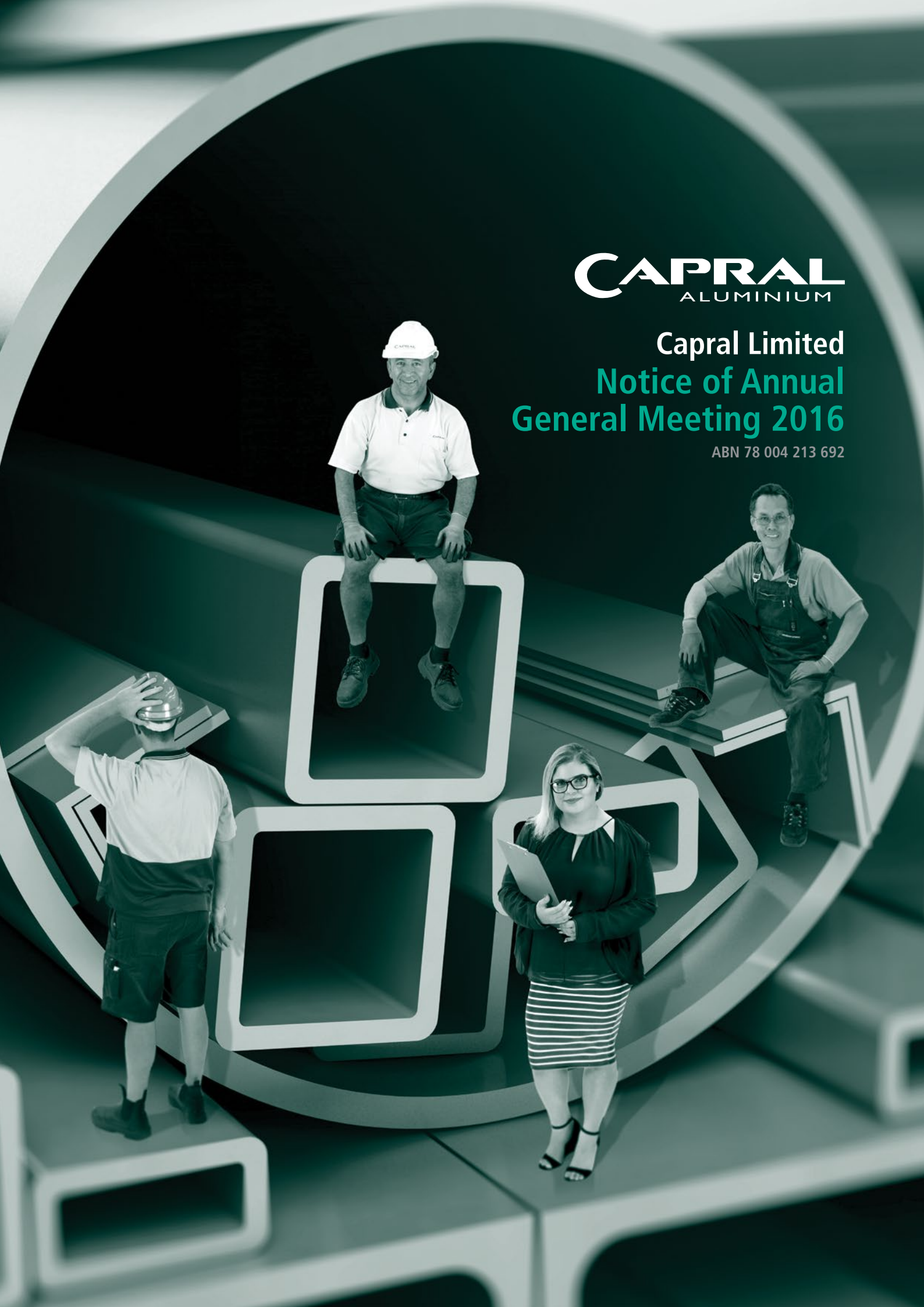




Capral Limited  
**Notice of Annual  
General Meeting 2016**

ABN 78 004 213 692



# Notice of Annual General Meeting of Shareholders 2016

Notice is given that the Annual General Meeting (**AGM**) of Shareholders of Capral Limited (ABN 78 004 213 692) (**Capral**) will be held at Novotel Sydney Parramatta, 350 Church Street, Parramatta, NSW 2150 on Thursday 14 April 2016 at 10:00am.

## Business

### 1. STATUTORY REPORTS

The Financial Report, the Directors' Report and the Independent Audit Report (the **Reports**) for the year ended 31 December 2015 will be presented for consideration.

Shareholders can view the Annual Report, which contains the Financial Report for the year ended 31 December 2015, on Capral's website ([www.capral.com.au](http://www.capral.com.au)), go to 'Corporate/ Investors' and then 'Annual Reports'. Unless Capral's share registry has been notified otherwise, shareholders will not be sent a hard copy of the Annual Report.

### 2. QUESTIONS

Following the consideration of the Reports, the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on Capral matters.

The Chairman will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- » the conduct of the audit;
- » the preparation and content of the Independent Audit Report;
- » the accounting policies adopted by Capral in relation to the preparation of the financial statements; and
- » the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the content of the Independent Audit Report or the conduct of the audit. A list of written questions, if any, submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

### 3. ELECTION OF DIRECTORS

**TO CONSIDER AND, IF THOUGHT FIT, PASS THE FOLLOWING AS AN ORDINARY RESOLUTION:**

That, Mr Ian Blair, who retires in accordance with Article 69 of Capral's Constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election, be re-elected as a director.

### 4. ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

**TO CONSIDER AND, IF THOUGHT FIT, PASS THE FOLLOWING AS AN ORDINARY RESOLUTION:**

That, the Remuneration Report, included in the Directors' Report for the financial year ended 31 December 2015, be adopted.

#### Voting Exclusion Statement

A vote on this Resolution 4 must not be cast (in any capacity) by or on behalf of the following persons:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution 4 if:

- » the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- » the person is the Chair and has been appointed as a proxy (expressly or by default) without being directed how to vote on the resolution; and
- » in either case, the vote is not cast on behalf of a person described above.

See the Explanatory Memorandum for the definitions of Key Management Personnel and their Closely Related Parties.

## 5. ISSUE OF SHARE RIGHTS AND SHARES TO ANTHONY DRAGICEVICH

### TO CONSIDER AND, IF THOUGHT FIT, PASS THE FOLLOWING AS AN ORDINARY RESOLUTION:

That, the issue to Anthony Dragicevich of:

- (a) up to 2,500,000 Share Rights on the terms set out in the Explanatory Memorandum; and
- (b) shares in Capral subject to the vesting of those Share Rights, as and on the basis described in the Explanatory Memorandum,

be approved for the purpose of ASX Listing Rule 10.14 and for all other purposes, including for the purpose of Section 200E of the Corporations Act in the event that the issue of shares constitutes a termination benefit in connection with his loss of office, on the terms set out in the Explanatory Memorandum.

### Voting Exclusion Statement

Capral will disregard any votes cast on this Resolution 5:

- » by any director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and any associate of such a director; and
- » as proxy by any member of Key Management Personnel or a Closely Related Party of a member of Key Management Personnel.

However, Capral need not disregard a vote if:

- » it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- » it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### By order of the Board

**Richard Rolfe**

*Secretary*

Sydney, 2 March 2016

## Attendance and voting at the meeting

In accordance with Corporations Regulation 7.11.37, the Board has determined that Capral shares are taken, for the purposes of determining the right of shareholders to attend and vote at the Meeting, to be held by persons who held them at 7:00pm (Sydney time) on Tuesday 12 April 2016. If you are not the registered holder of a relevant share at that time you will not be entitled to vote in respect of that share.

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

Ordinary resolutions require the support of more than 50% of the votes cast by those shareholders voting in person, by proxy, by representative or by attorney. Advisory resolutions do not bind the Board however, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Every question arising at the Annual General Meeting (**AGM**) will be decided in the first instance by a show of hands. A poll may be demanded in accordance with Article 53 of Capral's Constitution.

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

## Proxies

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

If you are entitled to cast two or more votes, you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes. If you appoint two proxies, neither proxy is entitled to vote on a show of hands. If you require a second proxy form, please contact Capral's share registry Computershare Investor Services Pty Limited on **1300 855 080 (within Australia)** or **+61 3 9415 4000 (outside Australia)**.

A proxy form accompanies this Notice. Should you wish to appoint a proxy, please complete the proxy form and return it (and any supporting documents attached) by no later than 10:00 am (Sydney time) on Tuesday 12 April 2016 by one of the following methods:

- » **by mail** to Capral's share registry, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC 3001, Australia (a reply paid envelope is enclosed with this Notice of Meeting); or
- » **in person** to Capral's registered office, c/o Company Secretary, 71 Ashburn Road, Bundamba, QLD 4304, Australia or to Capral's share registry, Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW 2000, Australia; or
- » **by facsimile** to Capral's share registry, Computershare Investor Services Pty Limited, facsimile number: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

#### **Chairman will vote undirected proxies in favour of all resolutions**

If you appoint the Chairman as your proxy, or the Chairman is appointed your proxy by default, and the proxy form does not specify whether to vote 'For', 'Against' or 'Abstain', your appointment will be taken as a direction to the Chairman to vote in accordance with his stated voting intention, which is to vote in favour of all resolutions.

Shareholders always have the ability to appoint the Chairman as their proxy and direct him to vote contrary to the Chairman's stated voting intention or to abstain from voting on a resolution.

The Chairman intends to vote any undirected proxy in favour of all resolutions including Resolution 4 (Adoption of Remuneration Report) and Resolution 5 (Issue of Share Rights to Anthony Dragicevich).

#### **Appointment of other Key Management Personnel as your proxy**

Due to the voting exclusions and requirements referred to in the Notice of Meeting, if you intend to appoint any other Key Management Personnel or their Closely Related Parties as your proxy, you are encouraged to direct your proxy on how to vote on Resolution 4 (Adoption of Remuneration Report) and Resolution 5 (Issue of Share Rights to Anthony Dragicevich) by marking either 'For', 'Against' or 'Abstain' on the proxy form for the relevant item of business.

#### **Definitions**

**Key Management Personnel** are those people described as Key Management Personnel in Capral's Remuneration Report and include all directors.

**Closely Related Parties** are any of the following people:

- » a spouse or child of Key Management Personnel;
- » a child of Key Management Personnel's spouse;
- » a dependent of Key Management Personnel or Key Management Personnel's spouse;
- » a member of Key Management Personnel's family who may be expected to influence, or be influenced by the Key Management Personnel, in the Key Management Personnel's dealings with Capral;
- » a company controlled by the Key Management Personnel.

#### **Attorney**

If the appointment is signed by an attorney, the original power of attorney or a certified copy of it must be sent with the proxy form, unless it has been provided previously to Computershare Investor Services Pty Limited.

#### **Corporate Representatives**

A body corporate that is a shareholder, or that has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. Such appointment must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as body corporate's representative.

#### **SHAREHOLDER QUESTIONS**

If you wish a question to be put to the Chairman or the Auditor and you are not able to attend the AGM, please send your question to the Company Secretary via Capral's share registry by one of the methods detailed above. To allow time to collate questions and prepare answers, questions are to be received by 7:00 pm (Sydney time) on Thursday 7 April 2016. Questions submitted in writing to the Company Secretary will be put to the Chairman or Auditor at the Board's discretion. A list of questions for the auditor will be available at the meeting.

# Explanatory Memorandum

This explanatory memorandum has been prepared to assist shareholders to understand the business to be put to shareholders at the AGM and forms part of the Notice of Meeting.

## 1&2. Statutory Reports and shareholder questions

The Financial Report, Directors' Report and Auditor's Report for Capral for the year ended 31 December 2015 will be laid before the Meeting in accordance with section 317 of the Corporations Act.

The Chairman will allow a reasonable opportunity for shareholders to ask questions or make comments about those reports and about the management of Capral in accordance with section 250S of the Corporations Act. Shareholders will also be given a reasonable opportunity to ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report in accordance with section 250T of the Corporations Act.

## 3. Election of Directors

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

Accordingly, at this AGM, Mr Ian Blair is obliged to retire in accordance with Article 69(1) of Capral's Constitution and Listing Rule 14.4 and is eligible for re-election.

Mr Ian Blair was appointed as a non-executive director on 23 May 2006 and is Chairman of the Audit Committee and a 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 Bisley & Co Pty Ltd.

For the reasons set out above, the other Directors of Capral unanimously support the re-election of Mr Ian Blair.

## 4. Adoption of Remuneration Report

The Remuneration Report (which forms part of the Directors' Report) sets out Capral's remuneration for the Managing Director, executives and non-executive directors.

Section 250R(2) of the Corporations Act requires that at a listed company's annual general meeting, a shareholders' resolution that the Remuneration Report be adopted must be put to the vote.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting, in accordance with section 250SA of the Corporations Act.

### Non-binding resolution on Remuneration Report

The resolution to adopt the Remuneration Report is advisory only and will not bind the directors or Capral, however, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Capral encourages shareholders to cast their votes in favour of Resolution 4 (Adoption of Remuneration Report).



## 5. Issue of Share Rights to Anthony Dragicevich

Mr Dragicevich was appointed to the Board on 15 April 2013.

The Board values the contribution of Mr Dragicevich and considers it is in the best interests of Capral to align Capral's Managing Director with the interests of shareholders and retain his services.

ASX Listing Rule 10.14 requires shareholder approval by ordinary resolution before a director can be issued securities in Capral under an employee incentive scheme.

Shareholder approval is sought for the issue of Share Rights to Mr Dragicevich under Capral's Long Term Incentive Plan. Specific details of the proposed issue are set out below. A **Share Right** is a right to be issued one Capral ordinary share (**Share**) for nil exercise price upon the satisfaction of certain vesting conditions. 1 Share Right converts into 1 Share upon vesting.

The Board, in its discretion, may satisfy some or all of the Share Rights by acquiring existing Shares rather than issuing new Shares.

### Number of Share Rights and Issue Price

On obtaining shareholder approval, Capral will issue 2,500,000 Share Rights to Mr Dragicevich for nil consideration. The Share Rights are subject to service requirements and vesting criteria over a three year performance period from 1 January 2016 to 31 December 2018.

### Timing of grant and vesting

The grant date of the Share Rights will be on or about the date of shareholder approval, but in any event no later than 12 months after the AGM. The vesting date of the Share Rights will be 1 March 2019.

### Vesting conditions

Vesting of the Share Rights is subject to hurdles that Mr Dragicevich remains employed at Capral on the vesting date and meets certain performance hurdles; 50% of the Share Rights are subject to an Earnings Per Share performance condition (**EPS condition**) and 50% of the Share Rights are subject to a Total Shareholder Return (**TSR**) performance condition (**TSR condition**).

An Earnings Per Share target is set each year based on the Net Profit After Tax Target as specified by the Board (adjusted for any extraordinary items approved by the Board) divided by number of securities on issue. The Net Profit After Tax Target used for this condition is set at least at minimum Budget level which must exceed the level of the previous year's actual performance. The Board may adjust Earnings Per Share to exclude the effects of material business acquisitions or divestments and certain one-off costs. Adjustments would be disclosed. Performance is measured over three years and, for the Share Rights to vest,

actual performance over that three year period must meet, in aggregate, the three annual targets combined (even if the target in any individual year is not met).

The TSR condition is measured against the entities with ordinary shares and units (as the case may be) included in the S&P/ASX All Ordinaries Index as at 1 January 2016 but excluding those companies who are classified in the Global Industry Classification Standard sector number 40.

The number of Share Rights subject to the TSR condition which may vest will be determined by comparing Capral's TSR against the TSR of each member of this comparator group over the same period, and the percentile position of Capral within that comparator group as set out below:

| 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                           |

If Mr Dragicevich's employment is terminated by Capral other than for cause all of the unvested the Share Rights will immediately vest. Unvested Share Rights lapse upon Mr Dragicevich ceasing to be employed by Capral in circumstances other than the above. In the event of fraud, misstatement or misrepresentation of the financials, the Board has the ability to forfeit some or all of the Share Rights and any Shares issued on vesting of those rights.

The Share Rights confer no rights to dividends or other distributions, or to participate in a new offer of shares unless and until the Share Rights have vested and Shares are issued by Capral.

### Other information

For the purposes of ASX Listing Rule 10.15, the following additional information is provided for shareholders.

- » Mr Dragicevich is a related party of Capral because he is a Director.
- » The acquisition price for the Share Rights is nil and no money is payable by Mr Dragicevich for a Share on the vesting of a Share Right.
- » No loans will be made in relation to the acquisition of the Share Rights or Shares by Mr Dragicevich.
- » There have been no issues of securities to Capral directors or their associates under the Long Term Incentive Plan since the issue of securities to Mr Dragicevich in accordance with the approvals given at the 2014 AGM and 2015 AGM. 2,500,000 Share Rights were issued to Mr Dragicevich under the 2015 scheme, following approval at the 2015

AGM. The acquisition price for those Share Rights was nil. As disclosed in the Appendix 3Y lodged by Mr Dragicevich on 15 January 2016, 416,750 of the 2015 approved Share Rights have lapsed. There are no outstanding 2014 approved Share Rights.

- » All directors of Capral are eligible to participate in the Long Term Incentive Plan. As at the date of this Notice these are Mr Dragicevich, Rex Wood-Ward, Philip Jobe, Ian Blair and Graeme Pettigrew.
- » No funds will be raised by the issue of the Share Rights or Shares upon vesting.

Listing Rule 7.1 imposes a 15% cap on the number of equity securities that can be issued by Capral without approval of shareholders in any rolling twelve month period. However, Capral is permitted to issue shares (or other securities) in excess of the 15% limit if those shares or securities are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders. Resolution 5, if passed, will provide approval for this purpose in relation to both the Share Rights and any Shares issued on vesting of those rights. If approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

#### Accelerated vesting and potential termination benefit

As noted above, the Share Rights will vest on an accelerated basis in certain limited circumstances, including on a cessation of employment from Capral other than by reason of voluntary resignation or dismissal for cause.

The accelerated vesting of the Share Rights in these circumstances may be considered a retirement benefit. Shareholder approval is being sought for these benefits under section 200E of the Corporations Act.

Section 200B of the Corporations Act requires Capral to obtain shareholder approval before giving a benefit to a director in connection with the director's retirement from office unless the benefit falls within certain exceptions set out in the Corporations Act. A payment will only fall within those exceptions if the amount is less than a prescribed multiple of the director's base remuneration and if the nature of the payment falls within one of the categories set out in the Corporations Act. It is unlikely that these exemptions would apply.

Capral therefore seeks shareholder approval for the purposes of section 200E of the Corporations Act and for all other purposes.

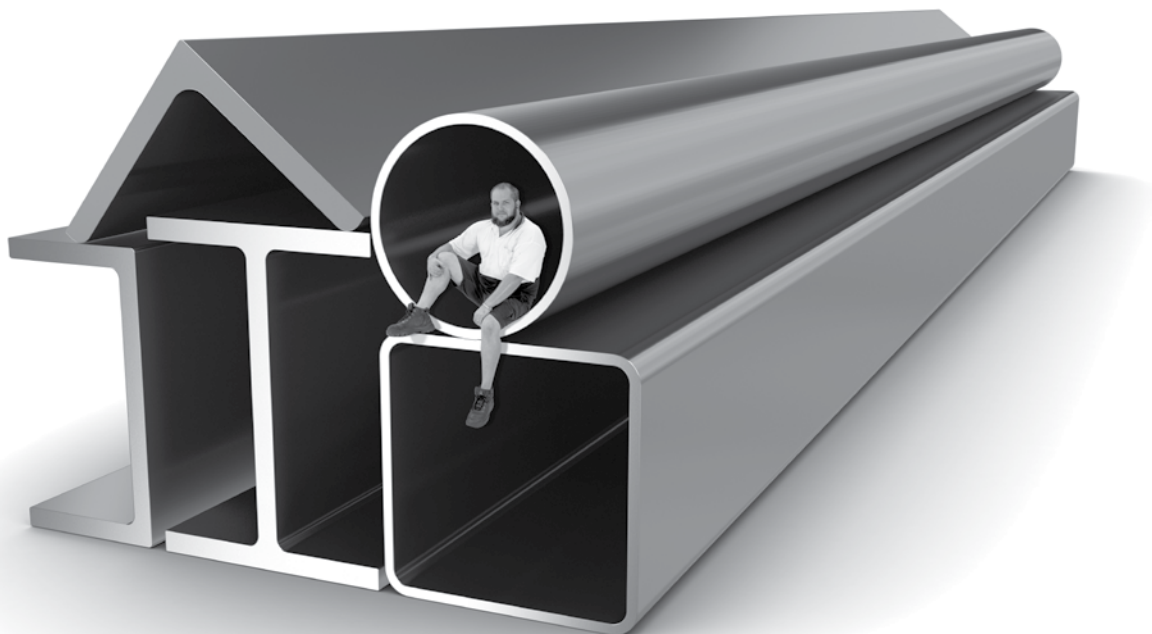
The total value of the termination benefits that may accrue to Mr Dragicevich will depend on the market price of Capral Shares at the time the Share Rights vest.

#### Effect of not approving issue of the Share Rights, and Recommendation

There are no adverse consequences if approval is not given for the issue of the Share Rights. However, to ensure Capral can attract and retain the right talent, the Board considers it is important for Capral to offer incentives to its directors and executives that are in line with market practice.

#### Director recommendation

The Board considers that the award is an appropriate incentive in the best interests of Capral and therefore recommends (with Mr Dragicevich abstaining from making a recommendation) that shareholders vote in favour of Resolution 5.





## Capral Limited

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