1,904)	—
Discount on acquisition*	(804)	—

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

Net cash outflow on acquisition of a subsidiary

Consideration paid in cash	1,100	—
Add: cash and cash equivalent balances acquired (overdraft)	157	—
Net cash outflow on acquisition of a subsidiary	1,257	—

Impact of acquisition on the results of the Group

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

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

15. Property, plant and equipment

	Consolidated	
	2010	2009
	\$'000	\$'000
Freehold land and buildings		
At valuation	4,049	4,298
Accumulated depreciation	(270)	(302)
Net book amount	3,779	3,996
Leasehold improvements		
At cost	10,435	10,422
Accumulated depreciation	(4,100)	(3,340)
Net book amount	6,335	7,082
Total land and buildings	10,114	11,078
Plant, machinery and equipment		
At cost	202,334	198,256
Accumulated depreciation	(97,947)	(87,056)
Accumulated impairment losses	(9,951)	(9,837)
Net book amount	94,436	101,363
Construction work in progress at cost	751	1,147
Net plant, machinery and equipment	95,187	102,510
Total property, plant and equipment – net book value	105,301	113,588
The following useful lives are used in the calculation of depreciation:		
Buildings	20-33 Years	
Leasehold improvements	5-25 Years	
Plant and equipment	3 -25 Years	
(i) Carrying amounts that would have been recognised if land and buildings were stated at cost:		
Freehold land		
At cost	1,750	1,750
Accumulated depreciation	–	–
Net book amount	1,750	1,750
Buildings		
At cost	3,284	3,536
Accumulated depreciation	(550)	(581)
Net book amount	2,734	2,955

15. Property, plant and equipment continued

Reconciliations

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

	Freehold land at fair value	Buildings at fair value	Leasehold improvements at cost	Plant and equipment at cost	In course of construction at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
2010						
Opening net book amount	1,200	2,796	7,082	101,363	1,147	113,588
Additions	–	6	262	1,973	698	2,939
Austex Acquisition	–	–	7	1,195	40	1,242
Disposals	–	(93)	(192)	(1,024)	–	(1,309)
Transfers	–	(40)	50	1,124	(1,134)	–
Impairment of non-current asset	–	–	–	(114)	–	(114)
Depreciation charge (Note 2(a))	–	(90)	(874)	(10,081)	–	(11,045)
Net book amount at 31 December 2010	1,200	2,579	6,335	94,436	751	105,301
2009						
Opening net book amount	1,200	2,870	7,932	119,137	3,502	134,641
Additions	–	100	117	1,961	422	2,600
Disposals	–	–	(68)	(235)	–	(303)
Transfers ¹	–	–	–	2,583	(2,777)	(194)
Impairment of non-current asset	–	–	–	(9,837)	–	(9,837)
Depreciation charge (Note 2(a))	–	(174)	(899)	(12,246)	–	(13,319)
Net book amount at 31 December 2009	1,200	2,796	7,082	101,363	1,147	113,588

¹ The balance of transfers of \$194,000 in 2009 relates to transfers between assets in the course of construction and intangible assets (Note 16).

	Other intellectual property	Software	Total
	\$'000	\$'000	\$'000
16. Intangibles			
Consolidated			
2010			
Cost	15,915	22,932	38,847
Accumulated amortisation	(7,793)	(19,180)	(26,973)
Accumulated impairment losses	(7,429)	(2,196)	(9,625)
Net book value	693	1,556	2,249
2009			
Cost	15,915	22,891	38,806
Accumulated amortisation	(7,444)	(18,456)	(25,900)
Accumulated impairment losses	(7,429)	(2,196)	(9,625)
Net book value	1,042	2,239	3,281

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

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

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

The valuation is based on forecast and projected cash flows for a 15 year period commencing January 2011 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 2011 to December 2015. Net cash flows for subsequent financial periods are projected to grow at 3.7% (2009: 2.71%) per annum. This growth rate corresponds to the average 10 year growth rate based on external economic sources. A discount rate of 14.50% (2009: 12.81%), representing the Company's weighted average cost of capital, has been applied to the cash flow projections.

The key assumptions used by Capral in preparing the value in use cash flow valuation for the financial year ended 31 December 2010 are as follows:

Volumes

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

Margins

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

Working Capital and Capital Expenditure

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

Economic Factors

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

Allocation of goodwill to cash generating units

The Group operates as one indivisible cash generating unit.

Impairment of carrying value of assets

In 2010, as a result of a detailed review of the remaining useful lives and recoverability of non-current assets, Capral has determined that an impairment write-down of specific assets amounting to \$114,000 (2009: \$19.5 million) was necessary.

Refer below and Note 15 for further details.

16. Intangibles continued

Reconciliations

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

	Other intellectual property	Software	Total
	\$'000	\$'000	\$'000
Consolidated			
2010			
Opening net book amount	1,042	2,239	3,281
Additions	–	39	39
Amortisation	(349)	(722)	(1,071)
Net book amount at 31 December 2010	693	1,556	2,249
2009			
Opening net book amount	9,793	6,795	16,588
Additions	–	88	88
Transfers ¹	–	194	194
Impairment losses for the year	(7,429)	(2,196)	(9,625)
Amortisation	(1,322)	(2,642)	(3,964)
Net book amount at 31 December 2009	1,042	2,239	3,281

¹ The balance of transfers of \$194,000 in 2009 relates to transfers between assets in the course of construction and intangible assets.

17. Assets pledged as security

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

	Consolidated	
	2010	2009
	\$'000	\$'000
18. Current liabilities – payables		
Trade payables ⁽ⁱ⁾	53,101	46,332
Goods and services tax payable	–	1,010
Other payables	11,372	10,214
	64,473	57,556

(i) The average credit period on purchases is 45 days from the end of the month (2009: 45 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

19. Borrowings

Unsecured – at amortised cost

Current

Loans from other entities

48 48

Secured – at amortised cost

Current

Revolver facility – Note 27(a)(i)

– –

Term loan facility B – Note 27(a)(ii)

21,722 5,796

Overdraft Facility – Note 27(a)

283 –

Non-current

Term loan facility B – Note 27(a)(ii)

– 21,135

22,053 26,979

Disclosed in the financial statements as:

Current borrowings

22,053 5,844

Non-current borrowings

– 21,135

22,053 26,979

20. Provisions

Current

Employee benefits⁴

8,337 8,800

Make good on leased assets¹

90 133

Restructuring and termination costs⁵

430 352

Other²

141 230

8,998 9,515

Non-current

Employee benefits

1,808 943

Make good on leased assets¹

1,443 1,342

Other³

582 457

3,833 2,742

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

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

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

4 The current provision for employee benefits includes \$632,542 of annual leave entitlements accrued but not expected to be taken within 12 months (2009: \$816,253).

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

20. Provisions continued

Consolidated

Movements in carrying amounts

Carrying value at the beginning of the financial year

Additional amounts provided

Utilised

Effect of discounting

Carrying value at the end of the financial year

Make good on leased assets	Other	Restructuring and termination costs	Total
\$'000	\$'000	\$'000	\$'000
1,475	687	352	2,514
58	2,019	78	2,155
–	(1,983)	–	(1,983)
–	–	–	–
1,533	723	430	2,686

21. Deferred income – current

Deferred government grants

Deferred income – other

Consolidated	
2010	2009
\$'000	\$'000
155	155
76	154
231	309

22. Deferred income – non-current

Deferred government grants

464	620
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23. Issued capital

(a) Share capital

Ordinary shares: fully paid

Consolidated	Company	Consolidated	Company
2010	2009	2010	2009
No '000	No '000	\$'000	\$'000
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.

(b) Movement in ordinary share capital

Date	Details	Number of Shares	Issue Price	\$'000
January 2009	Balance at the beginning of the financial year	389,262,072	–	326,438
	Issue of shares on Convertible Note takeover (c)(i)	1,060,000,000	2.5c	26,500
	Issue of shares on GPG loan conversion (c)(ii)	540,453,370	2.5c	13,511
	Proceeds from the share placement issue (c)(iii)	1,500,000,000	2.5c	37,500
	Proceeds from the share rights issue (c)(iv)	389,262,072	2.5c	9,732
	Share issue costs (c)	–	–	(3,205)
	Balance pre-share consolidation (c)	3,878,977,514	–	410,476
	Reduction on share consolidation	(3,491,079,255)	–	–
December 2009	Balance at the end of the financial year (a)	387,898,255	–	410,476
January 2010	Balance at the beginning of the financial year	387,898,255	–	410,476
December 2010	Balance at the end of the financial year	387,898,255	–	410,476

(c) Recapitalisation Program and Rights Issue

During 2009, the Company completed a Recapitalisation Program and Rights Issue to raise approximately \$47 million in new capital (before costs) and reduce current debt by approximately \$66 million. This consisted of the following:

- The acquisition by the Company of all its 500,000 Convertible Notes (plus accrued but unpaid interest), with an aggregate face value of approximately \$53 million, in return for 2,120 pre-consolidation shares per note (equivalent to 212 post-consolidation shares).
- Conversion of a \$13 million loan (plus all accrued but unpaid interest) provided by the Company's major shareholder, GPG, into approximately 540 million pre-consolidation shares in the Company (equivalent to 54 million post-consolidation shares).
- A private placement of 1.5 billion pre-consolidation shares to sophisticated investors at a price of 2.5 cents per share to raise \$37.5 million (equivalent to 150 million post-consolidation shares at 25 cents).
- A 1 for 1 non-renounceable Rights Issue at 2.5 cents per share (on a pre-consolidation basis) to raise approximately \$9.7 million.
- The Share Consolidation (referred to at Note 23(d) below).

The Company incurred approximately \$3.2 million in costs in relation to the Recapitalisation Program and Rights Issue. This included Southern Cross Equities fees of \$2.3 million in relation to the share placement and \$0.2 million in relation to the Rights Issue.

The purpose of the Recapitalisation Program and Rights Issue was principally to reduce the Company's debt and raise capital to fund the Company's working capital requirements. Prior to the completion of the Share Consolidation part of the Recapitalisation Program, the Company's ordinary share capital increased to 3,878,977,510.

(d) Share Consolidation

On 24 November 2009, the Company completed the 10 for 1 Share Consolidation as part of the Recapitalisation Program. This resulted in a consolidation to 387,898,255 ordinary shares on issue.

24. Reserves and accumulated losses

	Consolidated	
	2010	2009
	\$'000	\$'000
Foreign currency translation reserve	(923)	(919)
Equity-settled compensation reserve	6,764	3,040
Actuarial loss on retirement benefit fund	(963)	(963)
	4,878	1,158
Accumulated losses	(253,265)	(259,997)
	(248,387)	(258,839)
24(a) Movements in reserves were:		
Foreign currency translation reserve		
Balance at the beginning of the financial year	(919)	(945)
Currency translation differences arising on translation of overseas subsidiaries during the financial year	(4)	26
Balance at the end of the financial year	(923)	(919)
Equity-settled compensation reserve		
Balance at the beginning of the financial year	3,040	1,989
Expense recognised	3,724	1,051
Balance at the end of the financial year	6,764	3,040
Actuarial gains/(losses) on retirement benefit fund		
Balance at the beginning of the financial year	(963)	(1,405)
Arising on actuarial reviews	–	442
Balance at the end of the financial year	(963)	(963)
24(b) Accumulated losses		
Balance at the beginning of the financial year	(259,997)	(236,987)
Transfer of equity relating to non-current assets classified as held for sale	–	6,095
Net gain/(loss) attributable to members of Capral Limited	6,732	(29,105)
Balance at the end of the financial year	(253,265)	(259,997)
25. Dividends		
Ordinary shares: Nil (2009:Nil)	–	–
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30% (2009:30%)	27,105	27,105

26. Earnings/(loss) per share

Basic and diluted earnings/(loss) per share

2010	2009
cents per share	cents per share
1.7	(27.5)

The weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share was 387,898,255 (2009: 105,689,463 on a post-consolidation basis). Earnings used in the calculation of basic and diluted profit per share for 2010 was \$6,732,000 (2009: loss \$(29,105,000)).

There are 28,217,496 (2009: 28,935,496) performance rights and options, with the potential to dilute future earnings at the end of the Financial Year. As at balance date, these potential and contingently issuable shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

27. Stand by arrangement and credit facilities

Secured bank loan facilities with various maturing dates through to 2011.

Amount used

Amount unused

Total available facilities

Consolidated	
2010	2009
\$'000	\$'000
22,005	26,931
46,472	49,946
68,477	76,877

(a) 2010 Financial Arrangements

In 2010, the Company's financing comprised the existing arrangements with GE Commercial Corporation (Australia) Pty Ltd (GE) of up to \$104.5 million. The term of this facility ends on 30 September 2011. The Facility is fully secured and consists of the following:

- A \$70 million revolver facility for a term of 3 years with an interest rate of the 90 day bank bill plus a margin rate of 2.00% (2009: 2.00%). Part of the revolver facility 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 facilities agreement.
- A \$34.5 million term loan facility for a term of up to 3 years with an interest rate of the 90 day bank bill rate plus a margin rate of 2.50% (2009: 2.50%).

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

Capral has commenced the refinancing process and, with improvements in trading performance and cash generation, it is expected to progress satisfactorily.

(b) 2009 Financial Arrangements

In 2009, the Company was financed through the facility with GE as described above but with funding of up to \$116 million as it also included a \$11.5 million term loan facility for a term of up to 12 months with an interest rate of the 90 day bank bill rate plus a margin of 2.75%. As a result of the sale of land and buildings of the Canning Vale site, the term loan facility was fully paid in April 2009.

Also refer to Note 13(b) in relation to an unsecured, loan facility agreement entered into by Capral and GPG Australia that was satisfied during the 2009 financial year.

28. Commitments for expenditure – capital

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:

Within one year

	Consolidated	
	2010	2009
	\$'000	\$'000
Within one year	669	198

29. Commitments for expenditure – operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for office and plant premises are payable as follows:

Within one year

Later than one year but not later than five years

Later than five years

Within one year	17,138	15,237
Later than one year but not later than five years	58,325	46,676
Later than five years	70,369	70,598
	145,832	132,511

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

Non-cancellable operating lease receivable

Within one year

Later than one year but not later than five years

Later than five years

Within one year	189	389
Later than one year but not later than five years	84	1,231
Later than five years	–	–
	273	1,620

30. Superannuation commitments

During the financial year ended 31 December 2009, a controlled entity operated the Capral New Zealand superannuation plan providing defined benefits on disability, death or retirement (the Fund). Employees contribute at various percentages of their wages or salaries whilst companies within the consolidated entity contribute in accordance with recommendations made by actuaries. As at 31 December 2009, Capral New Zealand ceased to contribute to the Fund and the Fund's assets were redeemed. The Fund was wound up in the Financial Year.

The most recent actuarial valuations of plan assets and present value of defined benefit obligation were carried out at 31 December 2009 by Mercer (N.Z.) Ltd. As the Fund was wound up in the Financial Year no further actuarial valuations were required.

Details of the Fund at the date of the last actuarial assessment as stated, are as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
(a) Balance sheet amounts		
Fair value of defined benefit plan assets	–	–
Present value of defined benefit obligation	–	–
Net asset in the balance sheet	–	–
(b) Categories of plan assets		
The major categories of plan assets are as follows:		
Cash	–	–
Equity instruments	–	–
	–	–
(c) Reconciliations		
Reconciliation of the present value of the defined benefit obligation, which is fully funded:		
Balance at beginning of year	–	4,162
Current service cost	–	60
Interest cost	–	143
Actuarial losses	–	(309)
Benefits paid	–	(263)
Settlements	–	(4,225)
Curtailments	–	523
Participant's contributions	–	–
Contributions tax	–	101
Exchange variation	–	(192)
Balance at end of year	–	–
Reconciliation of the fair value of plan assets:		
Balance at beginning of year	–	4,480
Expected return on plan assets	–	227
Benefits paid	–	(264)
Actuarial losses	–	(14)
Settlements	–	(4,225)
Participant's contributions	–	–
Exchange variation	–	(204)
Balance at end of year	–	–
(d) Amounts recognised in profit or loss		
Current service cost	–	(60)
Interest cost	–	(142)
Actuarial losses from settlements	–	(523)
Surplus Funds on liquidation of Fund	19	–
Expected return on plan assets	–	227
Net gain/(losses) recognised in the financial year	19	(498)
Withholding tax	–	(246)
Total included in employee benefits expense	19	(744)

30. Superannuation commitments continued

(e) Amounts recognised in actuarial gains reserve

Actuarial gains recognised in the year

Withholding tax

Consolidated	
2010	2009
\$'000	\$'000
–	296
–	146
–	442
Cumulative actuarial gains and losses recognised in the statement of comprehensive income	(963)

(f) Amounts recognised in foreign currency translation reserve

Foreign exchange losses recognised in foreign currency translation reserve

–	(12)
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(g) Principal actuarial assumptions

The principal actuarial assumptions used for the purposes of the actuarial valuation (expressed as weighted averages) were as follows:

Consolidated	
2010	2009
n/a	4.3%
n/a	5.5%
n/a	3.5%
n/a	NZLT0002-2
n/a	1.88%

The actual return on plan assets is nil (2009: \$214,262).

	Consolidated				
	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
(h) Historic summary					
Present value of defined benefit plan obligation	–	–	(4,162)	(3,586)	(4,443)
Fair value of plan assets	–	–	4,480	6,777	6,813
Surplus	–	–	318	3,191	2,370
Experience adjustments arising on plan liabilities	–	(309)	801	(211)	23
Experience adjustments arising on plan assets	–	(14)	(1,144)	90	193

31. Deed of Cross Guarantee

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

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

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

For the 2010 and 2009 financial years, the closed group represents the Company and its wholly owned Australian subsidiaries of the Company (except for Austex Dies Pty Limited).

	Closed Group	
	2010	2009
	\$'000	\$'000
Statement of comprehensive income		
Revenue	399,353	381,429
Other income	1,068	25,049
Changes in inventories of finished goods and work in progress	(3,013)	(15,685)
Raw materials and consumables used	(219,560)	(212,344)
Employee benefits expense	(84,651)	(85,389)
Depreciation and amortisation expense	(12,184)	(17,283)
Impairment of non-current assets	(114)	(19,462)
Finance costs	(3,527)	(12,030)
Freight expense	(14,982)	(14,463)
Occupancy costs	(14,634)	(13,810)
Repairs and maintenance expense	(6,827)	(6,727)
Other expenses	(37,381)	(38,408)
Profit/(loss) before income tax	3,548	(29,123)
Income tax benefit	2,650	–
Profit/(loss) for the year	6,198	(29,123)
Other comprehensive income for the year (net of tax)	–	–
Total comprehensive income for the year	6,198	(29,123)
Summary of movements in accumulated losses		
Accumulated losses at the beginning of the year	(310,130)	(287,102)
Transfer from asset revaluation reserve	–	6,095
Profit/(loss) for the year	6,198	(29,123)
Accumulated losses at the end of the year	(303,932)	(310,130)

31. Deed of Cross Guarantee continued

Statement of financial position

Current assets

Cash and cash equivalents	32,768	21,648
Trade and other receivables	42,533	59,417
Inventories	63,378	48,725
Prepayments	2,871	2,681

Total current assets	141,550	132,471
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Non current assets

Deferred tax assets	2,650	–
Investment in subsidiaries	1,100	–
Property, plant and equipment	104,083	113,588
Other intangible assets	2,249	3,281

Total non current assets	110,082	116,869
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Total assets	251,632	249,340
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LIABILITIES

Current liabilities

Trade and other payables	103,173	105,831
Borrowings	21,770	5,844
Provisions	8,853	9,473
Deferred income	231	309

Total current liabilities	134,027	121,457
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Non current liabilities

Borrowings	–	21,135
Provisions	3,833	2,742
Deferred income	464	620

Total non current liabilities	4,297	24,497
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Total liabilities	138,325	145,954
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NET ASSETS	113,308	103,386
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EQUITY

Issued capital	410,476	410,476
Reserves	6,764	3,040
Accumulated losses	(303,932)	(310,130)

TOTAL EQUITY	113,308	103,386
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32. 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 2009.

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

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

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

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

The Group complied with its borrowing financial covenants under its current facility detailed in Note 27 as at 31 December 2009 as follows:

Covenants	Actual	Limit/Covenant	Headroom
Net Tangible Worth (\$'000)	138,501	Greater than 45,000	93,501
Capital Expenditure to Dec 09 (\$'000)	2,130	Less than 5,000	2,870
Fixed Charge Coverage Ratio (ratio)	8.14	Greater than 1:1	7.14

(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	
	2010	2009
	\$'000	\$'000
Financial Assets		
Loans and receivables (including cash and cash equivalents)	85,384	81,083
Derivative instruments at fair value through profit or loss	—	—
Financial Liabilities		
Amortised cost	86,526	84,535
Derivative instruments at fair value through profit or loss	—	—

32. Financial instruments continued

(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 32(f)) and interest rates (refer note 32(g)). 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.

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	
	2010	2009
	\$'000	\$'000
EURO (trade payables)	34	8
USD (trade payables)	33	1
NZD (trade payables)	13	–
USD (cash)	–	–

Foreign currency sensitivity

The Group is mainly exposed to USD dollars and 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 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 \$80,000 (2009: \$9,000).

Management prepared the following table which 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 2010 and 31 December 2009 and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit.

Profit or loss (after tax)		
– AUD strengthens by 10%	8	–
– AUD weakens by 10%	(8)	–

(g) Interest rate risk management

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

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

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

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 80 basis point (0.8%) increase and a 80 basis point (0.8%) decrease represents management's assessment of the possible change in interest rates (2009: 180bp or 1.8% increase and 80bp or 0.8% decrease). A positive number indicates an increase in profit.

	Consolidated	
	2010	2009
	\$'000	\$'000
Profit or loss (after tax)		
Impact of a 80bp (2009: 180bp) increase in AUD interest rates		
– Cash and cash equivalents	185	273
– Floating rate debt	(124)	(340)
Impact of a 80bp (2009: 80bp) decrease in AUD interest rates		
– Cash and cash equivalents	(185)	(121)
– Floating rate debt	124	151

(h) Credit risk management

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

The Group does not have any significant exposure to any individual customer or counterparty. Major concentrations of credit risk are in the construction, transport, consumer durable and electrical industries in Australia. The Company has credit insurance cover which requires ongoing management of credit accounts with monthly reports provided to the Insurer. Experienced credit management and associated internal policies ensure constant monitoring of the credit risk for the Company.

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

The ageing of receivables is detailed below:

	Consolidated	
	2010	2009
	\$'000	\$'000
Current	48,496	55,285
1-30 days	1,234	3,160
31-60 days	193	429
60+ days	1,301	1,170
	51,224	60,044

32. Financial instruments continued

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has 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, monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Included in note 27 is a list of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

Financial assets are made up of cash of \$33,400,000 (2009: \$21,658,000) and trade and other receivables of \$51,984,000 (2009: \$59,425,000). Cash is liquid and trade and other receivables are expected to be realised on average within 53 days. Cash balances earn 4.6% interest per annum (2009: 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 average effective interest rate	Less than 1 year	1-3 years	3-5 years	Greater than 5 years
	%	\$'000	\$'000	\$'000	\$'000
Consolidated					
2010					
Trade and other payables	–	64,473	–	–	–
Floating rate debt	8.75%	23,266	–	–	–
		87,739	–	–	–
2009					
Trade and other payables	–	57,556	–	–	–
Floating rate debt	7.91%	7,968	23,176	–	–
		65,524	23,176	–	–

(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.

33. 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 2010 these guarantees totalled \$5,490,924 (2009: \$5,651,380).

34. Remuneration of auditors

During the year the auditor of the parent entity and its related practices earned the following remuneration:

Auditor of the parent entity

Audit or review of financial reports of the entity or any entity in the consolidated entity

Other non-audit services

- tax compliance and consulting
- corporate finance advice
- recapitalisation program
- process review
- forensics

Total remuneration

Consolidated	
2010	2009
\$	\$
460,000	978,000
197,235	250,118
–	147,000
–	75,000
–	29,925
–	8,160
657,235	1,488,203

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.

35. Events after balance date

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

36. Notes to the cash flow statement

(i) Reconciliation of cash and cash equivalents

Reconciliation of cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank and short term deposits at call net of bank overdrafts. Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Cash at bank and on hand	33,400	21,658
Overdraft facility	(283)	–
	33,117	21,658

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

Profit/(loss) for the year	6,732	(29,105)
Non-cash items:		
Depreciation and amortisation of non-current assets	12,116	17,283
Impairment of non-current assets	114	19,462
Discount on acquisition	(804)	–
Gain on convertible note takeover	–	(22,957)
Allowance for doubtful trade debts	51	136
Gain on sale of property, plant and equipment	(129)	(1,082)
Share-based payments expense	3,724	1,051
Gain on revaluation of embedded derivatives	–	–
Interest expense accrued but not paid	541	5,766
Interest income reclassified to investing activities	(212)	(153)
Non-cash item relating to defined benefit plan	–	442
Change in assets and liabilities:		
Increase in net deferred taxes	(2,650)	(522)
Decrease in current receivables	8,784	17,077
(Increase)/decrease in inventories	(14,698)	15,810
Decrease in prepayments	34	812
Increase/(decrease) in trade payables and payables	6,460	(27,669)
Decrease in employee benefit provisions	(202)	(364)
Increase/(decrease) in other provisions	171	(3,577)
Decrease in deferred income	(234)	(125)
Increase in defined benefit plan asset	–	318
Decrease in other financial assets	–	50
Decrease in other financial liabilities	–	(79)
Net cash used in operating activities	19,798	(7,426)

(iii) Details of finance facilities are included in note 27 to the financial statements.**(iv) Non-cash financing activities**

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

The following non-cash financing activities occurred during the 2009 year:

- Conversion of a \$13 million loan (plus all accrued but not paid interest) provided by the Company's major shareholder, GPG; and
- The acquisition by the Company of all its 500,000 Convertible Notes (plus accrued but unpaid interest), with an aggregate face value of approximately \$53 million, in return for 2,120 pre-consolidation shares per note (equivalent to 212 post-consolidation shares).

37. Parent entity disclosures**Financial Position****Assets**

Current assets

Non-current assets

Total assets

Liabilities

Current liabilities to third parties

Current liabilities to controlled entities

Non-current liabilities

Total liabilities

Equity

Issued capital

Accumulated losses

Reserves

Equity-settled compensation reserve

Total Equity

Financial Performance

Profit(loss) for the year

Other comprehensive income

Total comprehensive income/(loss)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Deed of cross guarantee – refer Note 31

Contingent liabilities of the parent entity – refer note 33**Commitments for the acquisition of property, plant and equipment by the parent entity**

Commitments for the acquisition of property, plant and equipment by the parent entity is noted

– Within one year

Company	
2010	2009
\$'000	\$'000
150,662	132,390
133,162	139,516
283,824	271,906
94,795	73,578
84,146	82,592
4,329	24,497
183,270	180,667
410,476	410,476
(316,686)	(322,277)
6,764	3,040
100,554	91,239
5,591	(24,109)
–	–
5,591	(24,109)
–	–
669	198

38. Share-based payments

Performance Rights

Executive and Senior Management

Rights to ordinary shares issued under LTIP 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. 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. After the third re-test, unvested rights will lapse.

As a result of the Share Consolidation in 2009, the number of rights on issue reduced in proportion to the ordinary capital, on a 10 for 1 basis.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

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

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

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

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

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

Previous Managing Director

The previous Managing Director, Mr Rob Freeman, was granted 2,866,667 performance rights under his employment contract. Rights had been granted in four tranches, comprising three equal tranches of 400,000 and one tranche of 1,666,667. Before his resignation, none of the rights had vested.

Following his resignation on 5 March 2009, the directors' determined in substance, in consideration for the non vesting of the performance rights, that the rights lapsed. A payment of approximately \$143,000 was made to Mr Freeman. None of these performance rights are outstanding at the end of the 2010 financial year (2009: nil).

Options

Executive and Senior Management

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

The following share-based payment arrangements were in existence during the current 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 ¹	1,429,748	16/10/2009	16/10/2014	0.25	0.29
Issued 16 October 2009 ²	714,874	16/10/2009	16/10/2014	0.40	0.26
Issued 16 October 2009 ²	714,874	16/10/2009	16/10/2014	0.60	0.23
Issued 1 March 2010 ¹	229,500	1/3/2010	16/10/2014	0.25	0.14
Issued 1 March 2010 ²	114,750	1/3/2010	16/10/2014	0.40	0.12
Issued 1 March 2010 ²	114,750	1/3/2010	16/10/2014	0.60	0.10

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

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

Managing Director

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

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

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

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

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

38. Share-based payments continued

Inputs into the model	Options (LTIP)		
	1 March 2010		
	Tranche 1	Tranche 2	Tranche 3
Grant date	1/3/2010	1/3/2010	1/3/2010
Dividend yield	0%	0%	0%
Risk free yield	4.81%	4.91%	4.91%
Vesting date	16/10/2011	16/10/2012	16/10/2012
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	\$0.25	\$0.25	\$0.25
Option life	4.6 years	4.6 years	4.6 years

Inputs into the model	Performance Rights (LTIP)			
	26 March 2009	31 March 2008	16 March 2007	14 March 2006
Grant date	26/03/2009	31/03/2008	16/03/2007	14/03/2006
Dividend yield	0%	0%	0%	0%
Risk free yield	3.32%	6.05%	6.00%	5.27%
Expected volatility	80%	55%	37%	40%
Last testing date	31/12/2013	31/12/2012	31/12/2011	31/12/2010
Exercise price	n.a	n.a.	n.a.	n.a.
Share price at grant date (pre consolidation)	\$0.082	\$0.300	\$0.74	\$1.23
Share price at grant date (post consolidation)	\$0.820	\$3.000	\$7.40	\$12.30
Performance right life	2.3 years	2.3 years	3.2 years	2.5 years

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:

	2010		2009	
	Number of share options	Weighted average exercise price \$	Number of share options on pre consolidation basis	Average exercise price on pre consolidation basis \$
Options				
Balance at the beginning of the financial year pre-share consolidation	n/a	–	–	–
Granted pre-share consolidation	n/a	–	243,000,000	–
Forfeited pre-share consolidation	n/a	–	–	–
Exercised pre-share consolidation	n/a	–	–	–
Expired pre-share consolidation	n/a	–	–	–
Balance pre-share consolidation	n/a	–	243,000,000	0.038
Balance at share consolidation	28,171,996	0.381	24,300,000	0.038
Granted post-share consolidation	459,000	0.375	3,871,996	0.375
Forfeited post-share consolidation	(1,012,500)	0.375	–	–
Exercised post-share consolidation	–	–	–	–
Expired post-share consolidation	–	–	–	–
Balance at the end of the financial year	27,618,496	0.381	28,171,996	0.381
Exercisable at the end of the financial year	12,866,666	0.267	1,433,333	0.250

	2010	2009
	Number of share performance rights	Number of share performance rights
Performance rights		
Balance at the beginning of the financial year pre-share consolidation	n/a	5,481,667
Granted pre-share consolidation	n/a	8,700,000
Forfeited pre-share consolidation	n/a	(6,546,667)
Vested pre-share consolidation	n/a	–
Expired pre-share consolidation	n/a	–
Balance pre-share consolidation	n/a	7,635,000
Balance at share consolidation	763,500	763,500
Granted post-share consolidation	–	–
Forfeited post-share consolidation	(164,500)	–
Vested post-share consolidation	–	–
Expired post-share consolidation	–	–
Balance at the end of the financial year	599,000	763,500

(i) Exercised during the financial year

No options granted to the Managing Director, executives and senior management have been exercised during the 2010 financial year.

No performance rights granted to the executives and senior management have vested during the 2010 financial year.

(ii) Balance at the end of the financial year

The options outstanding at the end of the 2010 financial year were 27,618,496 (2009: 28,171,996) with a weighted average remaining contractual life of 4.0 years (2009: 5.0).

The performance rights outstanding at the end of the 2010 financial year were 599,000 (2009: 763,500 on a post consolidation basis), with a weighted average remaining contractual life of 2.7 years (2009: 3.7 years).

39. 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	
	2010	2009
	\$	\$
Short-term benefits	3,486,620	2,937,981
Post-employment benefits	130,457	231,907
Other long-term benefits	–	–
Termination benefits	2,867	1,681,324
Share-based payments	3,402,505	1,936,340
	7,022,449	6,787,552

(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:

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

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

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

¹ Mr Timmis left employment with Capral in March 2010

² Mr Lamb commenced employment with Capral in March 2010

³ Ms Pollard resigned on 15 November 2010

A total of 12,866,666 options granted to Mr P Jobe are exercisable as at 31 December 2010.

2009 – Performance Rights	Held at start of year	Granted as compensation pre consolidation	Net other pre consolidation	Held at date of consolidation	Granted as compensation post consolidation	Vested	Held at end of year
Directors							
P Jobe	–	–	–	–	–	–	–
R Freeman ¹	2,866,667	–	(2,866,667)	–	–	–	–
Executives							
I Timmis ⁴	–	–	–	–	–	–	–
R Stephenson ²	350,000	900,000	(1,250,000)	–	–	–	–
M Haszard	350,000	900,000	–	125,000	–	–	125,000
P Gregg ³	350,000	900,000	(1,250,000)	–	–	–	–
A Simmonds	270,000	900,000	–	117,000	–	–	117,000
E Pollard	295,000	900,000	–	119,500	–	–	119,500
	4,481,667	4,500,000	(5,366,667)	361,500	–	–	361,500

None of the performance rights included in the above table vested as at 31 December 2009.

2009 – Options	Held at start of year	Granted as compensation pre consolidation	Other pre consolidation	Held at date of consolidation	Granted as compensation post consolidation	Exercised	Held at end of year
Directors							
P Jobe	–	243,000,000	–	24,300,000	–	–	24,300,000
Executives							
I Timmis ⁴	–	–	–	–	459,000	–	459,000
R Stephenson ²	–	–	–	–	–	–	–
M Haszard	–	–	–	–	463,725	–	463,725
P Gregg ³	–	–	–	–	–	–	–
A Simmonds	–	–	–	–	395,771	–	395,771
E Pollard	–	–	–	–	283,500	–	283,500
	–	243,000,000	–	24,300,000	1,601,996	–	25,901,996

1 Mr Freeman left employment with Capral in March 2009

2 Mr Stephenson left employment with Capral in June 2009

3 Mr Gregg left employment with Capral in September 2009

4 Mr Timmis commenced employment with Capral in June 2009

A total of 1,433,333 options granted to Mr P Jobe were exercisable as at 31 December 2009.

39. Key management personnel compensation continued

(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 are as follows:

2010	Held at start of year	Granted as compensation	Received on vesting of performance rights/exercise of options	Other changes during the year	Held at end of year
Directors					
R Wood-Ward	–	–	–	–	–
P Jobe	35,500	–	–	50,000 ¹	85,500
I Blair	227,348	–	–	–	227,348
A Eisen	–	–	–	–	–
M Jefferies	–	–	–	–	–
G F Pettigrew ²	–	–	–	–	–
Executives					
M Lamb ³	–	–	–	70,000 ¹	70,000
M Haszard	200,000	–	–	(100,000) ⁴	100,000
A Simmonds	202,000	–	–	–	202,000
	664,848	–	–	20,000	684,848

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

2 Appointed non-executive director on 18 June 2010

3 Mr Lamb commenced with Capral on 1 March 2010

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

2009	Held at start of year	Granted as compensation	Received on vesting of performance rights/exercise of options	Other changes during the year	Total Pre-Consolidation	Held at end of year – Post Consolidation
Directors						
P Arnall	76,800	–	–	286,680 ²	363,480	36,348
P Jobe ¹	–	–	–	355,000 ³	355,000	35,500
I Blair	500,000	–	–	1,773,480 ⁴	2,273,480	227,348
A Eisen	–	–	–	–	–	–
M Jefferies	–	–	–	–	–	–
R Wood-Ward	–	–	–	–	–	–
Executives						
I Timmis	–	–	–	8,000,000	8,000,000	800,000
M Haszard	–	–	–	2,000,000	2,000,000	200,000
A Simmonds	20,000	–	–	2,000,000	2,020,000	202,000
E Pollard	–	–	–	1,000,000	1,000,000	100,000
	596,800	–	–	15,415,160	16,011,960	1,601,196

1 Mr Jobe commenced as Chief Executive Officer on 15 April 2009 and was appointed as Managing Director on 24 April 2009.

2 Shares purchased under the Rights Issue, shares acquired issued on conversion of the convertible notes under the Convertible Note Takeover and shares consolidated as part of the Share Consolidation during the 2009 financial year

3 Shares held on commencement with Capral plus shares purchased under the Rights Issue and shares consolidated as part of the Share Consolidation during the 2009 financial year

4 Shares purchased on-market, shares purchased under the Rights Issue, shares acquired issued on conversion of the convertible notes under the Convertible Note Takeover and shares consolidated as part of the Share Consolidation during the 2009 financial year

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

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

1 Mr Arnall retired on 17 March 2010

2 Mr Timmis left employment in March 2010

3 Ms Pollard resigned on 15 November 2010 from Capral.

2009	Held at start of year	Granted as remuneration	On exercise of option	Other changes during the year	Held at date of termination
Directors					
R Freeman ¹	800,000	–	–	–	800,000
Executives					
R Stephenson ²	–	–	–	–	–
P Gregg ³	348,000	–	–	400,000	748,000

1 Mr Freeman left employment with Capral in March 2009

2 Mr Stephenson left employment with Capral in June 2009

3 Mr Gregg left employment with Capral in September 2009

(d) Other equity holdings of Key Management Personnel – convertible notes of the Company

In 2010 there were no convertible notes granted or on issue.

In 2009, convertible notes previously held by Key Management Personnel were acquired by the Company.

2009	Held at start of year	Granted as compensation	Exercised	Other changes during the year	Held at end of year
Directors					
P. Arnall	99	–	–	(99)	–
P. Jobe ¹	–	–	–	–	–
I. Blair	129	–	–	(129)	–
A. Eisen	–	–	–	–	–
M. Jefferies	–	–	–	–	–
R. Wood-Ward	–	–	–	–	–
Executives					
I. Timmis ²	–	–	–	–	–
M. Haszard	–	–	–	–	–
A. Simmonds	–	–	–	–	–
E. Pollard	–	–	–	–	–
	228	–	–	(228)	–

1 Mr Jobe commenced as Chief Executive Officer on 15 April 2009 and was appointed as Managing Director on 24 April 2009.

2 Mr Timmis commenced employment with Capral in June 2009

39. Key management personnel compensation continued

(d) Other equity holdings of Key Management Personnel – convertible notes of the Company continued

The convertible notes held by former Key Management Personnel as at the termination date were as follows:

2009	Held at start of year	Granted as remuneration	On exercise of option	Other changes during the year	Held at date of termination
Directors					
R Freeman ¹	500	–	–	–	500
Executives					
R Stephenson ²	–	–	–	–	–
P Gregg ³	–	–	–	–	–

1 Mr Freeman left employment with Capral in March 2009

2 Mr Stephenson left employment with Capral in June 2009

3 Mr Gregg left employment with Capral in September 2009

(e) Transactions with Key Management Personnel of the Company

Loans to Key Management Personnel – 2010

There were no transactions to report for the Financial Year.

Loans to Key Management Personnel – 2009

During 2009, the following loan balances were in respect of loans made to Key Management Personnel of the Group entities.

Loans to Key Management Personnel	Balance at beginning	Interest charged	Interest not charged	Repayment	Write-off	Balance at end	Number in Group
	\$	\$	\$	\$	\$	\$	
2009	740,574	–	71,106	10,467	801,213	–	1

Key Management Personnel with loans above \$100,000 in the 2009 reporting period:

2009	Balance at beginning	Interest charged	Interest not charged	Repayment	Write-off	Balance at end	Highest in Period
	\$	\$	\$	\$	\$	\$	\$
P. Gregg	740,574	–	71,106	10,467	801,213	–	811,680

Under the 2003 employee share plan (**ESP**), eligible employees (as determined by the Board), had the opportunity to participate in the ESP. This plan has been replaced by the Long Term Incentive Plan (**LTIP**). Under the ESP monies were advanced to the participants to enable them to acquire ordinary shares of the Company at a price determined by the Board. No interest or other charges were payable unless otherwise determined by the Board. Participants were required to pay the net amount of dividends received on the shares (after allowing for income tax) as repayment of the loan. On termination of employment the participant is required to repay the loan within 7 days following the repayment date, unless otherwise determined by the Board. Obligations to repay the balances was limited to proceeds from sale of shares.

Mr P. Gregg left employment with Capral in September 2009 and sold shares held under ESP to satisfy repayment of the loan in accordance with the ESP terms. Therefore, at 31 December 2009, loans in respect of the ESP amounted to nil for nil ordinary shares.

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 31 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



P.J. Jobe
Managing Director

Sydney

22 February 2011

Independent Auditor's Report to the Members of Capral Limited

Deloitte.

Deloitte Touche Tohmatsu
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Report on the Financial Report

We have audited the accompanying financial report of Capral Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 29 to 83.

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 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 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

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Member of Deloitte Touche Tohmatsu

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 company's and consolidated entity's financial position as at 31 December 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial 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 17 to 26 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Capral Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



P G Forrester

Partner

Chartered Accountants

Parramatta, 22 February 2011

Member Details

(In accordance with the Listing Rules)

As at 28 February 2011

1. Twenty largest holders

Details of Capral's twenty largest shareholders were as follows:

No.	Name of Holder	Number of shares held	Issued Capital held (%)
1	GPG Nominees Pty Limited	118,045,834	30.43
2	Guinness Peat Group (Australia) Pty Limited	54,045,337	13.93
3	J P Morgan Nominees Australia Limited	41,493,062	10.70
4	HSBC Custody Nominees (Australia) Limited	26,074,997	6.72
5	National Nominees Limited	21,867,325	5.64
6	GPG Nominees Pty Ltd	11,636,947	3.00
7	Citicorp Nominees Pty Limited	9,115,547	2.35
8	Taverners N Pty Ltd	7,771,570	2.00
9	Marnsell Pty Ltd – Marnsell Super Fund Account	4,650,000	1.20
10	NSCT Pty Ltd – Nirvana Super Fund Account	4,650,000	1.20
11	UBS Wealth Management Australia Nominees Pty Ltd	3,732,526	0.96
12	Maxima Investments Limited	3,700,000	0.95
13	McNeil Nominees Pty Limited	3,000,000	0.77
14	UBS Nominees Pty Ltd	2,500,000	0.64
15	HSBC Custody Nominees (Australia) Limited – GSI EDA	1,953,000	0.50
16	Mr Tony Peter Caldaroni & Mrs Julie Annette Caldaroni – Caldaroni Family S/F Account	1,526,700	0.39
17	Excelsior Holdings Pty Limited – ORD River Investments account	1,500,000	0.39
18	Merrill Lynch (Australia) Nominees Pty Limited – Settle1 Account	1,429,644	0.37
19	Chemical Trustee Limited	1,404,000	0.36
20	Merrill Lynch (Australia) Nominees Pty Limited – Berndale Account	1,335,086	0.34
Total		321,431,575	82.86

2. Substantial holders

Substantial shareholders as notified to Capral in accordance with the Corporations Act 2001:

Name	Number of shares	Percentage of shares held
Guinness Peat Group	183,728,118	47.37
Orbis Investment Management	67,400,947	17.38
Australia and New Zealand Banking Group Limited	19,399,883	5.00
ING Group	19,398,291	5.00

3. Number of holders

- (a) *Quoted equity securities*: there were 4,849 holders of ordinary shares.
- (b) *Unquoted equity securities – options*: there were 3,318,496 unquoted options issued to 17 optionholders under the Capral Long Term Incentive Plan. There are no optionholders who hold 20% or more options under this plan.

There were 24,300,000 unquoted options issued to Capral's Managing Director.

- (c) *Unquoted equity securities – performance rights*: there were 585,500 unquoted performance rights issued to 18 holders under the Capral Long Term Incentive Plan. There is one holder (Martin Haszard) who holds more than 20% of the performance rights under this plan.

4. Voting rights

- (a) Voting rights attaching to the fully paid ordinary shares are, on a show of hands, one vote per person present as a member proxy, attorney, or representative thereof and on a poll, one vote per share for every member present in person or by proxy or by attorney or by representative.
- (b) Holders of options and performance rights do not have any voting rights on the equity securities held by them. Ordinary shares issued on exercise of options or vesting of performance rights will carry the same voting rights as all other fully paid ordinary shares of Capral.

5. Distribution of equity securities

- (a) *Quoted ordinary shares*

Range of Shares	Number of Holders
1 – 1,000	3,162
1,001 – 5,000	730
5,001 – 10,000	243
10,001 – 100,000	555
100,001 and over	159
TOTAL	4,849

- (b) *Unquoted options*

Options issued under the Capral Long Term Incentive Plan with a vesting date of 16 October 2011 and an exercise price of \$0.25:

Range of Options	Number of Holders
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	14
100,001 and over	3
TOTAL	17

5. Distribution of equity securities continued

(b) Unquoted options continued

Options issued under the Capral Long Term Incentive Plan with a vesting date of 16 October 2012 and an exercise price of \$0.40:

Range of Options	Number of Holders
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	15
100,001 and over	2
TOTAL	17

Options issued under the Capral Long Term Incentive Plan with a vesting date of 16 October 2012 and an exercise price of \$0.60:

Range of Options	Number of Holders
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	15
100,001 and over	2
TOTAL	17

Options issued to the Managing Director with various vesting and expiry dates and exercise prices:

Range of Options	Number of Holders
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	0
100,001 and over	1
TOTAL	1

Performance rights granted under the Capral Long Term Incentive Plan with various vesting and expiry dates and a nil exercise price:

Range of Options	Number of Holders
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	16
100,001 and over	2
TOTAL	18

6. Marketable parcels: There are 3,560 shareholders holding less than a marketable parcel* of shares.
(* Minimum parcel size of shares: 2,326)

7. On-market buy back: There is no current on-market buy back.

Capral's History

Capral is celebrating its 75th anniversary in November 2011.
Below is a brief summary of our history:

Date	History
27 November 1936	<i>Incorporated as British Aluminium (Australia) Pty Ltd</i>
September 1939	<i>Commissioned Granville, NSW</i>
1941	<i>Commenced aluminium extrusions, sheet and forging operations at Granville, NSW</i>
16 April 1958	<i>Became a Public Company and changed name to Australian Aluminium Company Limited</i>
1960	<i>Commenced extrusion press operations at Campbellfield, VIC</i>
1965	<i>Commissioned Kurri Kurri, NSW, aluminium smelter</i>
3 January 1967	<i>Changed name to Alcan Australia Limited</i>
March 1967	<i>Commenced extrusion press operations at Brisbane, QLD</i>
1969	<i>Opened Kurri Kurri, NSW, aluminium smelter</i>
20 November 1986	<i>Listed on the ASX</i>
1994	<i>Alcan Aluminium Ltd restructures and sells its holding in Alcan Australia</i>
1 September 1995	<i>Changed name from Alcan Australia to Capral Aluminium Limited</i>
1995	<i>Acquisition of Comalco's Australian extrusion and distribution businesses</i>
16 October 2000	<i>Sale of Kurri Kurri, NSW, aluminium smelter</i>
April 2003	<i>Commissioned Bremer Park, QLD</i>
31 October 2005	<i>Acquisition of Crane Group's extrusion and distribution businesses</i>
18 April 2008	<i>Changed name from Capral Aluminium Limited to Capral Limited</i>



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