

CAPRAL LIMITED
2019 ANNUAL REPORT

ABN 78 004 213 692

CAPRAL'S VISION & VALUES

Our Vision is to be Australia's first choice supplier of aluminium products and solutions.

We are committed to our Values:

SAFETY FIRST

Everyone is responsible ■ Injuries can be prevented ■ All jobs can be done safely

CUSTOMER SUCCESS

Customers determine our success ■ Committed to service and quality ■ Be responsive to customer needs

PLAY FAIR

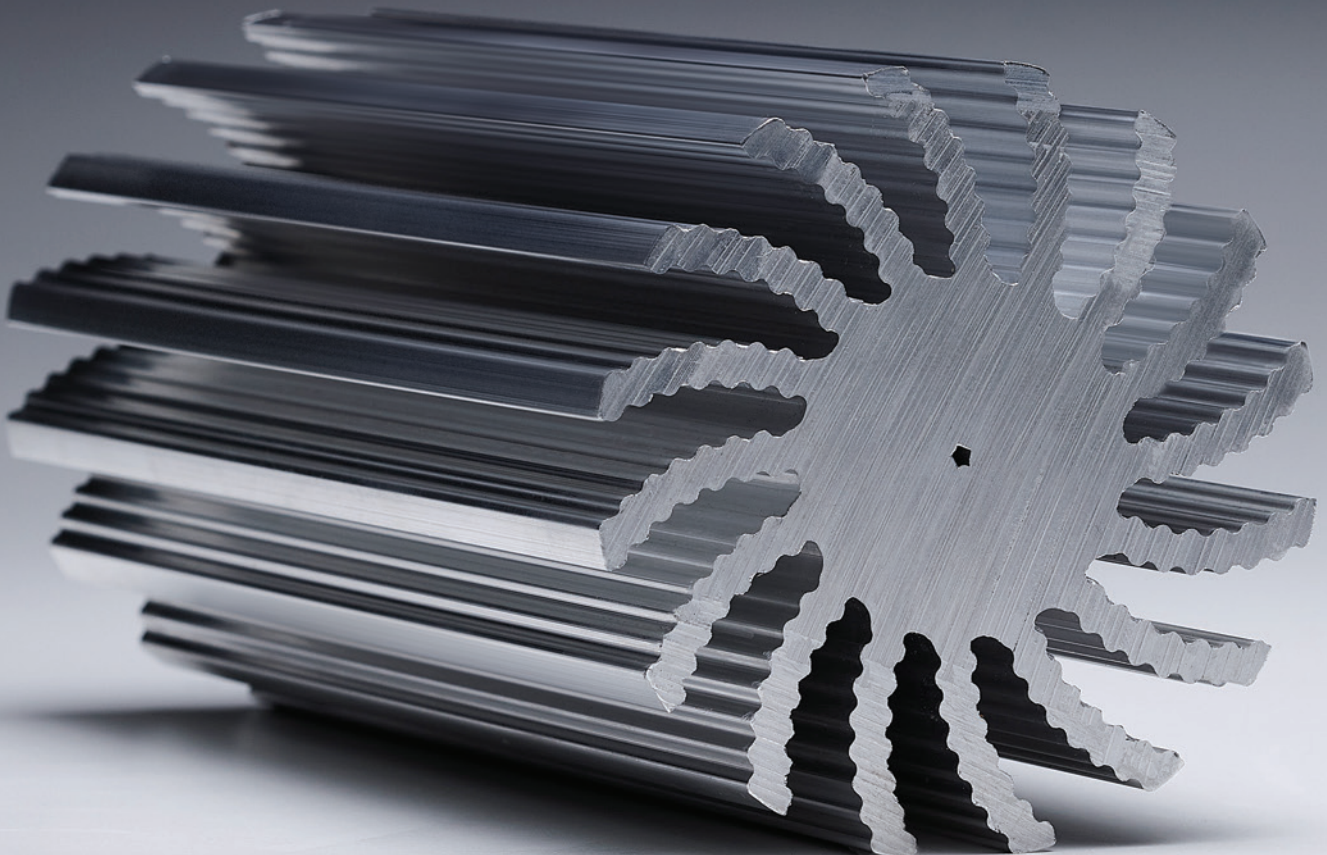
Be honest and respectful ■ Do the right thing by each other and the environment ■ Work as a team

BETTER EVERY DAY

Continuous improvement ■ Embrace change ■ Be innovative

OWN IT

Be accountable ■ Feel empowered ■ Take pride in our work ■ Act boldly



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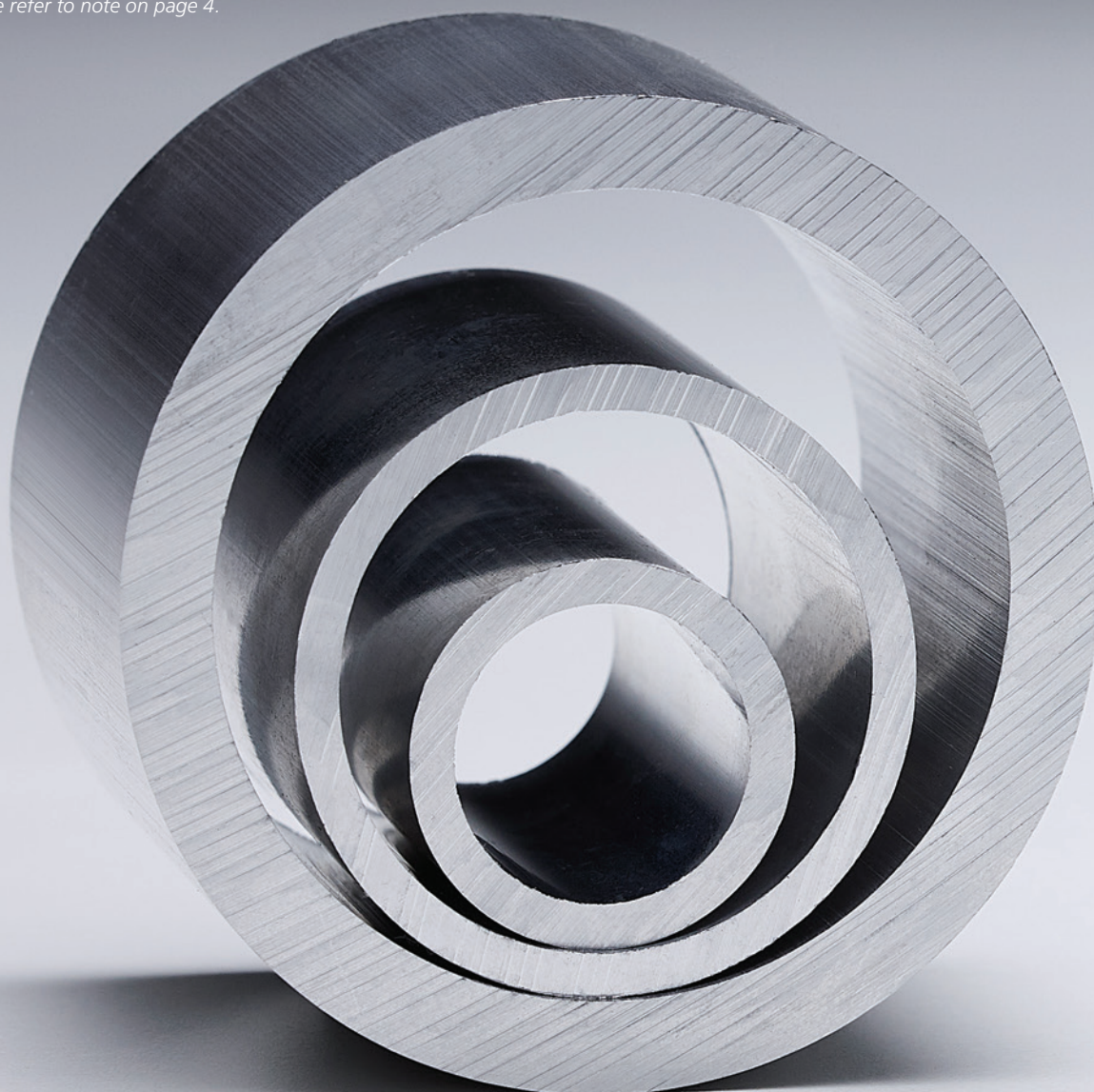
Our 2019 Annual Report is dedicated to the memory of our colleagues that sadly passed away during the year.

Joseph Lal, 25 years of service and Richard Michael, 30 years of service.

KEY STATISTICS

FOR THE YEAR ENDED 31 DECEMBER	2019	2018	VARIANCE
Sales Volume - Tonnes	56,800	60,500	(3,700)
	\$m	\$m	\$m
Revenue	419.0	455.1	36.1
EBITDA	19.9	13.1	6.8
Trading EBITDA ¹	11.0	14.3	(3.3)
Profit/(Loss) after Tax	(4.2)	6.4	(10.6)
Operating Cash Flow	10.9	12.0	(1.1)
Net Cash	17.9	27.6	(9.7)

¹ Please refer to note on page 4.



CHAIRMAN'S REPORT

FINANCIAL RESULTS

The Company recorded a Net Loss After Tax of \$4.2 million for the year ended 31 December 2019 (2018: Profit \$6.4 million).

Sales revenues for the year of \$419 million were 8% lower than the \$455 million achieved in 2018, primarily as a result of 6% lower volumes compared to the prior year. As a result of the decrease in revenues, Capral delivered a Trading EBITDA¹ of \$11.0 million for the year (2018: \$14.3 million). EBITDA at \$19.9 million is not directly comparable with FY18 EBITDA of \$13.1 million due to the impact of adopting AASB16 during the year.

The 2019 year was a tale of two halves for Capral.

	H1 2019	H2 2019	FY 2019
Total Volume	27kt	30kt	57kt
Total Revenues	\$201m	\$218m	\$419m
Trading EBITDA	\$2.4m	\$8.6m	\$11.0m

	H1 2018	H2 2018	FY 2018
Total Volume	30kt	31kt	61kt
Total Revenues	\$223m	\$232m	\$455m
Trading EBITDA	\$6.9m	\$7.4m	\$14.3m

While lower Trading EBITDA in the first half was primarily due to lower volumes, the Company's volumes recovered modestly in the second half of 2019. The benefit of more stable volumes in the final 6 months of 2019 were partly offset by continued pricing pressure from local competitors' and low-priced imports. However, the higher volume levels and the permanent operational savings achieved from automation and the right sizing of Bremer Park operations produced Trading EBITDA of \$8.6 million in the second half, compared to \$7.4 million in 2018.

The Net Loss After Tax of \$4.2 million included LME stock revaluation charges of \$1.1 million and Abnormal charges

of \$6.7 million, which relate primarily to the costs incurred in right sizing and restructuring our operations at Bremer Park. The LME price fell meaningfully in the final months of 2018 and continued to be soft throughout 2019.

Year-end net cash on hand was \$17.9 million. Capral has a strong balance sheet, supported by a \$50 million facility with ANZ which was extended during the year through to January 2021.

The major portion of the Company's \$5.0 million cash expenditure on capital items in 2019, on top of the \$10.4 million invested in 2018, is directed towards productivity improvements. These capital investment projects in new technology and automation to improve Capral's long-term competitive position are contributing to reduced costs through increased productivity.

OPERATIONS

The Bremer Park restructure was an important milestone for the Company. Through the closure of the anodising operation and an excess paint line, combined with the right sizing of our extrusion operations, our fixed cost base has been substantially reduced. In addition, further savings were achieved through lease negotiations and additional space to a third-party sub-lease. Our goal at Bremer Park was not simply to take out costs, but to make structural improvements to the way we operate. The total annualised savings are expected to be in the order of \$8 million.

By driving costs lower and optimising our full value chain, Capral seeks to achieve sustainable profitability and leverage. This will improve the overall health of the company at current activity levels and prepare us better to leverage our cost base to higher volumes.

Increased measures against dumped Chinese imports were introduced in mid-2019 and Border Force compliance activities have escalated. Whilst we anticipate some positive impact on import levels, imported extrusions continue to negatively affect the marketplace. It is important that meaningful sanctions are imposed against

¹ EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and incorporates AASB16 impact from 2019.

CHAIRMAN'S REPORT (CONTINUED)

suppliers breaking Australian laws. With our industry's support, the Company will continue to monitor and pursue anti-dumping and circumvention cases to ensure that Australian manufacturers are competing in a fair market.

SAFETY

Capral has a strong focus on safety, and safety performance measures during 2019 compare favourably to those of the past 3 years. Capral will continue to prioritise safety improvement through risk assessment, education and monitoring of the workplace.

DIVIDENDS

Capral resumed paying dividends with effect from its 2016 financial year. Over the past 3 years the Company has returned over \$19 million to its shareholders by way of fully franked dividends. In the year under review the abnormal costs of LME stock revaluation charges and costs relating to the right sizing and restructuring of Bremer Park impacted the Company's free cash flow, thereby restricting the quantum of any dividend payment under its banking covenants. However, given the strong second half performance, the traction which the restructure at Bremer Park has already demonstrated and the outlook for 2020, the Directors have resolved to pay a dividend to shareholders, having received the support and dispensation from its bankers to do so.

The Company has declared a fully franked dividend of 0.50 cents per ordinary share (2018: 1.00 cents) to be paid on 25 March 2020 in respect of the financial year ended 31 December 2019. The dividend will be paid to all shareholders on the register of members as at the Record Date of 10 March 2020. The Capral Dividend Reinvestment Plan, announced on 31 January 2020, will be active for this dividend with election to be made by 13 March 2020.

The Company is proposing a share consolidation of 1 new share for 10 existing shares. The directors believe that this proposed consolidation, if approved at the forthcoming AGM, represents an opportunity to further enhance shareholder value.

On behalf of the board, I would like to thank all of Capral's employees, its customers, suppliers and service providers, as well as our shareholders, for their commitment and support during the past year. I would also like to record my appreciation to my co-directors for their contributions and support.



Rex Wood-Ward
Chairman
29 February 2020

*Trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. Trading EBITDA is EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. These items are LME and Premium revaluation (\$1.1 million), one-off and other restructuring related costs (\$6.7 million) that are non-recurring in nature and for 2019 includes the depreciation and interest on Right of Use assets as proxy for rent (\$16.7 million).



MANAGING DIRECTOR'S

Operation and Financial Review



OVERVIEW

- » Full Year result within latest guidance
- » Volume at 56,700 tonnes was 6% below 2018
- » Market conditions soft in key residential building sector
- » Margins remain tight due to competitive landscape
- » Trading EBITDA¹ \$11.0 million, down \$3.3 million on 2018
- » Balance sheet remains strong with net cash at \$17.9 million
- » Fully franked final dividend of 0.5 cent per share declared
- » Major restructure of Bremer Park facility substantially completed
- » Key capital investment projects completed in 2019 to improve long term competitive position.

FINANCIAL REVIEW

Conditions were soft during the year mainly due to the slowdown in residential building activity. The market stabilised in the second half of 2019 with volume declining 2% compared to the second half of 2018. Full year volume was 6% below last year. The residential market fell 24% to 170,000¹ starts. Commercial construction and our key industrial markets (manufacturing, transport and marine) were reasonably steady throughout 2019.

The LME price of aluminium fell in late 2018 and remained soft during the period. As announced at half year, Capral undertook a major restructuring and rightsizing of its largest extrusion manufacturing plant at Bremer Park in Queensland. The restructure was executed in the 3rd quarter of 2019 and included the closure and removal of the anodising plant and one paint line, and the relocation of warehousing facilities to accommodate additional space for third party sub-lease. The rightsizing included 62 redundancies. The restructure was substantially completed by year end and, together with renegotiated lease terms, Bremer Park's annualised cost base reduced by around \$8 million.

Capral delivered a lower profit in 2019, with a Trading EBITDA¹ of \$11.0 million (2018: \$14.3 million) on lower volumes. EBITDA of \$19.9 million (2018: \$13.0 million) included a net positive impact of AASB16 of \$16.7 million,

negative LME revaluation of \$1.1 million, and restructuring and one-off costs of \$6.7 million. A net loss after tax of \$4.2 million (2018: \$6.4 million profit) was recorded. Capral will pay a fully franked final dividend of 0.5 cents per share.

KEY INITIATIVES AND STRATEGIES

Investment in key capital projects and the restructuring of Bremer Park, have lowered Capral's breakeven point. The key high level strategies remain consistent:

- » **Build** on our strengths; product offer, scale, capability and our people.
- » **Optimise** what we do; improve productivity in manufacturing and efficiencies in supply chain.
- » **Grow** for the future; innovative new products and value add services.

During 2019 we completed the automation of our Bremer Park packing line. At our Canning Vale operation, we commissioned a new technology paint line and completed the consolidation of our distribution warehouses onto the one site.

The focus in 2020 will be to extract the cost savings from recent capital projects, further streamline the manufacturing operations at Bremer Park, and leverage our investment in system technology (CRM, E-Store, EDI) to improve sales effectiveness. We will also focus on improving the market offer and service in our aluminium distribution business with the longer term goal of increasing the volume and profitability of Capral's direct distribution channel.

FAIR TRADE

Capral continues to lead the local extrusion industry in the pursuit of fair trade. During 2019 the key initiatives were:

- » The successful review of measures on Chinese imports leading to increased dumping duties.
- » Supporting Australian Border Force in the prosecution of importers circumventing the anti-dumping measures through misclassification and transshipment of aluminium.

Despite our efforts, import volumes remain at high levels and continue to suppress selling prices and injure local industry. It is important that Australian manufacturers continue to fight for Fair Trade.

SAFETY

Capral continues to prioritise the safety of its people with an on-going focus on training, systems and culture and we remain committed to our **Safety First** value: everyone is responsible, injuries can be prevented, and all jobs can be done safely. During 2019 Capral retained its Safety and Quality Management accreditations. The total reportable injury frequency rate fell to 11.4 (2018: 13.2).

Improved safety outcomes are targeted through on-going focus on Capral's Golden Safety Rules. Further details are set out in the Sustainability Report (page 6).

RISKS

Capral is exposed to a range of risks that could impact the achievement of its strategies and financial prospects; further details are outlined in the Sustainability Report (pages 6 and 7).

OUTLOOK

External forecasts for the residential market indicate that activity will bottom in the first half of 2020 with housing starts forecast to lift in the second half of 2020 to deliver 158,000¹ starts for the year. This further reduction in housing starts continues to consist mainly of a drop in high rise apartments. The non-residential market is forecast to grow modestly in 2020. The industrial market is expected to remain at current levels as marine and defence projects continue to progress, although we are experiencing a slowdown in the transport sector.

LME is not easy to predict given the influence of external factors. LME has softened over the past 15 months and external analysts forecast LME to remain at current levels during 2020. This should assist with stability of Capral's margins.

Overall market conditions for Capral's aluminium extrusion and rolled products are forecast to improve slightly in 2020. Volumes are anticipated to be soft in the first half and improve in the second half of 2020. Trading EBITDA² is forecast, absent any unforeseen events, to be between \$14 million - \$16 million and EBITDA to be between \$30 million - \$32 million. On this basis, Capral would continue to be in a position to consider a franked dividend.

The focus in 2020 will be to derive benefits from key capital projects and the restructuring of our operations last year. We seek to enhance our market offer, service and quality to help strengthen customer relationships and grow revenue, market share and profitability.



Tony Dragicevich

Managing Director

26 February 2020

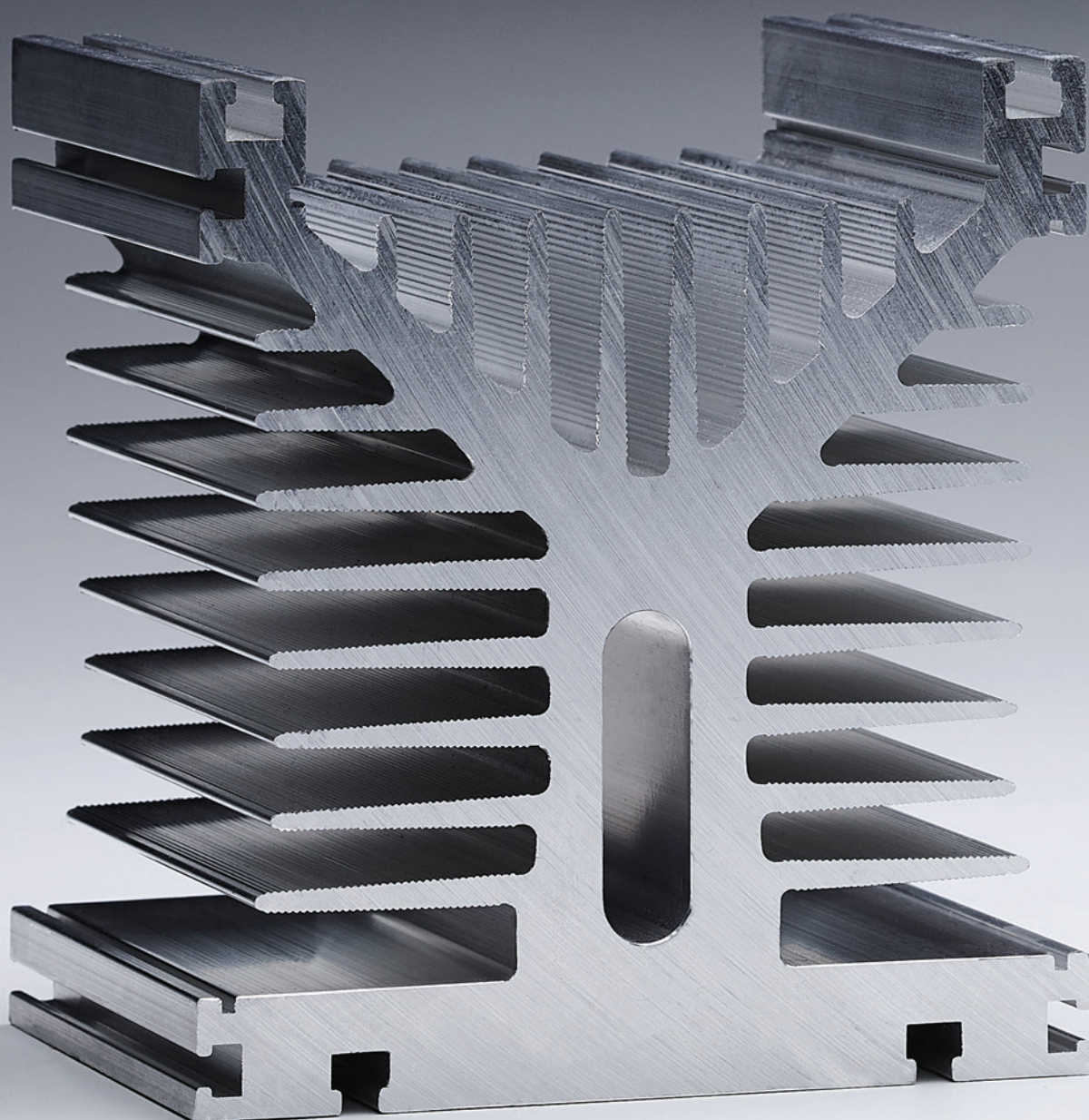
¹ BIS Oxford Economics December 2019 forecast.

² Refer to Trading EBITDA explanation in footnote to Chairman's Report on Page 4.



BOARD OF DIRECTORS

Directors in office at date of this report



Rex Wood-Ward

Chairman of Board (Independent)

Appointed 6 November 2008

Chairman of the Board

Member of the Audit & Risk Committee

Member of the Remuneration & Nomination Committee

Mr Wood-Ward has over 45 years of international experience in general management, mergers and acquisitions, corporate strategy and structuring, including in manufacturing and distribution. Over his career he has been a director of over 10 publically listed companies in Australia, the United Kingdom and South Africa.

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

Tony Dragicevich B. Comm A.C.A

Managing Director (Non-independent)

Appointed 15 April 2013

Mr Dragicevich joined Capral in January 2013 and became the Managing Director and Chief Executive Officer on 15 April 2013. Mr Dragicevich is an experienced CEO and business leader who has been involved in the improvement of a number of businesses, having previously served as Managing Director of the Wattyl Group, and as Chief Executive of GWA Bathroom and Fittings, Managing Director of the Red Paper Group and General Manager of Tasman Insulation.

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

Philip Jobe B. Comm

Non-executive director (Independent)

Appointed 24 April 2009

Member of the Audit & Risk Committee

Member of the Remuneration & Nomination Committee

Mr Jobe became a non-executive director following the expiry of his term as Capral's Chief Executive Officer and Managing Director in April 2013. Before joining Capral, Mr Jobe was the Executive General Manager of Boral Limited's Cement Division, including Managing Director of Blue Circle Southern Cement Pty Limited. This also encompassed the role of Chairman of the Cement Industry Federation. He also had executive responsibility for Boral's expanding Asian construction materials businesses.

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

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

Ian Blair M.Mgt, FCA

Non-executive Director (Independent)

Appointed 23 May 2006

Chairman of the Audit & Risk Committee

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.

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

Graeme Pettigrew FIPA, FAIM, FAICD

Non-executive Director (Independent)

Appointed 18 June 2010

Chairman of the Remuneration & Nomination Committee

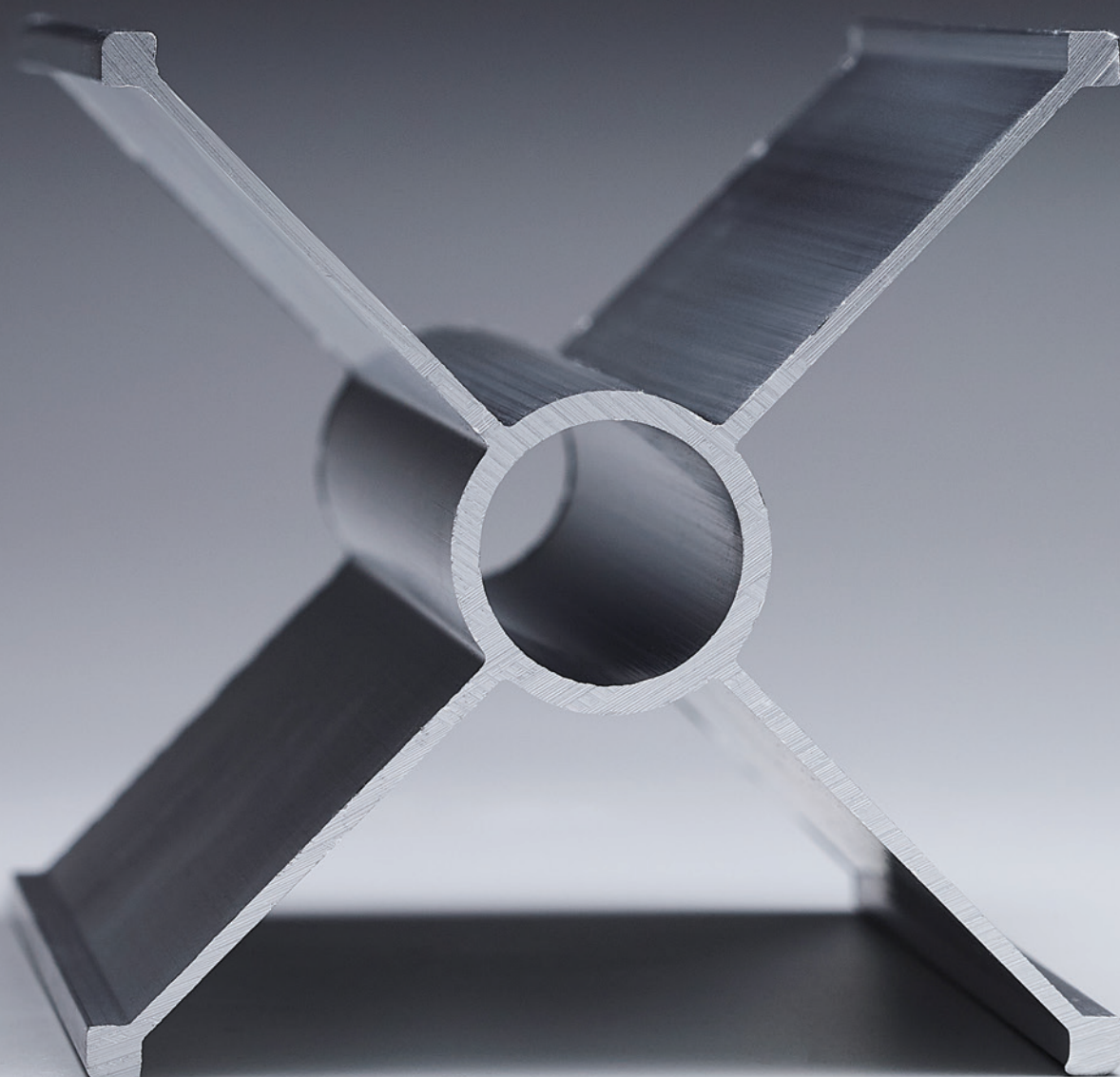
Member of the Audit & Risk Committee

Mr Pettigrew has held chief executive roles at CSR Building Products Pty Ltd and Chubb Australia Ltd and he recently retired as a non-executive director of Adelaide Brighton 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 17 May 2018.

SUSTAINABILITY REPORT



SCOPE

Capral's operations are affected by economic, environmental and social sustainability risks. These risks are managed within the internal controls framework described in Capral's Corporate Governance Statement (available on Capral's website). This report should be read with other sections of the Annual Report. The exposure to economic factors is outlined below and further information can be found in the Managing Director's Operations and Financial Review. Capral is committed to continuous improvements including programs that focus in the areas below:

HEALTH AND SAFETY

Capral's Safety message is simple – Safety First. Safety is an integral part of our business at all levels, it's Capral's way. Through the continued investment in our people, we have cultivated perceptions of risk and encouraged proactive behaviours to further enhance our already robust Safety Culture. At Capral, everyone is responsible to ensure we develop and improve our safety environment. A workplace that targets zero-injuries is a workplace where everyone cares enough to engage in driving the safety process. Creating this environment requires leadership at all levels, to support this we re-launched the Capral Golden Safety Rules in 2019 and developed Capral's online Integrated Safety Management System, known as IMS Central.

Below is a summary of the 2019 safety outcomes for the Capral Group:

- » There were 19 reportable injuries, 6 less than 2018. The LTI/ MTI Frequency Rate decreased to 11.4.
- » **Safety First** Value was rolled out again via toolboxes across the business and this will be re-initiated in early 2020
- » Capral achieved Integrated Management System (IMS) Certification against the revised standards.
- » The Letter of Assurance was completed across all sites with excellent results.
- » A number of improvement programs and reviews were conducted.
- » Capral developed IMS Central, an integrated software solution to enhance Capral's Safety Management practices.
- » Manufacturing plants that achieved LTI free milestones: Canning Vale (10 years), Austex Dies (8 years), and Campbellfield (4 years)
- » Distribution site that remained LTI/MTI free: Hobart (23 Years), Rockdale (21 years), Cardiff, Kunda Park

and Springwood (14 years), Laverton (13 Years), Darwin (10 years), Lynbrook (8 years,) Gold Coast (6 Years), Townsville (2 years) and WA (1 year).

PEOPLE

The Capral Group employs approximately 780 permanent staff at 23 locations in Australia. Capral has a stable workforce and around half of our employees are covered by Enterprise Agreements. There are no material workplace issues.

Our Values underpin how our business is conducted and include:

- » **Safety First:** Everyone is responsible; Injuries can be prevented; All jobs can be done safely
- » **Customer Success:** Customers determine our success; Committed to service and quality; Be responsive to customer needs
- » **Play Fair:** Act with integrity; Do the right thing; Work as a team; Be honest and respectful
- » **Better Every Day:** Continuous improvement; Be innovative; Embrace change
- » **Own It:** Be accountable; Feel empowered; Take pride in our work; Act boldly.

Our Code of Conduct provides a set of guiding principles and our people receive regular Code of Conduct training.

Capral respects the benefits arising from workplace diversity. We strive to promote an environment conducive to the appointment of well qualified people so that there is appropriate diversity to maximise the achievement of our goals. Further details of Capral's objectives are contained in Capral's Corporate Governance Statement and Diversity Policy, both available on Capral's website.

ENVIRONMENT

Capral's commitment towards environmental obligations continued to be a focus through 2019. All environmental reporting obligations were met as per the legislation including the requirements of ISO 14001:2015, Environmental Management Standards audited by a third party certification body.

Capral continued to work with suppliers and customers to minimise environmental impacts associated with packing materials used for aluminium products. One of our unique initiatives being the use of recyclable plastic cleats replacing timber for packing. This is being rolled out to some initial customers.

Our main emissions are from electricity and gas consumption. Following energy audits for all manufacturing sites, a number of energy saving opportunities were identified, which are being progressively carried out across the group.

Capral has a clear strategy and focus for the year ahead to continue compliance with legislative requirements and review and adopt industry best practice in our processes.

COMMUNITY INTERACTION

Capral's community contributions continued to deliver outcomes in conjunction with local organisations and charities to ensure community needs were met. Our support included:

- » National Awareness Campaigns
- » Disaster Relief Support
- » Employer matched fundraising initiatives
- » Sponsorship.

Some of the organisations or charities supported during the year includes:

R U OK? Day, Townsville Floods, National Bushfire Appeal, Movember, Goodna Street Life, Kids with Cancer, Perkins Running Festival, WaterAid Australia; Alison Baden-Clay Foundation, Disability Sport and Recreation Victoria, Newport Plus Board Riders; and Artists for the Sculptures by the Sea.

Capral also partnered with Deakin University to develop and sponsor 'the Richard Michael Leaders in Engineering Scholarship'. The scholarship is dedicated to the late Richard Michael, former Capral Executive General Manager of Manufacturing and highly respected industry figure. The scholarship aims to build a supported career pathway in relevant engineering disciplines; and to foster future leaders in the industry. Winners of the scholarship will receive up to \$10,000 per year for 2 years; together with work placement opportunities at Capral's Campbellfield site.

ECONOMIC SUSTAINABILITY

In addition to the information in the Managing Director's Operations and Financial Review, there are various risks that could impact the achievement of Capral's financial performance and strategies. Capral has a risk management and internal control system to identify, and implement mitigation plans in relation to, the key risks. Set out below are some of these key risks, some of which can be mitigated where not beyond Capral's control:

- » Aluminium Price: The market price of aluminium fluctuates. LME and billet premium price increases place upward pressure on working capital. To the extent that price variations cannot be passed on to customers, Capral is exposed to movements in the price of aluminium. This exposure is mitigated where extrusions are sold to customers with pricing arrangements linked to changes in the market price of aluminium.
- » Exchange rate and currency fluctuations: A strong Australian dollar makes imports less expensive to Australian customers, potentially impacting Capral's volume and margins. The price paid by Capral for some raw materials is in US dollars and therefore a higher US dollar could make the products more expensive. The impact is partially mitigated to the extent Capral is able to pass the increase on to the market in a timely manner.
- » Key customers: Capral's performance is impacted by the volume of sales to large customers. There is a risk to Capral that the requirements of one or more key customers may change.
- » Imports and local competitors: Capral is subject to pressures from import and domestic competition. Import extrusion market share is over 30% and there is excess domestic extrusion capacity.
- » Anti-dumping: To the extent duties are reduced or removed in relation to imports from China, this could have an adverse impact on Capral volume and margins.

- » Residential and Commercial markets: Capral is exposed to the cyclical nature of both residential and commercial building activity which is currently falling from the top of the cycle. As many of Capral's costs are fixed, it may not be easy to reduce its costs relative to the economic downturn and therefore any material and/or extended downturn may negatively affect Capral.
- » Industrial markets: Capral is also exposed to industrial markets driven by transport, marine and the general manufacturing sectors.
- » Economic downturn: An economic downturn, like the global financial crisis in 2008, could have a material adverse effect on the demand for Capral's products and financial performance.
- » Carry forward of historical tax losses: a change in business may cause Capral to lose the future benefit of some (but not all) of its historical tax losses.
- » Other: other risks include an inability to maintain a competitive cost base, a major operational failure or disruption to Capral's facilities, and regulatory compliance and change.



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 2019 (**Financial Year**).

DIRECTORS

The following persons were directors of Capral during the Financial Year and up to the date of this report:

NAME	PERIOD OFFICE HELD
R. L. Wood-Ward	6 November 2008 - Date of this report
A. M. Dragicevich	15 April 2013 - Date of this report
P. J. Jobe	24 April 2009 - Date of this report
I. B. Blair	23 May 2006 - Date of this report
G. F. Pettigrew	18 June 2010 - Date of this report

Details of directors, their qualifications, experience, special responsibilities (including committee memberships) and directorships of other listed companies held in the last three years before end of the Financial Year are set out on page 11.

PRINCIPAL ACTIVITIES

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

DIVIDENDS

The Directors recommend that a final dividend of 0.5 cent per ordinary share (fully franked) be declared. The record date for the final ordinary dividend will be 10 March 2020, with payment being made on 25 March 2020.

Shareholders can choose to receive their dividends as cash or reinvest for an equivalent number of shares under the Dividend Reinvestment Plan (DRP). The DRP election date will be 13 March 2020. The Board has decided to issue new shares to satisfy the DRP for the 2019 final dividend. The DRP will be at a discount of 3% to the 5 days Volume Weighted Average Price (VWAP) calculated from 9 March 2020 to 13 March 2020, both days included. A final dividend of 1.0 cent per ordinary share (fully franked) was paid in March 2019, no other dividends or distributions have been paid during the Financial Year.

REVIEW OF OPERATIONS AND FINANCIAL POSITION

A review of operations and financial position of the consolidated entity are referred to in the Managing Director's Operations and Financial Review on pages 6 and 9.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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, BUSINESS STRATEGIES, PROSPECTS AND RISKS

Information on likely developments, business strategies, prospects and risks are detailed in the Managing Director's Operations and Financial Review on pages 6 and 9 and the Sustainability Report on pages 12 to 15. Whilst Capral continues to meet its continuous disclosure obligations, this report omits information where it would be likely to result in unreasonable prejudice to Capral. This includes information that is commercially sensitive, is confidential or could provide a third party with a commercial advantage (such as internal budgets and forecasts).

OTHER INFORMATION FOR MEMBERS TO MAKE AN INFORMED ASSESSMENT

Other than information set out in this report, there is no information that members would reasonably require to make an informed assessment of the operations, financial position, business strategies and prospects for future financial years of the consolidated entity.

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.

Mr Rolfe resigned as Company Secretary on 8 March 2019.

Ms G Nairn - Joint Company Secretary, BA/LLB, FGIA

Ms Nairn has over 20 years legal and governance experience in various listed and public companies, as well as in private practice.

Ms Nairn is an employee of Company Matters Pty Ltd, a company secretarial service provider. Prior to joining Company Matters, Ms Nairn held various company secretarial roles, predominantly with listed entities, in a variety of sectors including manufacturing, oil and gas, professional services and education.

Ms Nairn holds a Bachelor of Laws and a Bachelor of Arts, a Graduate Diploma in Applied Corporate Governance and is a Fellow of the Governance Institute of Australia and a member of the Law Society of NSW.

Ms Nairn was appointed as a Company Secretary on 8 March 2019.

Mr T Campbell – Chief Financial Officer and Joint Company Secretary, CA, B.Com (Hons)

Mr Campbell was appointed Chief Financial Officer on 1 June 2011.

Mr Campbell is a member of the South African Institute of Chartered Accountants as well as the Australia and New Zealand Institute of Chartered Accountants.

Prior to joining Capral, Mr Campbell held various executive positions at UXC, Macsteel and The South African Breweries.

Mr Campbell was appointed as a Company Secretary on 8 March 2019.

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 & RISK COMMITTEE		REMUNERATION & NOMINATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
R.L. Wood-Ward	8	8	3	3	2	2
A.M. Dragicevich	8	8	3	3 ¹	2	2 ¹
P.J. Jobe	8	7	3	3	2	2
I.B. Blair	8	8	3	3	2	2
G.F. Pettigrew	8	7	3	2	2	2

¹ Attended meeting(s) 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:

DIRECTOR	POSITION	ORDINARY SHARES FULLY PAID IN THE COMPANY		
		BALANCE AT 1.1.2019	BALANCE AT 31.12.2019	BALANCE AT DATE OF THIS REPORT
R. L. Wood-Ward	Director and Chairman of the Board	-	-	-
A. M. Dragicevich	Managing Director	7,522,750	9,974,675 ¹	9,974,675
P. J. Jobe	Director	7,100,500	7,100,500	7,100,500
I. B. Blair	Director	227,348	227,348	227,348
G. F. Pettigrew	Director	-	-	-

¹ Acquired 2,451,925 shares on vesting of performance rights on 4 March 2019.

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

MR A. M. DRAGICEVICH NATURE OF OTHER INTERESTS	BALANCE AT 1.1.2019	BALANCE AT 31.12.2019	BALANCE AT DATE OF THIS REPORT
Performance rights	6,700,000	6,550,000 ¹	6,550,000

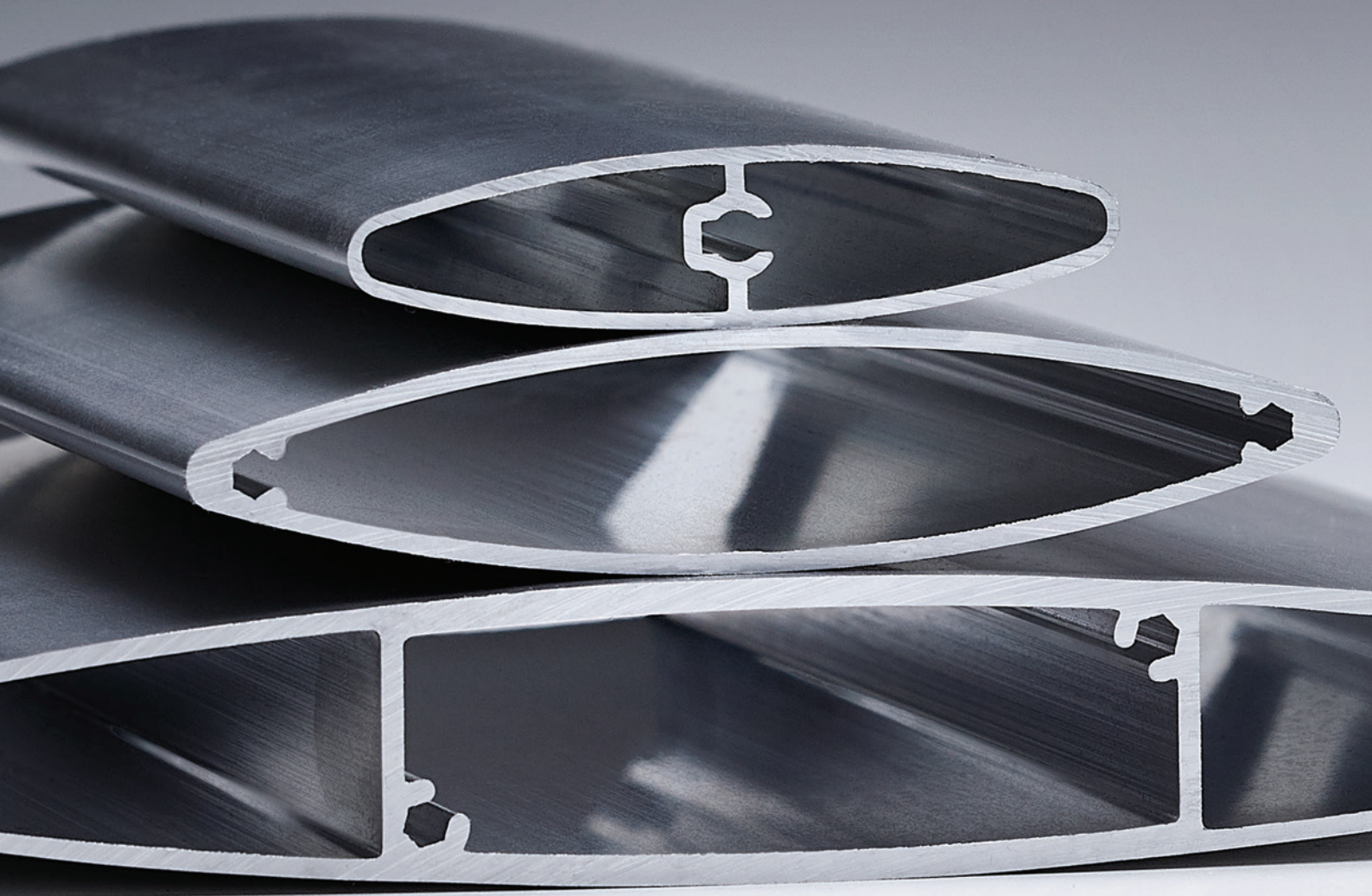
¹ 48,075 performance rights lapsed on 1 March 2019; 2,451,925 performance rights vested and converted to ordinary shares on 4 March 2019; and 2,350,000 performance rights were issued on 16 April 2019.

UNISSUED SHARES OR INTERESTS UNDER OPTION

At the date of this report, there are 18,500,000 (2018: \$20,350,000) unissued shares or interests under option. Refer to sections 1 to 3 of the Remuneration Report.

REMUNERATION REPORT

(Audited)



This report sets out Capral's remuneration of its directors and executives. It also details the actual remuneration of its key management personnel (including the directors) during the Financial Year.

SECTION 1: THE REMUNERATION FRAMEWORK

(a) Key Principles

Capral's remuneration framework and practices are based on the principles that remuneration is performance driven, aligns with shareholder interests, provides market competitive remuneration that attracts qualified and experienced candidates, and retains and motivates employees.

The variable components of remuneration (short and long term) are driven by challenging targets focused on both external and internal measures of financial and non-financial performance. Details of performance measures are set out in sections 1(g) and 1(h) below. Executive remuneration is aligned with shareholder interests via an emphasis on variable (incentive) remuneration, the award of which is linked to performance benchmarks that support business strategies and future success. A significant proportion of executive remuneration is at-risk. Details of the link between performance and remuneration is set out in section 4.

(b) Role of Remuneration & Nomination Committee

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

Remuneration of the Managing Director and certain executive managers is reviewed at least annually by the Remuneration & Nomination Committee and recommendations are put to the Board for its approval. Short and long term incentives are linked to performance criteria. The Board can exercise its discretion in relation to approving bonuses and incentives. Changes must be justified by reference to measurable performance criteria and having regard to Capral's overall financial performance and other special circumstances.

The Remuneration & Nomination Committee may seek independent advice as appropriate in setting the structure

and levels of remuneration based on the principle that the elements of remuneration should be set at an appropriate level having regard to market practice for roles of similar scope and skill. No remuneration recommendations have been made by remuneration consultants in relation to the Financial Year. Capral has reviewed generally available market information regarding remuneration, as outlined further below.

(c) Performance Planning and Review

Capral has a Performance Planning and Review (**PPR**) process to evaluate and discuss performance and development plans at least annually with salaried employees. This PPR process covers:

- » 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. These are set by reference to financial targets and key business strategies.
- » A review of performance against the previously agreed objectives for the period under review.
- » Employee comment and feedback.
- » Short and long term training and development needs and career aspirations.

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.

(d) 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.

Remuneration of non-executive directors is established 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.

Remuneration of non-executive directors is allocated out of the pool of funds, the limit of which is approved by shareholders in general meeting; the fee pool limit is currently \$500,000 per annum. Each non-executive 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. The fees for the non-executive directors are regularly reviewed having regard to generally available market information and are currently considered to be similar to those paid at comparable listed companies. Non-executive directors do not receive any shares, options or other securities as part of their remuneration however they are eligible to participate in Capral's equity incentive plans, although none currently participate. There are no schemes for retirement benefits (other than statutory superannuation payments).

(e) Senior Management Remuneration

The remuneration policy for the Managing Director and executives seeks to attract and retain people with the required capabilities to lead Capral in the achievement of business objectives and focus on delivering financial and non-financial measures.

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

The Remuneration & Nomination Committee reviews the remuneration arrangements of the Managing Director, his direct reports and certain other executive managers. The Managing Director reviews the remuneration arrangements of the other members of senior management, based on the recommendations of his direct reports.

For the Managing Director and other senior management, remuneration consists of a fixed annual salary and superannuation (refer to section 1(f) below) plus at-risk components comprised of a short term incentive plan (**STIP**) (refer to section 1(g) below) and a long term incentive plan (**LTIP**) (refer to section 1(h) below).

The proportions of fixed and at-risk remuneration are established for the Managing Director and other senior management relative to their position in Capral. As a general guide, at-risk remuneration is 50% for the Managing Director, 25% for executive management and 10%-20% for other senior managers, for the achievement of 'target' goals.

(f) Fixed remuneration

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, with any changes applied from 1 March. Fixed remuneration of executives is generally

targeted at market median.

The fixed remuneration of the Managing Director is determined by the Board having regard to other ASX listed companies in building product related industries, his particular skills and previous remuneration, experience and capability to lead Capral in delivering financial targets and executing key business strategies. It forms part of his executive employment contract and is subject to annual review. The fixed remuneration of the Managing Director increased by 2.1% on 1 March 2019.

The Board has reviewed generally available market information regarding fixed remuneration of the key management personnel for over 10 ASX listed companies in either building product related industries or with comparable revenues and market capitalisation. The fixed remuneration of Capral's key management personnel is generally in line with this group.

The fixed remuneration of Capral's other key management personnel increased by an average of 2% on 1 March 2019.

(g) Short Term Incentives

Capral's short term incentive schemes are designed to encourage participants to assist Capral in achieving continuous improvement by aligning their interests with those of Capral and its stakeholders and rewarding them when key performance measures are achieved.

For the Financial Year, there were 3 short term incentive programs:

- (1) Short Term Incentive Plan (**STIP**): the Managing Director and senior employees have the opportunity to earn a cash and deferred equity 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 financial and non-financial objectives.
- (2) Bonus scheme: other salaried employees can earn fixed payments, as approved by the Managing Director, for achieving key performance measures set by their managers and outlined in the employee's individual PPR.
- (3) Sales incentives: Sales employees participate in quarterly sales incentive programs in relation to revenue, gross margin and debtor days targets.

STIP is weighted 70% to financial objectives and 30% non-financial objectives. A summary of STIP is set out in the table below:

Frequency	Awards determined annually with payment made in the March following the end of the performance year.
Financial Measures	<ul style="list-style-type: none"> » Trading EBITDA for Capral and (for relevant General/Divisional Managers) Business Units (30%). Key financial threshold measure as reflects underlying earnings after excluding the impact of external economic factors such as the volatility of global aluminium prices and foreign exchange rates. » Net Profit Before Tax for Capral (15%). Aligned to ability to pay dividends. » Operating Cash Flow for Capral (15%). Selected to ensure effectiveness of cash management. » % Working Capital to Annualised Sales for Capral and (for relevant General/ Divisional Managers) Business Units (10%). Selected to ensure effectiveness of capital management.
Non-financial Measures	Specific individual objectives are set to reflect measurable and numeric (where possible) strategic initiatives and profit and safety improvement objectives. The key individual objectives include performance to customers, sales targets/growth, productivity and operational improvements, key projects and cost improvements. The weightings are generally 5% however may be higher or lower depending on importance to company performance.
Assessment of performance against measures	<p>Performance against financial measures is assessed after the end of each financial year based on Capral's financial results. The performance against non-financial measures is assessed as part of the PPR process.</p> <p>The Managing Director, in consultation with senior managers, is responsible for recommending to the Board the amount of STIP, if any, to be paid.</p> <p>Payments are subject to the achievement of applicable Capral, Divisional or Regional minimum annual Trading EBITDA targets. Stretch payments are not made where target financial metrics are not met.</p>
Discretionary override	The Board retains absolute discretion regarding payments having regard to Capral's overall financial position and other special circumstances that have arisen during the course of the year (ie normalisation or clawback). The intent however is to minimise the exercise of discretionary adjustments to the planned outcomes set at the start of the year. Material adjustments would be disclosed.
Service condition	The Managing Director is eligible to receive a pro-rata payment where his employment is terminated other than for cause. Other employees who leave Capral part way through a performance period are not eligible for a payment for that period.
Clawback of awards	In the event of fraud, misstatement or misrepresentation of the financials, the Board may exercise its discretion to withhold some or all of a payment before it is made or recover some or all of payments already made.
Deferral	Any 'Stretch' STIP payments (after tax) to the Managing Director and Executive Team is satisfied by Capral Shares held in escrow for 3 years. There is no deferred cash/ equity component for other STIP participants. The Board introduced deferred equity in 2018 to further strengthen alignment of Capral's executive managers with shareholders.

Plan review	The STIP design is reviewed at least annually by the Remuneration & Nomination Committee, and approved by the Board. The Managing Director, in consultation with senior managers, is responsible for recommending to the Board the STIP financial targets. The non-financial objectives are approved by the Managing Director. The Managing Director's non-financial targets are established and approved by the Board.
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The Managing Director and key management personnel are eligible for the following awards of STIP relative to TEC:

POSITION	% OF TEC		
	MINIMUM	TARGET	STRETCH
Managing Director	25%	50%	100%
Other KMP	12.5%	25%	50%

Where objectives can be financially measured, 'Minimum' is generally set around 15% below Board approved Budget. 'Target' is generally set around Board approved Budget and 'Stretch' is generally set 30% above Budget.

The Board has reviewed available market information regarding short term incentive schemes of the key management personnel for over 10 ASX listed companies in either building product related industries or with comparable revenues and market capitalisation. The Board considers that Capral's short term incentive scheme is generally in line with this group.

(h) Long Term Incentives

Capral's long term incentive plan (LTIP) was 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, Mr Dragicevich, was granted 2,000,000 performance rights following shareholder approval in May 2017 and 2,200,000 performance rights following shareholder approval in April 2018. During the Financial Year, an additional 2,350,000 performance rights were granted to Mr Dragicevich following shareholder approval in April 2019.

On the recommendation of the Managing Director to the Remuneration & Nomination Committee, selected senior executives participate in LTIP.

A summary of LTIP for the Managing Director and other senior executives is set out below:

Frequency	Awards determined annually.
Type of award	Performance rights subject to service requirements and vesting criteria. If the conditions are met, shares will be issued around the vesting date.
Amount of award	<p>The Managing Director is eligible to receive additional annual issues of up to 50% of the value of TEC, subject to shareholder approval.</p> <p>The value of individual awards for all other participating senior executives is generally less than 30% of TEC. As a matter of practice, the aggregate amount of each annual award to all Other Executives is about 1% of issued capital.</p>

Performance period & vesting dates	<p>3 years with 31 December testing dates.</p> <p>2017 award: vesting date of 1 March 2020.</p> <p>2018 award: vesting date of 1 March 2021.</p> <p>2019 award: vesting date of 1 March 2022.</p>
Performance conditions	<p>Performance rights granted under LTIP are subject to the participant remaining employed by Capral at the vesting date and the achievement of the following performance conditions:</p> <ul style="list-style-type: none"> » 50% of rights are subject to an EPS performance condition. The actual EPS performance is measured over a 3 year period, must meet, in aggregate, the 3 annual targets combined. The EPS condition is calculated each year as follows: Net Profit Before Tax Target as specified by the Board for that year (adjusted for any extraordinary items approved by the Board) divided by weighted average number of securities on issue during the year. The Net Profit Before Tax Target used for this condition is set at least at minimum Budget level. The Board may adjust EPS to normalise results and exclude the effects of material business acquisitions/ divestments and certain one-off costs; any adjustments would be disclosed. The number of rights that may vest is set out in Table B below. » 50% of rights are subject to a TSR performance condition as against the entities with ordinary shares and units (as the case may be) included in the S&P/ASX All Ordinaries Index as at 1 January in the year of grant but excluding those companies who are classified in the Global Industry Classification Standard sector number 40. The number of rights which may vest is set out in Table A below. <p>Refer to the explanation above (LTIP- Managing Director) regarding the setting of the EPS condition and the use of EPS and TSR tests.</p>
Assessment of performance against measures	<p>Performance against the EPS and TSR conditions are assessed at the end of the 3 year period (31 December testing date).</p> <p>There is no re-testing of EPS or TSR conditions. Vested rights convert on the relevant vesting date a one-for-one basis to ordinary shares. Unvested rights lapse.</p>
Treatment of awards on cessation of employment	<p>If employment ceases all unvested rights will immediately lapse. However, if the cessation relates to the redundancy or permanent disability/ death of the employee or other reason determined by the Board then the Board has absolute discretion to determine that some or all of the rights vest.</p>
Treatment of awards on change of control	<p>The Board has discretion to allow awards to vest on a change of control. In exercising this discretion, the Board is not bound to award all shares.</p>
Dividend/ participation rights	<p>There is no entitlement to dividends on performance rights during the vesting period or to participate in respect of issues of shares to shareholders.</p>
Clawback of awards	<p>In the event of fraud, misstatement or misrepresentation of the financials, the Board may exercise its discretion to forfeit some or all of the award prior to the issue of shares or recover some or all of the award already made.</p>

Plan review	The LTIP design is reviewed at least annually by the Remuneration & Nomination Committee, and approved by the Board. The Managing Director makes recommendations to the Remuneration & Nomination Committee regarding the proposed LTIP award participants and the amount of the entitlements.
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Vesting of rights subject to the TSR and EPS performance conditions at each testing date is determined in accordance with Tables A and B respectively below:

TABLE A	
PERCENTILE OF TSR	% RIGHTS VESTING
< 50th	None
50th	50
> 50th and < 75th	Between 50 and 100 (pro rata)
> 75th	100

TABLE B	
EPS TARGET	% RIGHTS VESTING
> 5% below target	None
5% below target	50
< 5% below target to 10% above target	Between 50 and 100 (pro rata)
> 10% above target	100

The Board has reviewed generally available market information regarding long term incentive schemes of the key management personnel (including the Managing Director) for over 10 ASX listed companies in either building product related industries or with comparable revenues and market capitalisation. The Board considers that Capral's long term incentive scheme is generally in line with this group.

(i) Anti-Hedging Policy

Capral's 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: ACTUAL REMUNERATION OF KEY MANAGEMENT PERSONNEL

During the Financial Year there were a number of remuneration outcomes. The expensed remuneration is set out in detail in the remuneration table below however in summary the key outcomes were as follows:

(a) Remuneration

Pay increases were implemented for executives. Total expensed remuneration for the key management personnel (including the directors) overall increased as compared to the prior year.

(b) STIP

None of the key management personnel was eligible for any STIP payments in respect of the 2019 year.

(c) LTIP

- » 2,350,000 performance rights were granted to the Managing Director in April 2019 following shareholder approval (2018: 2,200,000) and 4,650,000 rights were granted under the 2019 LTIP award to executives in March 2019 (2018: 4,900,000).
- » 6,620,202 rights granted to the Managing Director and participating executives under the 2016 LTIP award vested and converted into Capral shares on a 1 for 1 basis in March 2019. 4,101,561 shares were delivered via a new issue of shares and 2,518,641 shares were acquired on market.

Performance rights granted to the Managing Director and executives under LTIP awards were tested after the year end with the outcomes detailed in section 3 below.

For the financial year ending 31 December 2020, Capral intends to:

- » maintain the fixed remuneration of the Managing Director and executives at 2019 level, thus no increases; but
- » grant further performance rights under the LTIP to the Managing Director (subject to shareholder approval) and selected executives.

d) Remuneration Table - Key Management Personnel

The following table sets out the remuneration of the key management personnel (including the directors) during the Financial Year and the 2018 financial year.

The key management personnel of the consolidated entity are the non-executive directors, Managing Director, Chief Financial Officer, General Manager Operations and Company Secretary. These people have the authority and responsibility for planning, directing and controlling the day-to-day activities of Capral.

NAME	YEAR	TITLE	SHORT-TERM EMPLOYEE BENEFITS		
			SALARY AND FEES	BONUS ¹	NON - MONETARY BENEFITS
			\$	\$	\$
DIRECTORS					
A.M. Dragicevich	2019	Managing Director	687,843	-	-
	2018	Managing Director	678,470	-	-
R.L. Wood-Ward	2019	Chairman	120,000	-	-
	2018	Chairman	120,000	-	-
P.J. Jobe	2019	Non-executive director	55,000	-	-
	2018	Non-executive director	55,000	-	-
I.B. Blair	2019	Non-executive director	70,000	-	-
	2018	Non-executive director	70,000	-	-
G.F. Pettigrew	2019	Non-executive director	70,000	-	-
	2018	Non-executive director	70,000	-	-
EXECUTIVES					
T. Campbell *	2019	CFO/ Co. Sec.⁴	394,406	-	-
	2018	Chief Financial Officer	356,783	-	-
R. Michael *	2019	GM Operations⁵	51,113	-	-
	2018	GM Operations	336,006	-	-
R. Rolfe *	2019	Gen. Counsel⁶	36,102	-	-
	2018	Gen. Counsel/ Co. Sec	281,809	-	-
Total 2019			1,484,464	-	-
Total 2018			1,968,068	-	-

¹ All bonus amounts are on an accrual basis.

² Termination benefits include leave accrued and payments made in lieu of notice at the end of employment with Capral.

³ All LTIP performance rights listed are securities that have not yet vested. In relation to the performance rights of the key management personnel refer to Note 37 of the financial statements.

⁴ Mr Campbell was appointed as a Company Secretary on 8 March 2019.

⁵ Mr Michael passed away on 15 February 2019.

⁶ Mr Rolfe resigned as Company Secretary and ceased to be a key management personnel on 8 March 2019. However, he remained as General Counsel on a part-time basis.

* Capral's key management personnel (other than directors).

	POST - EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS ²	SHARE-BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED
	SUPER- ANNUATION			PERFORMANCE RIGHTS ³		
	\$	\$	\$	\$	\$	%
	26,675	-	-	113,426	827,944	14
	21,530	-	-	157,777	857,777	18
	11,400	-	-	-	131,400	-
	11,400	-	-	-	131,400	-
	5,225	-	-	-	60,225	-
	5,225	-	-	-	60,225	-
	6,650	-	-	-	76,650	-
	6,650	-	-	-	76,650	-
	6,650	-	-	-	76,650	-
	6,650	-	-	-	76,650	-
	20,144	-	-	26,947	441,497	6
	29,217	-	-	45,784	431,784	11
	4,856	-	42,210	(57,343)	40,836	-
	27,794	-	-	45,784	409,584	11
	4,449	-	-	6,020	46,571	13
	21,691	-	-	33,048	336,548	10
	86,049	-	42,210	89,050	1,701,773	
	130,157	-	-	282,393	2,380,618	

SECTION 3: PERFORMANCE RIGHTS, OPTIONS AND BONUSES PROVIDED AS COMPENSATION

Performance rights - Managing Director

During the Financial Year and the financial year ended 31 December 2018, performance rights were granted as equity compensation benefits under the LTIP, to the Managing Director as disclosed as at balance date below. The performance rights were granted at no cost to him.

2,350,000 performance rights were granted to the Managing Director in April 2019 following shareholder approval. These rights have a vesting date of March 2022.

2,200,000 performance rights were granted to the Managing Director in April 2018 following shareholder approval. These rights have a vesting date of March 2021.

2,000,000 performance rights were granted to the Managing Director in May 2017 following shareholder approval. These rights have a vesting date of March 2020. The EPS condition (1,000,000 rights) was tested as at 31 December 2019. Capral did not achieve the EPS condition and consequently 1,000,000 rights will lapse, in March 2020. The TSR condition (1,000,000 rights) was also tested as at 31 December 2019. Capral's relative TSR performance over the period from January 2017 to December 2019 was in the 34th percentile and consequently none of the rights subject to the TSR condition will vest, and thus 1,000,000 rights will lapse, in March 2020. Consequently, a total of nil rights will vest and convert into Capral shares on a 1 for 1 basis, and 2,000,000 rights will lapse, as at 1 March 2020.

2,500,000 performance rights were granted to the Managing Director in April 2016 following shareholder approval. A total of 2,451,925 rights vested and converted into Capral shares on a 1 for 1 basis, and 48,075 rights lapsed, as at 4 March 2019.

MANAGING DIRECTOR TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE (\$)	TEST DATE	LAPSED NO.	VESTED NO.
2019 OFFER						
A. Dragicevich		16/04/2019				
EPS 50%	1,175,000		\$0.10	31/12/2021	-	-
TSR 50%	1,175,000		\$0.07	31/12/2021	-	-
Total 2019 Offer	2,350,000				-	-
2018 OFFER						
A. Dragicevich		19/4/2018				
EPS 50%	1,100,000		\$0.12	31/12/2020	-	-
TSR 50%	1,100,000		\$0.10	31/12/2020	-	-
Total 2018 Offer	2,200,000				-	-

MANAGING DIRECTOR TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE (\$)	TEST DATE	LAPSED NO.	VESTED NO.
2017 OFFER						
A. Dragicevich		11/05/2017				
EPS 50%	1,000,000		\$0.11	31/12/2019	-	-
TSR 50%	1,000,000		\$0.07	31/12/2019	-	-
Total 2017 Offer	2,000,000				-	-
2016 OFFER						
A. Dragicevich		14/04/2016				
EPS 50%	1,250,000		\$0.11	31/12/2018	(48,075)	1,201,925
TSR 50%	1,250,000		\$0.08	31/12/2018	-	1,250,000
Total 2016 Offer	2,500,000				(48,075)	2,451,925

Performance rights – other key management personnel

During the Financial Year and the financial year ended 31 December 2018, performance rights were granted as equity compensation benefits under the LTIP, to certain executives including key management personnel as disclosed as at balance date below. The performance rights were granted at no cost to the participants.

4,650,000 performance rights were granted under the 2019 LTIP award to executives in March 2019. These rights have a vesting date of March 2022.

4,900,000 performance rights were granted under the 2018 LTIP award to executives in March 2018. These rights have a vesting date of March 2021.

4,850,000 performance rights were granted under the 2017 LTIP award to executives in March 2017. These rights have a vesting date of March 2020. The EPS condition (2,425,000 rights) was tested as at 31 December 2019. Capral did not achieve the EPS condition and consequently 2,425,000 of these rights will lapse in March 2020. The TSR condition (2,425,000 rights) was also tested as at 31 December 2019. Capral's relative TSR performance over the period from January 2017 to December 2019 was in the 34th percentile and consequently none of the rights subject to the TSR condition will vest, and thus (2,425,000 rights) will lapse in March 2020. Consequently, a total of nil rights will vest and convert into Capral shares on a 1 for 1 basis, and 4,850,000 rights will lapse, as at 1 March 2020.

4,500,000 performance rights were granted under the 2016 LTIP award to executives in March 2016. A total of 4,168,277 rights vested and converted into Capral shares on a 1 for 1 basis as at 4 March 2019, and 81,723 rights lapsed, as at 1 March 2019.

OTHER KEY MANAGEMENT PERSONNEL TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE (\$)	TEST DATE	LAPSED NO.	VESTED NO.
2019 OFFER						
T. Campbell	650,000	22/03/2019				
EPS 50%	325,000		\$0.105	31/12/2021	-	-
TSR 50%	325,000		\$0.075	31/12/2021	-	-
Total 2019 Offer	650,000				-	-
2018 OFFER						
T. Campbell	500,000	06/03/2018				
EPS 50%	250,000		\$0.13	31/12/2020	-	-
TSR 50%	250,000		\$0.12	31/12/2020	-	-
R. Michael	500,000	06/03/2018			(500,000)	
EPS 50%	250,000		\$0.13	31/12/2020	(250,000)	-
TSR 50%	250,000		\$0.12	31/12/2020	(250,000)	-
R. Rolfe	350,000	06/03/2018				
EPS 50%	175,000		\$0.13	31/12/2020	-	-
TSR 50%	175,000		\$0.12	31/12/2020	-	-
Total 2018 Offer	1,350,000				(500,000)	-

OTHER KEY MANAGEMENT PERSONNEL TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE (\$)	TEST DATE	LAPSED NO.	VESTED NO.
2017 OFFER						
T. Campbell	500,000	10/03/2017				
EPS 50%	250,000		\$0.15	31/12/2019	-	-
TSR 50%	250,000		\$0.13	31/12/2019	-	-
R. Michael	500,000	10/03/2017			(500,000)	
EPS 50%	250,000		\$0.15	31/12/2019	(250,000)	-
TSR 50%	250,000		\$0.13	31/12/2019	(250,000)	-
R. Rolfe	350,000	10/03/2017				
EPS 50%	175,000		\$0.15	31/12/2019	-	-
TSR 50%	175,000		\$0.13	31/12/2019	-	-
Total 2017 Offer	1,350,000				(500,000)	-
2016 OFFER						
T. Campbell	500,000	07/03/2016			(9,615)	490,385
EPS 50%	250,000		\$0.10	31/12/2018	-	250,000
TSR 50%	250,000		\$0.08	31/12/2018	(9,615)	240,385
R. Michael	500,000	07/03/2016			(9,615)	490,385
EPS 50%	250,000		\$0.10	31/12/2018	-	250,000
TSR 50%	250,000		\$0.08	31/12/2018	(9,615)	240,385
R. Rolfe	350,000	07/03/2016			(6,730)	343,270
EPS 50%	175,000		\$0.10	31/12/2018	-	175,000
TSR 50%	175,000		\$0.08	31/12/2018	(6,730)	168,270
Total 2016 Offer	1,350,000				(25,960)	1,324,040

Options

No options were issued under the LTIP during the Financial Year and the financial year ended 31 December 2018.

Equity grants and during the Financial Year

Details of the performance rights granted, as well as the movement during the Financial Year in rights previously granted, to Key Management Personnel are as follows:

2019 - PERFORMANCE SHARE RIGHTS	HELD AT START OF YEAR	GRANTED AS COMPENSATION	LAPSED	VESTED / FORFEITED	OTHER CHANGES	HELD AT END OF YEAR
A. Dragicevich	6,700,000	2,350,000	(48,075)	(2,451,925)	-	6,550,000
T. Campbell	1,500,000	650,000	(9,615)	(490,385)	-	1,650,000
R. Michael	1,500,000	-	(1,009,615)	(490,385)	-	-
R. Rolfe	1,050,000	-	(6,730)	(343,270)	(700,000) ¹	-
	10,750,000	3,000,000	(1,074,035)	(3,775,965)	(700,000)	8,200,000

¹ Mr Rolfe resigned as Company Secretary and ceased to be a Key Management Personnel on 8 March 2019

The non-executive directors hold no performance rights.

Bonuses

During the Financial Year, no STIP bonus payments were made to the Managing Director and key management personnel as Capral Trading EBITDA¹ was below the 'minimum' level detailed in section 1 above.

During the financial year ended 31 December 2018, no STIP bonus payments were made to the Managing Director and key management personnel as Capral Trading EBITDA¹ was below 'minimum' level.

The percentages of bonus paid and forfeited (as a result of not meeting the performance criteria at 'target' level) during the Financial Year and the financial year ended 31 December 2018 are disclosed below:

2019	% OF BONUS PAID	% OF BONUS FORFEITED	% OF COMPENSATION FOR THE YEAR CONSISTING OF STIP BONUS ³
EXECUTIVES			
A. Dragicevich	-	100	-
T. Campbell	-	100	-

Note

¹ Trading EBITDA (non-IFRS measure) is EBITDA adjusted for items assessed as unrelated to the underlying performance of the business and allows for a more relevant comparison between financial periods.

² Bonuses relating to a financial year are payable in the following financial year.

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

2018	% OF BONUS PAID	% OF BONUS FORFEITED	% OF COMPENSATION FOR THE YEAR CONSISTING OF STIP BONUS ¹
EXECUTIVES			
A. Dragicevich	-	100	-
T. Campbell	-	100	-
R. Michael	-	100	-
R. Rolfe	-	100	-

¹ Total compensation used for calculating % purposes excludes share based payments and termination benefits.

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

Details of the holdings of Capral's ordinary shares of key management personnel during the Financial Year are as follows:

2019	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.L. Wood-Ward	-	-	-	-	-
A.M. Dragicevich	7,522,750	-	2,451,925 ¹	-	9,974,675
P.J. Jobe	7,100,500	-	-	-	7,100,500
I.B. Blair	227,348	-	-	-	227,348
G.F. Pettigrew	-	-	-	-	-
EXECUTIVES					
T. Campbell	258,204	-	490,385 ¹	-	748,589
R. Michael	715,771	-	490,385 ¹	(1,206,156) ²	-
R. Rolfe	100,000	-	343,270 ¹	(443,270) ³	-
	15,924,573	-	3,775,965	(1,649,426)	18,051,112

¹ Acquired on vesting of performance rights in March 2019.

² Mr Michael passed away on 15 February 2019.

³ Mr Rolfe resigned as Company Secretary and ceased to be a Key Management Personnel on 8 March 2019.

SECTION 4: RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

There is a link between company performance and executive reward. For the Financial Year and the previous 4 financial years, Capral has made STIP payments based upon the achievement of performance (financial and non-financial) measures.

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 placed more emphasis on at-risk remuneration in order to align remuneration of the employees to the performance of Capral and encourage shareholder wealth.

During the Financial Year and the previous 4 financial years (2015-2018), Capral's financial performance was as follows, with the minimum targets (MT) that were set for the 2019 STIP financial measures also shown:

YEAR ENDED 31 DEC	2019 (A)	2019 (MT)	2018 (A)	2017 (A)	2016 (A)	2015 (A)
Trading EBITDA \$'000 ¹	11,021	12,750	14,268	18,409	20,265	13,028
Operating Cash Flow \$'000	17,276 ²	25,700	12,008	15,044	15,555	7,295
Net (Loss)/Profit \$'000	2,451 ²	7,100	6,415	12,085	14,350	(2,511)
% Working Capital to Annualised Sales	14.68	14.10	13.92	13.89	13.87	16.24
Dividend - cents per share	0.50	-	1.75	1.25	-	-
Basic earnings / (loss) - cents per share	0.51	1.47	1.34	2.54	3.02	(0.5)
Share price (closing) \$	0.115	n/a	0.12	0.15	0.17	0.10

In the Financial Year, Capral's Trading EBITDA, Operating Cash Flow and Net Profit Before Tax were all below 2018 levels. The minimum targets were not achieved and as a result, no STIP will be payable to Capral key management personnel and only minimal STIP will be payable overall. At a Divisional and Regional level minimum Trading EBITDA measures were achieved in a small number of business units, and there were mixed results relating to Working Capital and sales volume measures.

¹ Trading EBITDA (non-IFRS measure) is Statutory EBITDA adjusted for items assessed as unrelated to the underlying performance of the business and allows for a more relevant comparison between financial periods.

² Operating Cash Flow, Net Profit and Basic Earnings per share adjusted to exclude Restructuring Cost and other one-off costs of \$6.7 million.

The following provides examples of other key measures (that are not commercially sensitive) used to assess executive performance:

PERFORMANCE AREA	MEASURE	OUTCOME
Safety	Reduction in total reportable injury frequency rate	Rate improved on 2018 and Group targets were met
	Hours lost & return to work hours lost from injuries	Performance targets not met
	Safety plan implementation	Plans were substantially implemented in 2019 and target was achieved
Customers	Volume retention/growth	Sales areas met some of the specific growth and revenue targets but not margin measures. Performance varied by region/ division
Production	Operational efficiency	Manufacturing plants met some of their operational efficiency/ improvement targets
Supply Chain	Supply chain and inventory reduction programs	Initiatives were generally not achieved
People	AL & LSL balance reduction	Overall leave balance reduction initiatives were achieved. Performance varied by region/ division
Anti-dumping	Pursue anti-dumping campaign	Variable measures review of China finalised with increased measures implemented. Overall the outcomes were successful.
Costs	Cost reduction initiatives	Some of the specific cost and expense reduction initiatives were achieved. Performance varied by region/ division

The 2019 STIP payments are similar to those paid in 2018, aligned to financial performance. There is a clear link between financial performance and the level of STIP awarded.

LTIP is linked to Capral's performance as the value of the performance rights awarded depends on Capral's share price and dividend payments, and whether the awards vest relate to earnings growth and Capral's relative TSR performance. There is a link between Capral's performance and the vesting of rights under LTIP awards. In this regard:

In 2019:

- » Capral's relative TSR performance over the period from January 2017 to December 2019 achieved the 34th percentile, below the minimum 50th percentile. Consequently, none of the rights subject to the TSR condition that were awarded in 2017 to executives vested.
- » Given earnings in, 2018 and 2019, the aggregate EPS result for the 3 year period 2019 was 4.38 cents per share against an aggregate target of 6.15 cents per share and therefore the EPS condition of the 2017 award was not achieved. Consequently, no rights subject to the EPS condition of the 2017 award will vest and convert into Capral shares.

In 2018:

- » Capral's relative TSR performance over the period from January 2016 to December 2018 achieved the 73th percentile, above the minimum 50th percentile. Consequently, about 96.2% of the rights subject to the TSR condition that were awarded in 2016 to executives will vest.
- » Given earnings in 2016, 2017 and 2018, the aggregate EPS result for the 3 year period was 6.89 cents per share against an aggregate target of 5.81 cents per share and therefore the EPS condition of the 2016 award was achieved. Consequently, the rights subject to the EPS condition of the 2016 award will vest and convert into Capral shares during March 2019.

SECTION 5: SUMMARY OF KEY EMPLOYMENT CONTRACTS

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

CONTRACT DETAILS	A. DRAGICEVICH	T. CAMPBELL
Expiry date	No fixed end date	No fixed end date
Notice of termination by Capral	6 months	6 months
Notice of termination by employee	6 months	6 months
Termination payments (in lieu of notice)	6 months salary plus accrued but unpaid STIP (pro rata for incomplete financial year). In addition, unvested LTIP rights may vest if employment is terminated by Capral other than for cause. 6 weeks annual leave per annum.	6 months salary. STIP entitlement for incomplete financial years is subject to Board discretion

Environmental regulations

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

Directors' and officers' indemnities and insurance

Under Capral's constitution, Capral is required to indemnify, to the extent permitted by law, each director and secretary of Capral against any liability incurred by that person as an officer of Capral. The directors listed on page 11 and the secretary listed on page 18 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 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 on 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 & Risk 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 & Risk Committee to ensure complete transparency and that they do not affect the integrity and objectivity of Deloitte Touche Tohmatsu; and
- (3) the declaration required by section 307C of the *Corporations Act 2001* confirming independence has been received from Deloitte Touche Tohmatsu.

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

Auditor's independence declaration

The auditors' independence declaration as required under section 307C of the Corporations Act is set out on page 40.

Rounding of amounts

Capral is a company of the kind referred to in Class Order 2016/191, dated 24 March 2016, 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

Sydney
26 February 2020



A. M. Dragicevich
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Dear Directors,

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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "DR White".

David White
Partner
Chartered Accountants
Parramatta, 26 February 2020

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Member of Deloitte Asia Pacific Limited and the Deloitte Network.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

		2019	2018
	Note	\$'000	\$'000
CONTINUING OPERATIONS			
Sales revenue		391,634	421,576
Scrap and other revenue		27,322	33,531
Revenue	3	418,956	455,107
Other income	3	212	470
Raw materials and consumables used		(260,587)	(284,039)
Employee benefits expense	2	(86,088)	(89,833)
Depreciation and amortisation expense	2	(18,439)	(5,620)
Finance costs	2	(5,762)	(1,081)
Freight expense		(12,237)	(12,050)
Occupancy costs	2	(810)	(19,403)
Repairs and maintenance expense		(6,516)	(6,952)
Restructuring costs	2	(6,095)	(29)
Other expenses		(26,874)	(30,155)
(Loss)/profit before tax		(4,240)	6,415
Income tax	4	-	-
(Loss)/profit for the year		(4,240)	6,415
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of properties		-	-
Other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		(4,240)	6,415
Earnings per share		(Cents per share)	(Cents per share)
Basic earnings per share	25	(0.88)	1.34
Diluted earnings per share	25	(0.88)	1.28

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

		2019	2018
	Note	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	17,938	27,566
Trade and other receivables	8	62,564	65,403
Inventories	9	78,907	84,960
Other financial assets	31 (c)	10	561
Prepayments	10	1,625	1,197
Total current assets		161,044	179,687
Non-current assets			
Deferred tax assets	11	2,857	2,857
Property, plant and equipment	14	40,431	44,931
Right-of-use assets	16	76,860	-
Other intangible assets	15	452	308
Total non-current assets		120,600	48,096
Total assets		281,644	227,783
LIABILITIES			
Current liabilities			
Trade and other payables	18	65,409	78,398
Lease liabilities	19	13,877	-
Provisions	20	13,385	12,870
Other financial liabilities	31 (c)	1,086	169
Deferred income	21	103	147
Total current liabilities		93,860	91,584
Non-current liabilities			
Lease liabilities	19	90,654	-
Provisions	20	4,104	4,671
Total non-current liabilities		94,758	4,671
Total liabilities		188,618	96,255
Net assets		93,026	131,528
EQUITY			
Issued capital	22	425,744	425,744
Reserves	23 (a)	35,018	39,946
Accumulated losses	23 (b)	(367,736)	(334,162)
Total equity		93,026	131,528

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 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		463,691	503,174
Payments to suppliers and employees		(447,246)	(490,085)
		16,445	13,089
Interest and other costs of finance paid		(5,581)	(1,081)
Net cash provided by operating activities	35(ii)	10,864	12,008
Cash flows from investing activities			
Payments for property, plant and equipment		(5,045)	(10,389)
Payments for intangible assets		(240)	(65)
Interest received		8	18
Proceeds from sale of property, plant and equipment		4,691	1
Net cash flows used in investing activities		(586)	(10,435)
Cash flows from financing activities			
Payments of dividends		(4,803)	(8,365)
Payment of lease liabilities excluding financing component		(15,103)	-
Net cash flows used in financing activities		(19,906)	(8,365)
Net decrease in cash and cash equivalents		(9,628)	(6,792)
Cash and cash equivalents at the beginning of the financial year		27,566	34,358
Cash and cash equivalents at the end of the financial year	35(i)	17,938	27,566

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

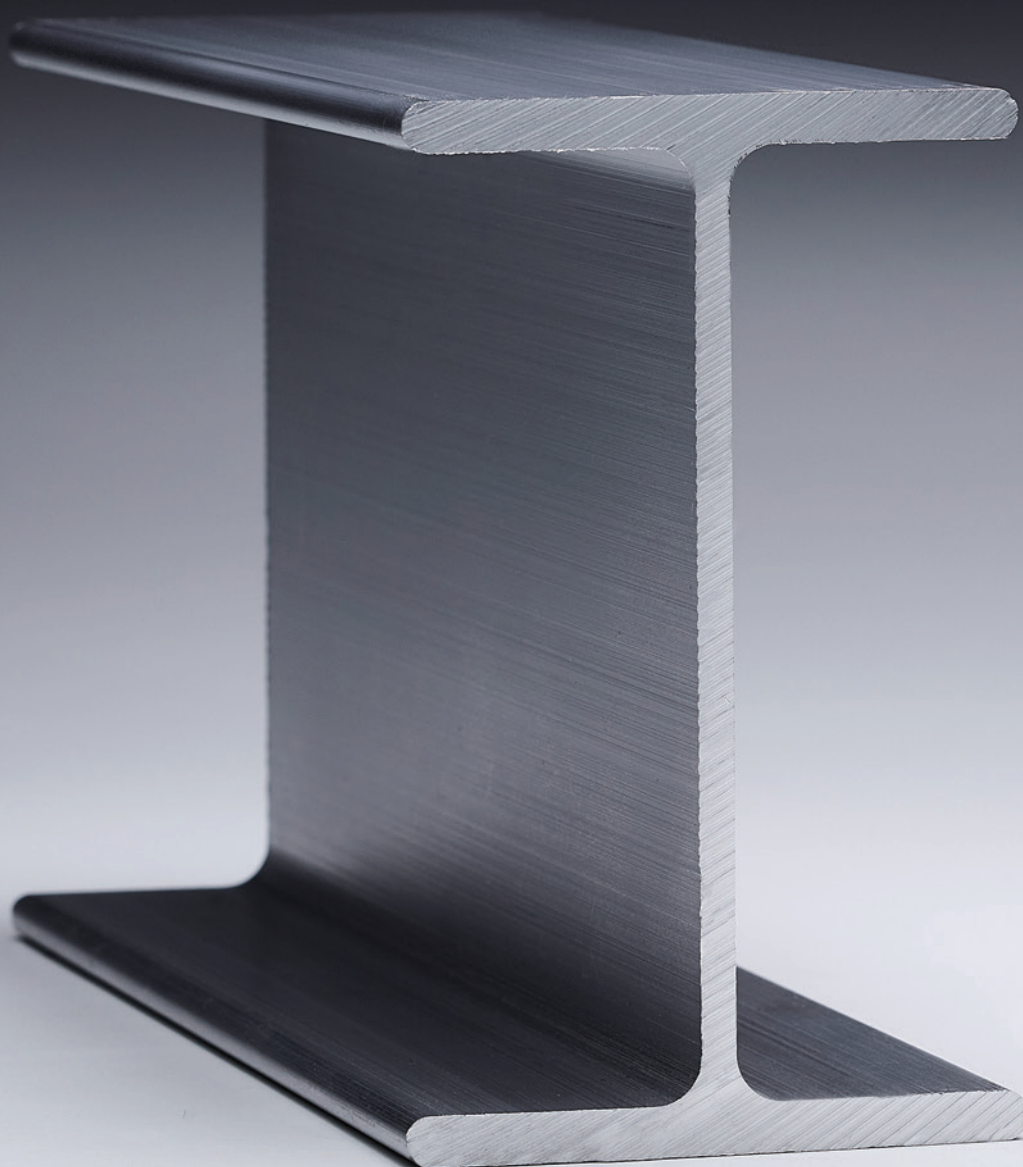
		FULLY PAID ORDINARY SHARES	EQUITY- SETTLED COMPENSATION RESERVE	ASSET REVALUATION RESERVE	DIVIDEND RESERVE*	ACCUMULATED LOSSES	TOTAL
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2018		425,744	10,413	1,014	29,883	(334,162)	132,892
Profit for the year		-	-	-	6,415	-	6,415
Share-based payments expense		-	586	-	-	-	586
Dividends paid		-	-	-	(8,365)	-	(8,365)
Balance as at 31 December 2018		425,744	10,999	1,014	27,933	(334,162)	131,528
Balance as at 1 January 2019		425,744	10,999	1,014	27,933	(334,162)	131,528
Loss for the year		-	-	-	-	(4,240)	(4,240)
Share-based payments expense		-	190	-	-	-	190
Shares acquired on conversion of vested rights		-	(315)	-	-	-	(315)
Initial adoption of AASB 16 Leases	1(b)	-	-	-	-	(29,334)	(29,334)
Dividends paid		-	-	-	(4,803)	-	(4,803)
Balance as at 31 December 2019		425,744	10,874	1,014	23,130	(367,736)	93,026

*Dividend reserve represents undistributed profits since the financial year 2010. The dividend reserve has been separated from the accumulated losses reserve from 01 January 2018.

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 2019



1A. GENERAL INFORMATION

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

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

Registered office & principal place of business

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

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

1B. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these Standards and Interpretations except for AASB 16 Leases, did not have any material effect on the Group's financial statements.

Application of AASB 16 Leases ('AASB 16')

The Group has applied AASB 16 in accordance with the transitional approach C5(b) to retrospectively adjust the cumulative effect of initially applying this standard

recognised at the date of initial application i.e. 01 January 2019 in the opening retained earnings. Consequently, the Group has not restated the comparative information. In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact of the new definition of a lease

The Group has not made use of the practical expedient available on transition to AASB 16 and has reassessed whether a contract is or contains a lease. The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the lessee has:

- » The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- » The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts (whether it is a lessor or a lessee in the lease contract). The new definition in AASB 16 does not change significantly the scope of contracts that meet the definition of a lease for the Group

AASB 16 has impacted how the Group accounts for leases previously classified as operating leases under AASB 117 which were off-balance sheet.

Financial impact of the initial application of AASB 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of AASB 16 for the current year.

	CONSOLIDATED 2019 \$'000
Impact on profit/(loss) for the Financial year	
Increase in depreciation and amortisation expenses (1)	12,891
Increase in finance costs (1)	4,459
Decrease in employee benefits expenses, occupancy costs and other expenses (1), (4)	(18,347)
Impact on (loss)/earnings per share	
\$	
(Increase)/decrease in loss per share from continuing operations	
Basic	0.15
Diluted	0.15

Impact on assets, liabilities and equity as at 31 December 2019

	DATE OF INITIAL APPLICATION (1 JANUARY 2019)	NEW, EXTENSIONS & RENEWAL OF LEASES DURING THE FINANCIAL YEAR	LEASE PAYMENTS (EXCL. OTHER COSTS)	DEPRECIATION –RIGHT OF USE ASSETS FOR THE FINANCIAL YEAR	INTEREST EXPENSE – LEASE LIABILITIES FOR THE FINANCIAL YEAR	IMPACT AS AT 31 DECEMBER 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Right of Use Assets (1),(2)	59,727	30,024	-	(12,891)	-	76,860
Net Impact on Total Assets	59,727	30,024	-	(12,891)	-	76,860
Lease Liabilities (1)	(90,022)	(28,397)	18,347	-	(4,459)	(104,531)
Lease Straight Lining Provision (4)	961	-	-	-	-	961
Net Impact on Total Liabilities	(89,061)	(28,397)	18,347	-	(4,459)	(103,570)
Net Impact of Retained Earnings	29,334	-	-	-	-	29,334
Net Impact on Total Liabilities and Equity	(59,727)	(28,397)	18,347	-	(4,459)	(74,236)

- (1) The application of AASB 16 to leases previously classified as operating leases under AASB 117 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in 'employee benefits expenses', 'occupancy costs' and 'other expenses', and an increase in depreciation and interest expense.
- (2) Equipment under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-of-use assets. There has been no change in the amount recognised.
- (3) Lease liability on leases previously classified as finance leases under AASB 117 and previously presented within obligations under finance leases is now presented in the line 'lease liabilities'. There has been no change in the liability recognised.

The incremental borrowing rate varies depending on the tenor of the leases ranging from 2.93% to 4.53%.

- (4) Lease liability incentives previously recognised in respect of the operating leases have been derecognised by an adjustment to retained earnings whereas under AASB 117, they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

The adoption of AASB 16 has resulted in a timing difference between lease payments allowed as deduction for tax purposes and the interest and depreciation for accounting purposes. The timing difference has not been

recognised due to a tax loss was estimated in the current financial year.

Impact on the statement of cash flows

- » Cash paid for the interest portion of lease liabilities is included under interest paid as part of operating activities
- » Cash payments for the principal portion of leases liabilities is included as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by \$15,103,000 and net cash used in financing activities increased by the same amount.

The adoption of AASB 16 did not have an impact on net cash flows.

1C. SIGNIFICANT ACCOUNTING POLICIES**Statement of Compliance**

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

The financial report includes the financial statements of the Company and the financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

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

The financial statements were authorised for issue by the directors on 26 February 2020.

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 2016/191, dated 24 March 2016, 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 based on whether an investor has:

- » power over the investee
- » exposure, or rights, to variable returns from its involvement with the investee, and
- » the ability to use its power over the investee to affect the amount of the returns.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other 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 Non-Current 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 31 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition of profit or loss depends on the nature of the hedge relationship. 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 hybrid contracts with hosts that are not financial assets within the scope of AASB 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(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 short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits 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 with employees are measured at the fair value of the equity instrument at the grant date.

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

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

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

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

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

(iii) Defined contribution plan

Contributions to defined contribution superannuation plans are expensed when incurred.

(G) FINANCIAL ASSETS

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through the profit or loss which are initially measured at fair value. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements. Other financial assets are classified into the following specified categories: financial assets at amortised cost; financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss account. 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 FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in profit or loss on the financial assets is included in the other income or other expenses. Fair value is determined in the manner described in Note 31.

Trade and other receivables

Trade other receivables that were measured at amortised cost under AASB 139 continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows. Trade and other 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

Impairment of financial assets is based on an expected credit loss ("ECL") model under AASB 9 rather than incurred loss model. ECLs are a probability-weighted estimate of credit losses. The group calculated ECLs based on consideration of customer-specific factors and actual credit loss experience over the past two years. As a percentage of revenue, the Group's actual credit loss experience has not been material. There has been no material impact in adopting AASB 9.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance 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.

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 31.

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Refer note 1c (n).

(i) Foreign Currency

In preparing the financial statements, 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 date, monetary items denominated in foreign currencies

are retranslated at the rates prevailing at the balance 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 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.

(J) 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 at least 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 post-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.

(K) 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.

(L) 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.

(M) INVENTORIES

Inventories representing aluminium log, other supplies and finished goods 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.

(N) LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as copiers). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- » Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- » Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- » Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- » The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured

by discounting the revised lease payments using a revised discount rate.

- » The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- » A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The depreciation starts at the commencement date of the lease.

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.

For comparatives, 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.

(O) 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.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

(P) 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.

Restructuring

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 (provision for make good on leased assets)

A provision for restoration and rehabilitation (provision for make good on leased assets) 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.

(Q) REVENUE RECOGNITION

Revenue is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The Group recognises revenue from the sale of products and when it transfers control of a product to a customer, which is the point in time that the customer obtains control of the goods being on acceptance of the goods by the customer.

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.

Royalties

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

Royalties are recognised on the subsequent sale or usage, and the performance obligation to which the royalty has been allocated has been satisfied.

Rental income

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

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.

(R) 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.

(S) EARNINGS PER SHARE

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

1D. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group'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.

Indicators of impairment and reversal of impairment

Note 14 sets out the categories of property, plant and equipment held. In assessing whether there is any indication that property, plant and equipment may be impaired, or whether a reversal of previous impairment losses should be recognised, management has used, among others, the following key assumptions:

- (i) the cyclical nature of both residential and commercial building activity,
- (ii) aluminium prices which impact margins to the extent that price variations are passed on to customers or not, and
- (iii) anti-dumping outcomes in relation to import duties imposed on overseas suppliers.

The key assumptions required the use of management judgement and are reviewed biannually.

Employee benefits

Key assumptions used in the calculation of leave benefit provisions at balance 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.

Lease renewal

The Group reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- » is within the control of the Group; and
- » affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

Incremental borrowing rate (AASB 16)

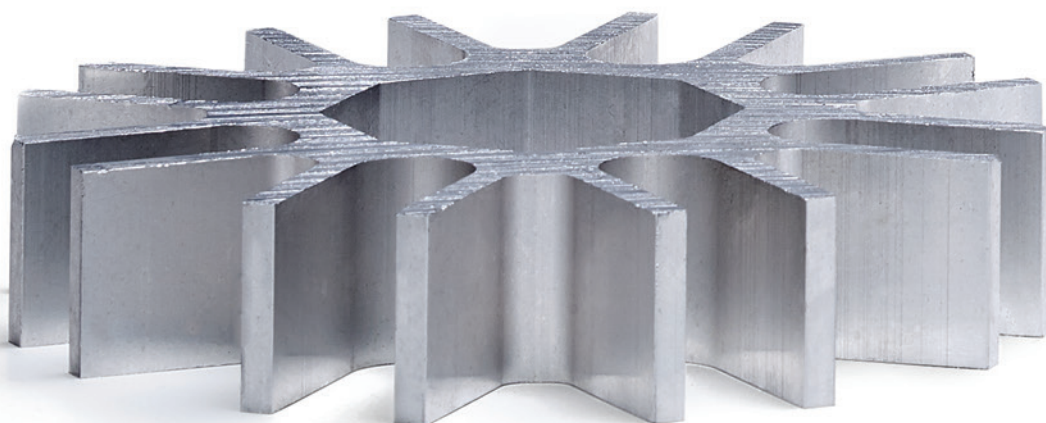
The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Deferred taxation

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Recognition of deferred tax assets therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

1E. COMPARATIVE INFORMATION

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current period disclosures.



2. PROFIT FOR THE YEAR**(a) Other expenses**

Profit before tax includes the following specific net expenses:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Inventory:		
Write-down of inventory to net realisable value	1,778	559
Reversal of write-down of inventory	(1,450)	(25)
Amortisation of intangible assets	106	93
Total amortisation	106	93
Depreciation - owned assets:		
Buildings	170	176
Leasehold improvements	253	236
Plant and equipment	5,019	5,115
Total depreciation - owned assets	5,442	5,527
Depreciation - right of use assets:		
Buildings	10,904	-
Plant and equipment	1,987	-
Total depreciation – right of use assets	12,891	-
Total depreciation and amortisation	18,439	5,620
Occupancy costs:		
Sublease income received	(2,159)	(1,796)
Minimum lease payments	15,712	17,856
AASB 16 rent offset	(16,166)	-
Site costs	3,423	3,343
	810	19,403
Expense relating to leases of low value assets	82	-
Other charges against assets:		
Impairment of trade receivables	103	388
Employee benefit expense		
Post-employment benefits:		
- defined contribution plans	6,364	6,646
Equity-settled share-based payments	190	586
Termination benefits	36	43
Other employee benefits	79,498	82,558
	86,088	89,833
Restructuring costs		
Machinery and equipment dismantling and relocation	2,342	-
Redundancy costs	3,248	-
Other site closure costs	505	29
	6,095	29
Finance costs		
Interest and finance charges paid/payable		
- third party financier	5,581	922
Net finance costs are comprised of:		
Interest and fees on bank overdrafts and loans	1,122	922
Interest component of lease liabilities	4,459	-
Impact of discounting on long-term provisions	181	159
Total interest expense	5,762	1,081
(b) Gains and Losses		
Net gain on foreign exchange	403	734
Net gain/(loss) on disposal of property, plant and equipment	12	(3)

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
3. REVENUE AND OTHER INCOME		
Revenue from continuing operations		
Sales revenue - sale of goods (i)	391,634	421,576
Other revenue		
Scrap revenue (i)	27,314	33,513
Interest - other	8	18
Total other revenue	27,322	33,531
Other income		
Royalties	212	468
Other miscellaneous income	-	2
	212	470
<i>(i) Recognised at a point in time.</i>		
4. INCOME TAX EXPENSE		
(a) Reconciliation of income tax benefit to prima facie tax benefit		
(Loss)/profit from continuing operations before income tax expense	(4,240)	6,415
Income tax calculated @ 30% (2018:30%)	(1,272)	1,925
Tax effect of non-assessable / non-deductible items:		
Effect of items that are temporary differences for which decrease in deferred tax assets have not been previously recognised	(3,966)	(1,675)
Effect of items that are not deductible or taxable in determining taxable profit	106	184
Effect of tax losses not recognised as deferred tax assets	5,132	-
Effect of tax losses utilised	-	(434)
Income tax benefit	-	-
(b) Tax losses		
Accumulated unused gross tax losses for which no deferred tax asset has been recognised	296,728 ¹	279,621 ¹
Potential tax benefit @ 30% (2018:30%)	89,018	83,886

All unused tax losses were incurred by Australian entities.

¹ Subject to income tax recoupment rules in subsequent years.

5. CHANGES IN ACCOUNTING ESTIMATES

There were no significant changes in accounting estimates during the Financial Year (2018: none).

6. SEGMENT INFORMATION

The information reported to the Managing Director, as the Group's chief operating decision maker, for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2018 and 2019, the Group operated in one reportable segment under AASB 8 *Operating Segment*.

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 does not report on the revenues from external customers for each of the market segments.

Geographic Information

The Group operates in one geographical area, Australia.

Information About Major Customers

There are no individual major customers who contributed more than 10% of the Group's revenue in either the Financial Year or in 2018.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and cash in hand	17,938	27,566

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Trade receivables - at amortised cost	62,508	65,461
Loss allowance (i)	(311)	(620)
	62,197	64,841
Other receivables - at amortised cost	367	562
	62,564	65,403
Disclosed in the financial statements as:		
Current trade and other receivables	62,564	65,403
Non-current other receivables	-	-
	62,564	65,403

The average credit period on sales of goods is approximately 49 days (2018: 48 days). No interest is charged on trade receivables.

(i) Effective January 1, 2018, the group adopted AASB 9. Impairment of financial assets is based on an expected credit loss ("ECL") model under AASB 9, rather than the incurred loss model under AASB 139. ECLs are a probability-weighted estimate of credit losses. In accordance with AASB 9 paragraph 7.2.20 the group will recognise a loss allowance at an amount equal to lifetime expected credit losses at each reporting date. The group calculated ECLs based on consideration of customer-specific factors and actual credit loss experience over the past 3 years. As a percentage of revenue the group's actual credit loss experience has not been material. There was no material impact of transition to AASB 9 on the Group's statement of financial position.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
(i) Movement in the loss allowance		
Balance at beginning of the financial year	(620)	(325)
Amounts written off during the financial year	412	93
Increase in allowance recognised in profit or loss	(103)	(388)
Balance at end of the financial year	(311)	(620)

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Allowances are made for known doubtful debts at the time of appointment of administrators, liquidators or other formal insolvency events.

Included in the Group's trade receivables are debtors with balances in 61 days and over of \$580,000 (2018: \$1,145,000), refer to note 31(h). No further amount has been provided for as the Group believes that this past due balance is still considered recoverable. In relation to some of the balances the Group holds personal property securities registrations and/or personal guarantees and/or trade indemnity insurance for 90% of the amount outstanding (after applying the deductible). The average age of these receivables is 75 days (2018: 71 days). Aging past due but not impaired was calculated based on agreed customers individual terms.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES CONTINUED

Aging past due but not impaired:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
1-30 days past due	14,838	13,867
31-60 days past due	1,621	1,620
61+ days past due	461	681
Total	16,920	16,168

Included in the loss allowance is the expected credit loss for those individually impaired trade receivables with a balance of \$235,000 (2018: \$485,000). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
1-30 days past due	11	-
31-60 days past due	105	21
61+ days past due	119	464
Total	235	485

Major concentrations of credit risk are in the construction, transport, consumer durable and electrical industries in Australia. Furthermore, the Company has credit insurance cover which requires ongoing management of credit accounts with monthly reports provided to the Insurer. Accordingly, there is no further credit provision required in excess of the loss allowance. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Raw materials and stores	18,071	19,926
Work in progress	1,930	1,975
Finished goods	58,906	63,059
	78,907	84,960

All inventories are net of provision and are expected to be recovered within 12 months.

10. CURRENT ASSETS - PREPAYMENTS

Prepayments	1,625	1,197
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11. DEFERRED TAX ASSETS

Deferred tax assets	2,857	2,857
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The Group has recognised deferred tax assets of \$2,857,000 (2018: \$2,857,000) (the Company \$2,650,000 - 2018: \$2,650,000) based upon the forecasted operational performance the recovery of these prior year losses in the short term is more than probable.

12. NON-CURRENT ASSETS - INVESTMENTS**Details of subsidiaries**

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

ENTITY NAME	EQUITY HOLDING		COUNTRY OF INCORPORATION
	2019 %	2018 %	
Aluminium Extrusion & Distribution Pty Limited ¹	n/a	100	Australia
Austex Dies Pty Limited	100	100	Australia

13. RELATED PARTIES**Parent entities**

The ultimate parent entity within the Group is Capral Limited.

Equity interests in controlled entities

Interests in controlled entities are set out in Note 12.

Transactions with key management personnel

Refer to Note 37 in relation to securities granted and forfeited during the Financial Year under the Long Term Incentive Plan that include rights granted and shares issued, to Capral's Managing Director, Chief Financial Officer, General Manager (Operations) and Company Secretary (who are key management personnel).

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

Transactions with other related parties

In 2019, the parent entity has a non-interest bearing loan of \$4,750,000 (2018: \$4,150,000) advanced from a controlled entity, Austex Dies Pty Limited. The loan is payable on demand. The Company has entered into the following transactions with controlled entities:

- » Rental expense of \$nil (2018: \$69,749²) – Aluminium Extrusion & Distribution Pty Limited¹
- » Purchase of dies of \$3,585,280 (2018: \$3,704,000) – Austex Dies Pty Limited

These transactions were conducted on arm's length commercial terms and conditions at market rates.

¹ Deregistered on 24 July 2019.

Subsidiary was 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 entered into a deed of cross guarantee (**Deed**). Refer to note 29. In connection with deregistration of the subsidiary, the Deed was revoked on 13 May 2019.

² All tangible and intangible assets of Aluminium Extrusion & Distribution Pty Limited were transferred to the parent entity on 13 June 2018.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
14. PROPERTY, PLANT AND EQUIPMENT		
Freehold land		
At valuation (i)	1,200	1,200
Accumulated depreciation	-	-
Net book amount	1,200	1,200
Buildings		
At valuation (i)	3,520	3,440
Accumulated depreciation	(572)	(427)
Net book amount	2,948	3,013
Leasehold improvements		
At cost	12,091	11,729
Accumulated depreciation	(7,440)	(7,552)
Accumulated impairment	(1,970)	(2,069)
Net book amount	2,681	2,108
Total land and buildings	6,829	6,321
Plant, machinery and equipment		
At cost	214,469	227,914
Accumulated depreciation	(149,934)	(149,147)
Accumulated impairment	(32,099)	(48,962)
Net book amount	32,436	29,805
Capital work in progress at cost	1,166	8,805
Net plant, machinery and equipment	33,602	38,610
Total property, plant and equipment - net book value	40,431	44,931

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

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

(i) Valuations of land and building:

An independent valuation of the Group's land and buildings was performed in November 2017 using Capitalisation and Direct Comparison approaches to determine the fair value of the land and buildings. The valuations, which conform to International Valuation Standards, were determined by reference to recent market transactions on arm's length terms at the time. The fair value of the Land and Buildings is \$1,200,000 and \$2,950,000 respectively.

14. 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 IMPROVE- MENTS AT COST	PLANT AND EQUIPMENT AT COST	CAPITAL WORK IN PROGRESS AT COST	TOTAL
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Opening net book amount	1,200	3,013	2,108	29,805	8,805	44,931
Additions	-	110	805	3,721	1,144	5,780
Disposals	-	(5)	(9)	(666)	(4,000)	(4,680)
Transfers	-	-	30	4,595	(4,783)	(158)
Depreciation charge (Note 2(a))	-	(170)	(253)	(5,019)	-	(5,442)
Net book amount at 31 December 2019	1,200	2,948	2,681	32,436	1,166	40,431
2018						
Opening net book amount	1,200	3,143	2,145	29,982	3,603	40,073
Additions	-	33	164	2,697	7,495	10,389
Disposals	-	-	-	(4)	-	(4)
Transfers	-	13	35	2,245	(2,293)	-
Depreciation charge (Note 2(a))	-	(176)	(236)	(5,115)	-	(5,527)
Net book amount at 31 December 2018	1,200	3,013	2,108	29,805	8,805	44,931

Impairment of non-current assets

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. Management views the Group as representing one CGU.

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

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 post-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. Cash flows that may result from prior period tax losses are not taken into account. 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.

The result of Impairment assessment as at 31 December 2019

As a result of the non-current assets recoverable amount assessment performed, Capral has determined that no impairment write-down of non-current assets as at 31 December 2019 was necessary. The recoverable amount of the CGU estimated by management exceeded the carrying amount of assets by \$3,381,000.

14. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The key assumptions used in preparing the value in use cash flow valuation as at 31 December 2019 are as follows:

The table below shows key assumptions in the value in use calculation as at 31 December 2019 and value of the input to which the key assumption must change in isolation for the estimated recoverable amount to be equal to its carrying value.

	INPUT TO THE MODEL	BREAKEVEN INPUT
WACC (Post-tax)	11.31%	11.72%
Average volumes increase 2021-24 p.a.	1.10%	1.00%
Long-term growth rate	1.10%	-0.15%

The valuation is based on forecast and projected cash flows for a 5 year period commencing January 2020 with a terminal value being applied at the end of this period. The cash flow assumptions are based on management approved budgets for the period from January 2020 to December 2020. Beyond this date cash flow projections until 31 December 2024 are based on projected volume growth and expected improvements in EBITDA per tonne (refer below). Sales volumes are projected to grow at 1.1% per annum. This growth rate corresponds with the average long-term growth rate based on external economic sources.

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. The volume projections estimate the sales volumes at around 62,000 tonnes at the end of the 5 year period.

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 changing volumes on manufacturing variances were assessed in setting assumptions on absorbed conversion costs.

In forecasting the margin, Management has considered the production capacity of Capral compared to current volumes and concluded that increase in production volumes to satisfy demand expected by independent market predictions can be attained by predominately increasing variable cost with very limited additional fixed cost expenditure. This is reflected in the resultant average EBITDA per tonne increase of 3.5% per annum from 2021 to 2024.

Working Capital and Capital Expenditure

These assumptions were set in light of strategic initiatives and approved maintenance capital expenditure of an average around \$1,500,000 to \$2,500,000 per annum, with working capital flexed in relation to the assumed production capacity for volumes throughout the forecast period and historical performance and considering revisions to trading terms with key suppliers and customers.

Discount rate

A discount rate of 11.31%, representing the Company's post-tax weighted average cost of capital has been applied to the cash flow projections.

Economic Factors

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

Prior Period Tax Losses

Cash flows that may result from prior period tax losses are not taken into account in determining the recoverable amount of assets.

15. OTHER INTANGIBLES ASSETS**CONSOLIDATED****2019**

	OTHER INTELLECTUAL PROPERTY	SOFTWARE	TOTAL
	\$'000	\$'000	\$'000
Cost	15,927	24,364	40,291
Accumulated amortisation	(8,356)	(21,457)	(29,813)
Accumulated impairment	(7,560)	(2,466)	(10,026)

Net book value	11	441	452
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2018

Cost	15,915	24,136	40,051
Accumulated amortisation	(8,353)	(21,358)	(29,711)
Accumulated impairment	(7,562)	(2,470)	(10,032)

Net book value	-	308	308
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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			
2019			
Opening net book amount	-	308	308
Additions	12	228	240
Transfers	-	10	10
Amortisation	(1)	(105)	(106)
Net book amount at 31 December 2019	11	441	452
2018			
Opening net book amount	-	336	336
Additions	-	65	65
Amortisation	-	(93)	(93)
Net book amount at 31 December 2018	-	308	308

16. RIGHT-OF-USE ASSETS**CONSOLIDATED****Cost**

	BUILDINGS \$'000	PLANT & EQUIPMENT \$'000	TOTAL \$'000
At 31 December 2018	-	-	-
Recognised on adoption of AASB 16 (note 1b)	55,321	4,406	59,727
Additions	22,517	7,359	29,876
Transfers	-	148	148
At 31 December 2019	77,838	11,913	89,751
Accumulated depreciation			
At 31 December 2018	-	-	-
Depreciation charge	(10,904)	(1,987)	(12,891)
At 31 December 2019	(10,904)	(1,987)	(12,891)
Net Book Value			
At 31 December 2019	66,934	9,926	76,860
At 31 December 2018	-	-	-

17. ASSETS PLEDGED AS SECURITY

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

18. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Trade payables (i)	56,246	69,493
Goods and services tax payable	1,478	1,051
Other payables	7,685	7,854
	65,409	78,398

(i) The average credit period on purchases is 73 days from the end of the month (2018: 81 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. LEASE LIABILITIES

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Current	13,877	-
Non-current	90,654	-
	104,531	-
Maturity analysis		
Within one year	13,877	-
Later than one year but not later than five years	41,580	-
Later than five years	49,074	-
	104,531	-

20. PROVISIONS

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Current		
Employee benefits	11,431	11,777
Make good on leased assets ¹	445	819
Restructuring ²	1,126	-
Other ³	383	274
	13,385	12,870
Non-current		
Employee benefits	1,483	1,591
Make good on leased assets ¹	2,621	2,119
Other	-	961
	4,104	4,671

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

² The remaining restructuring provision of \$1,126,000 comprises \$282,000 of employee redundancy; \$743,000 of assets dismantling and relocation; and \$101,000 of site consolidation.

³ Other current provisions include provisions for insurance claims and provisions for customer claims including metal returns net of scrap and pricing adjustments.

	MAKE GOOD ON LEASED ASSETS	RESTRUCTURING	OTHER	TOTAL
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
Movements in carrying amounts				
Carrying value at the beginning of the financial year	2,938	-	1,235	4,173
Provision utilised in the year	(953)	(4,464)	(274)	(5,691)
Additional amounts provided	1,081	5,590	383	7,054
Lease incentives provision reversed on adoption of AASB 16 (note 1b)	-	-	(961)	(961)
Carrying value at the end of the financial year	3,066	1,126	383	4,575

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
21. DEFERRED INCOME - CURRENT		
Deferred income – other	103	147
	103	147

	2019	2018	2019	2018
22. ISSUED CAPITAL	No. 000	No. 000	\$'000	\$'000
(a) Share capital				
Ordinary shares: fully paid	484,391	480,289	425,744	425,744

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movement in ordinary share capital

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	\$'000
January 2018	Balance at the beginning of the financial year	477,107,457	-	425,744
	Shares issued against performance rights	3,181,877	-	-
December 2018	Balance at the end of the financial year	480,289,334	-	425,744
January 2019	Balance at the beginning of the financial year	480,289,334	-	425,744
	Shares issued against performance rights	4,101,561	-	-
December 2019	Balance at the end of the financial year	484,390,895	-	425,744



	CONSOLIDATED	
	2019 \$'000	2018 \$'000
23. RESERVES AND ACCUMULATED LOSSES		
Asset revaluation reserve	1,014	1,014
Equity-settled compensation reserve	10,874	10,999
Dividend reserve	23,130	27,933
	35,018	39,946
Accumulated losses	(367,736)	(334,162)
	(332,718)	(294,216)
23 (a) Movements in reserves were:		
Equity-settled compensation reserve		
Balance at the beginning of the financial year	10,999	10,413
Expense recognised	190	586
Shares acquired on conversion of vested rights	(315)	-
Balance at the end of the financial year	10,874	10,999
Asset revaluation reserve		
Balance at the beginning of the financial year	1,014	1,014
Revaluation increase	-	-
Balance at the end of the financial year	1,014	1,014
Dividend reserve		
Balance at the beginning of the financial year	27,933	29,883
Net profit attributable to members of Capral	-	6,415
Dividends paid	(4,803)	(8,365)
Balance at the end of the financial year	23,130	27,933
23 (b) Accumulated losses		
Balance at the beginning of the financial year	(334,162)	(334,162)
Net loss for the year	(4,240)	-
Initial adoption of AASB 16 Leases	(29,334)	-
Balance at the end of the financial year	(367,736)	(334,162)
24. DIVIDENDS		
Ordinary shares:	4,803	8,365
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30% (2018:30%)	18,990	21,048

	CONSOLIDATED	
	2019 Cents	2018 Cents
25. EARNINGS PER SHARE		
Basic earnings per share	(0.88)	1.34
Diluted earnings per share	(0.88)	1.28

Loss used in the calculation of basic and diluted loss per share for 2019 was \$4,240,000 (2018: Profit \$6,415,000). The weighted average numbers of ordinary shares on issue used in the calculation of basic and diluted earnings per share were 483,503,160 (2018: 479,740,133 and 499,416,674 respectively).

There are potential ordinary shares of \$18,615,098 that are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share in 2019.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
26. STAND BY ARRANGEMENT AND CREDIT FACILITIES		
Secured facilities	50,000	50,000
Facilities used:		
Trade loan	-	-
Cash loan	-	-
Bank guarantees	3,888	3,897
Trade finance – letters of credits	23,881	22,622
Asset finance – in the form of finance lease	3,563	-
Total facilities used	31,332	26,519
Total available facilities	18,668	23,481

The ANZ facility is for a renewed term expiring on 31 January 2021 (originally 31 January 2020) and is fully secured against the Capral group, consisting of:

- » \$45 million Multi-option Facility which includes a Loan Facility, Trade Instruments and Trade Finance;
- » 5 million Asset Finance Facility;

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
27. 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	620	1,521

28. COMMITMENTS FOR EXPENDITURE - OPERATING LEASES

For the current financial year, the Group has adopted AASB 16 which requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Refer to note 19 for maturity analysis of lease liabilities at 31 December 2019.

At 31 December 2019, the Group is committed to \$117,398 (2018: \$207,922) for low value leases and has no short term lease commitments.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Non-cancellable operating lease receivable		
Within one year	2,697	1,324
Later than one year but not later than five years	11,623	-
Later than five years	15,428	-
	29,748	1,324

Operating lease receivables relate to the sublease of office and plant premises with a lease term of 10 years, with an option to extend for a further term of 5 years.

29. DEED OF CROSS GUARANTEE

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

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

AED has been deregistered on 24 July 2019. In connection with deregistration of AED, the Deed was revoked on 13 May 2019. There are no other subsidiaries subject to the deed of cross guarantee as at 31 December 2019.

30. FAIR VALUE MEASUREMENT

Some of the Group's assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these assets and liabilities are determined (in particular, valuation technique(s) and input(s) used).

ASSETS / LIABILITIES	FAIR VALUE AS AT		FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)	RELATIONSHIP OF UNOBSERVABLE INPUT(S)
	31/12/19	31/12/18				
Foreign currency forward contracts (see note 31(f))	Assets – nil Liabilities – \$1,086,584 ¹	Assets – \$547,518 ¹ Liabilities – nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.	n/a	n/a
Land and buildings	Land – \$1,200,000 Buildings – \$2,948,000	Land – \$1,200,000 Buildings – \$3,013,000	Level 3	Capitalisation and Direct Comparison approaches.	Comparable market net rental and comparable market sales transactions.	The higher/(lower) the comparable market net rental amount and the higher/(lower) the comparable market sales transactions, the higher the fair value.

¹ presented under Other Financial Liabilities (2018: presented under Other Financial Assets).

31. FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of debt, as disclosed in Note 26, cash and cash equivalents, and equity holders of the parent, comprising issued capital, reserves and accumulated losses, as disclosed in Notes 7, 22 and 23 respectively. The Directors review the capital structure on a regular basis, and at least annually. As a part of this review the Directors consider the cost of capital and the risks associated with each class of capital. Based on the determinations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

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.

31. FINANCIAL INSTRUMENTS CONTINUED

The Group complied with its borrowing financial covenants under its current facility detailed in Note 26 as at 31 December 2019 and 31 December 2018 as follows:

FINANCIAL COVENANT DESCRIPTION	REQUIRED VALUE	2019 ACTUAL VALUE	2018 ACTUAL VALUE
EBITDA Interest Cover Ratio	> 3.00:1	7.95:1	15.23:1
Minimum Tangible Net Worth	AUD 50.0m	AUD 119.0m	AUD 129.5m
Borrowing Base Ratio	< 0.80:1	0.46:1	0.42:1
Distributions	Variable*	AUD 4.8M	AUD 8.4M
Security Cover Ratio	< 1.00:1	0.45:1	0.41:1
Inventory Cover Ratio	> 0.80:1	0.89:1	0.90:1

*lower than the lowest of profit or free cash flow of prior year.

(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	
	2019 \$'000	2018 \$'000
Financial Assets		
Trade and other receivables	62,564	65,403
Cash and cash equivalents	17,938	27,566
Other financial assets ¹	10	561
Financial Liabilities		
Amortised cost	65,409	78,398
Lease liabilities	104,531	-
Other financial liabilities ²	1,086	169

1 capitalised borrowing costs \$10,000 (2018: capitalised borrowing costs \$13,000 and foreign exchange contract mark-to-market \$548,000).

2 foreign exchange contract mark-to-market \$1,086,000 (2018: finance lease liabilities \$169,000).

(d) Financial risk management objectives

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

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 31(f)) and interest rates (refer note 31(g)). From time to time, the Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including foreign exchange forward contracts to hedge the exchange rate risk arising on the purchase of aluminium log and rolled product from overseas in US dollars.

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.

31. FINANCIAL INSTRUMENTS CONTINUED

(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 any material 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	
	2019 \$'000	2018 \$'000
USD (cash)	671	6,928
EURO (cash)	86	1,295
USD (trade payables)	(13,086)	(17,760)
EURO (trade payables)	(242)	(320)
JPY (trade payables)	(26)	(56)
NZD (trade payables)	-	(1)
USD (trade receivables)	1,799	1,776

Foreign currency sensitivity

The Group is exposed to EUR, JPY and USD (2018: EUR, JPY, NZD and USD).

In order to mitigate foreign currency risk at reporting date, the Group entered into foreign exchange forward contracts. The Group's exposure to foreign exchange rate fluctuations was primarily limited to trade payables and trade receivables outstanding at reporting date denominated in currencies other than Australian dollar (AUD). The total value of trade payables denominated in currencies other than the AUD at reporting date was \$13,354,000 (2018: \$18,137,000). The total value of trade receivables denominated in currencies other than the AUD at reporting date was \$1,799,000 (2018: \$1,776,000).

The following table details the Group's sensitivity to a 10% increase and decrease in the AUD against the relevant unhedged 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 2019 and 31 December 2018 and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Profit or loss (after tax)		
- AUD strengthens by 10% against USD	1,026	1,598
- AUD weakens by 10% against USD	(1,254)	(1,598)
- AUD strengthens by 10% against EUR	22	32
- AUD weakens by 10% against EUR	(27)	(32)
- AUD strengthens by 10% against JPY	2	6
- AUD weakens by 10% against JPY	(3)	(6)

31. FINANCIAL INSTRUMENTS CONTINUED**Forward foreign exchange contracts**

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific material foreign currency payments and receipts.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting period:

OUTSTANDING CONTRACTS	FOREIGN CURRENCY		FAIR VALUE	
	31/12/19 FC\$'000	31/12/18 FC\$'000	31/12/19 \$'000 GAIN/(LOSS)	31/12/18 \$'000 GAIN/(LOSS)
Buy EUR	1,540	724	(90)	(19)
Buy JPY	1,950	4,550	(1)	1
Buy GBP	33	-	1	-
Buy CNH	240	-	(1)	-
Buy USD	23,172	20,820	(996)	566

(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. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles. The Group's exposure to interest rate risk at the reporting date was considered insignificant and as a result the Group did not enter into interest rate options.

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

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 5 basis point (0.05%) increase and a 5 basis point (0.05%) decrease represents Management's assessment of the possible change in interest rates (2018: 5bp or 0.05% increase and 5bp or 0.05% decrease). A positive number indicates an increase in profit.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Profit or loss (after tax)		
Impact of a 5bp (2018: 5bp) increase in AUD interest rates		
- Cash and cash equivalents	6	10
Impact of a 5bp (2018: 5bp) decrease in AUD interest rates		
- Cash and cash equivalents	(6)	(10)

(h) Credit risk management

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

The Group does not have any significant exposure to any individual customer or counterparty. Major concentrations of credit risk are in the construction, transport, consumer durable and electrical industries in Australia. The Company has

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

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

The ageing of trade receivables is detailed below:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Current	45,353	48,808
1-30 days	14,849	13,867
31-60 days	1,726	1,641
60+ days	580	1,145
	62,508	65,461

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who ensure there is an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities, complying with covenants, monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Included in Note 26 is a list of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

Financial assets are made up of cash of \$17,938,000 (2018: \$27,566,000) and trade and other receivables of \$62,564,000 (2018: \$65,403,000). Cash is liquid and trade and other receivables are expected to be realised on average within 49 days (2018: 48 days). Cash balances earn 0.03% interest per annum (2018: 0.03%). 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 prepared 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
CONSOLIDATED	%	\$'000	\$'000	\$'000	\$'000
2019					
Trade and other payables	-	65,409	-	-	-
Floating rate debt	2.83%	-	-	-	-
		65,409	-	-	-
2018					
Trade and other payables	-	78,398	-	-	-
Floating rate debt	3.13%	-	-	-	-
		78,398	-	-	-

31. FINANCIAL INSTRUMENTS CONTINUED**(j) Fair value of financial instruments**

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

- (i) 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
- (ii) 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.

32. CONTINGENT LIABILITIES

Claims and possible claims, indeterminable in amount, have arisen in the ordinary course of business against entities in the consolidated entity. The Company has fully provided for all known and determinable claims. 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 international trade facilities. At 31 December 2019 these guarantees totalled \$3,888,087 (2018: \$3,897,087).

33. 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 services:

- government grant audit
- tax compliance

	CONSOLIDATED	
	2019 \$	2018 \$
Audit or review of financial reports of the entity or any entity in the consolidated entity	287,700	285,200
Other services:		
- government grant audit	5,000	-
- tax compliance	47,250	104,398
Total remuneration	339,950	389,598

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.

34. EVENTS AFTER REPORTING DATE

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

The Capral Dividend Reinvestment Plan was in operation since 1 February 2020 and is available to all eligible shareholders. Last date for the receipt of an election notice for participation in the dividend reinvestment plan is 13 March 2020.

35. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of cash and cash equivalents

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Reconciliation of cash and cash equivalents		
For the purposes of the Statement of Cash Flows, 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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank and on hand	17,938	27,566
	17,938	27,566

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

(Loss)/profit for the year	(4,240)	6,415
Non-cash items:		
Depreciation and amortisation - owned assets	5,548	5,620
Depreciation and amortisation – right of use assets	12,891	-
(Gain)/loss on sale of property, plant and equipment	(12)	3
Share-based payments expense	190	586
Interest income reclassified to investing activities	(8)	(18)
Change in assets and liabilities:		
Decrease in current receivables	2,839	2,556
Decrease/(increase) in financial assets	551	(529)
Decrease/(increase) in inventories	6,080	(6,032)
Increase in prepayments	(428)	(468)
(Decrease)/increase in trade and other payables	(13,570)	4,351
(Decrease)/increase in employee benefit provisions	(3,388)	2,802
Increase/(decrease) in other provisions	3,538	(2,850)
(Decrease)/increase in deferred income	(44)	47
Increase/(decrease) in other financial liabilities	917	(475)
Net cash provided by operating activities	10,864	12,008

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

(iv) Non-cash financing activities

There were no non-cash financing activities during the Financial Year or the 2018 year.

36. PARENT ENTITY DISCLOSURES

	COMPANY	
	2019 \$'000	2018 \$'000
FINANCIAL POSITION		
Assets		
Current assets - third parties	161,815	180,377
Total assets	281,528	227,518
Liabilities		
Current liabilities - third parties	94,281	94,696
Total liabilities	193,670	103,415
Equity		
Issued capital	425,744	425,744
Accumulated losses	(371,890)	(340,573)
Equity-settled compensation reserve	10,874	10,999
Dividend reserve	23,130	27,933
Total Equity	87,858	124,103
Financial Performance		
(Loss)/profit for the year	(4,813)	5,894
Other comprehensive income	-	-
Total comprehensive (loss)/profit	(4,813)	5,894
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Deed of cross guarantee - refer Note 29	-	-
Contingent liabilities of the parent entity		
Refer note 32		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Within one year	620	1,521

37. SHARE-BASED PAYMENTS

Performance Share Rights

Executive and Senior Management

Refer to section 2 of the Remuneration Report for details of rights issued under the Long Term Incentive Plan.

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

PERFORMANCE RIGHT SERIES (LTIP)	NUMBER AS AT 31 DEC 19	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$
Issued 10 March 2017 ¹	1,825,000	10/03/2017	31/12/2019	-	0.13
Issued 10 March 2017 ¹	1,825,000	10/03/2017	31/12/2019	-	0.15
Issued 6 March 2018 ²	2,025,000	6/03/2018	31/12/2020	-	0.12
Issued 6 March 2018 ²	2,025,000	6/03/2018	31/12/2020	-	0.13
Issued 22 March 2019 ³	2,125,000	22/03/2019	31/12/2021	-	0.075
Issued 22 March 2019 ³	2,125,000	22/03/2019	31/12/2021	-	0.105

¹ In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2017 have an average vesting date of 1 March 2020.

² In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2018 have an average vesting date of 1 March 2021.

³ In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2019 have an average vesting date of 1 March 2022.

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

	NUMBER AS AT 31 DEC 18	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$
Issued 7 March 2016 ¹	2,125,000	07/03/2016	31/12/2018	-	0.08
Issued 7 March 2016 ¹	2,125,000	07/03/2016	31/12/2018	-	0.10
Issued 10 March 2017 ²	2,250,000	10/03/2017	31/12/2019	-	0.13
Issued 10 March 2017 ²	2,250,000	10/03/2017	31/12/2019	-	0.15
Issued 6 March 2018 ³	2,450,000	6/03/2018	31/12/2020	-	0.12
Issued 6 March 2018 ³	2,450,000	6/03/2018	31/12/2020	-	0.13

¹ In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2016 have an average vesting date of 1 March 2019.

² In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2017 have an average vesting date of 1 March 2020.

³ In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2018 have an average vesting date of 1 March 2021.

37. SHARE-BASED PAYMENTS CONTINUED

Inputs into the model	PERFORMANCE RIGHTS (LTIP)			
	22 March 2019	06 March 2018	10 March 2017	07 March 2016
Grant date	22/03/2019	6/03/2018	10/03/2017	7/03/2016
Dividend yield	7.7%	6.3%	5.7%	0%
Risk free yield	1.4%	2.15%	2.14%	1.90%
Expected volatility	45%	55%	60%	55%
Last testing date	31/12/2021	31/12/2020	31/12/2019	31/12/2018
Exercise price	n.a	n.a	n.a	n.a
Share price at grant date	\$0.13	\$0.16	\$0.18	\$0.10
Performance right life	3 years	3 years	3 years	3 years

Managing Director

During the Financial Year, 2,350,000 rights were issued to Mr A. Dragicevich.

During the comparative financial year, 2,200,000 rights were issued to Mr A. Dragicevich.

The following rights were in existence during the current reporting period, subject to the achievement of performance conditions and have been independently valued as follows:

SHARE RIGHTS	NUMBER AS AT 31 DEC 19	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$
Issued 11 May 2017 ¹	1,000,000	11/05/2017	31/12/2019	-	\$0.07
Issued 11 May 2017 ¹	1,000,000	11/05/2017	31/12/2019	-	\$0.11
Issued 19 April 2018 ²	1,100,000	19/04/2018	31/12/2020	-	\$0.10
Issued 19 April 2018 ²	1,100,000	19/04/2018	31/12/2020	-	\$0.12
Issued 16 April 2019 ³	1,175,000	16/04/2019	31/12/2021	-	\$0.07
Issued 16 April 2019 ³	1,175,000	16/04/2019	31/12/2021	-	\$0.10

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2017 have an average vesting date of 1 March 2020.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2018 have an average vesting date of 1 March 2021.

3 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2019 have an average vesting date of 1 March 2022.

The following rights were in existence during the comparative reporting period, subject to the achievement of performance conditions and have been independently valued as follows:

SHARE RIGHTS	NUMBER AS AT 31 DEC 18	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$
Issued 14 April 2016 ¹	1,250,000	14/04/2016	31/12/2018	-	\$0.08
Issued 14 April 2016 ¹	1,250,000	14/04/2016	31/12/2018	-	\$0.11
Issued 11 May 2017 ²	1,000,000	11/05/2017	31/12/2019	-	\$0.07
Issued 11 May 2017 ²	1,000,000	11/05/2017	31/12/2019	-	\$0.11
Issued 19 April 2018 ³	1,100,000	19/04/2018	31/12/2020	-	\$0.10
Issued 19 April 2018 ³	1,100,000	19/04/2018	31/12/2020	-	\$0.12

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2016 have an average vesting date of 1 March 2019.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2017 have an average vesting date of 1 March 2020.

3 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2018 have an average vesting date of 1 March 2021.

37. SHARE-BASED PAYMENTS CONTINUED

Inputs into the model	16 April 2019	19 April 2018	11 May 2017	14 April 2016
Grant date	16/4/2019	19/4/2018	11/5/2017	14/4/2016
Dividend yield	8.0%	6.7%	7.4%	0%
Risk free yield	1.5%	2.25%	1.83%	1.90%
Expected volatility	45%	55%	60%	55%
Last testing date	31/12/2021	31/12/2020	31/12/2019	31/12/2018
Share price at grant date	\$0.125	\$0.150	\$0.140	\$0.110
Performance right life	3 years	3 years	3 years	3 years

The following table reconciles the outstanding securities granted to the Managing Director and senior management at the beginning and end of the Financial Year:

Performance rights	2019	2018
Number of share performance rights:		
Balance at the beginning of the financial year	20,350,000	18,458,123
Granted during the financial year	7,000,000	7,100,000
Forfeited during the financial year	(2,100,000)	-
Vested during the financial year	(6,620,202)	(3,181,877)
Lapsed during the financial year	(129,798)	(2,026,246)
Balance at the end of the financial year	18,500,000	20,350,000

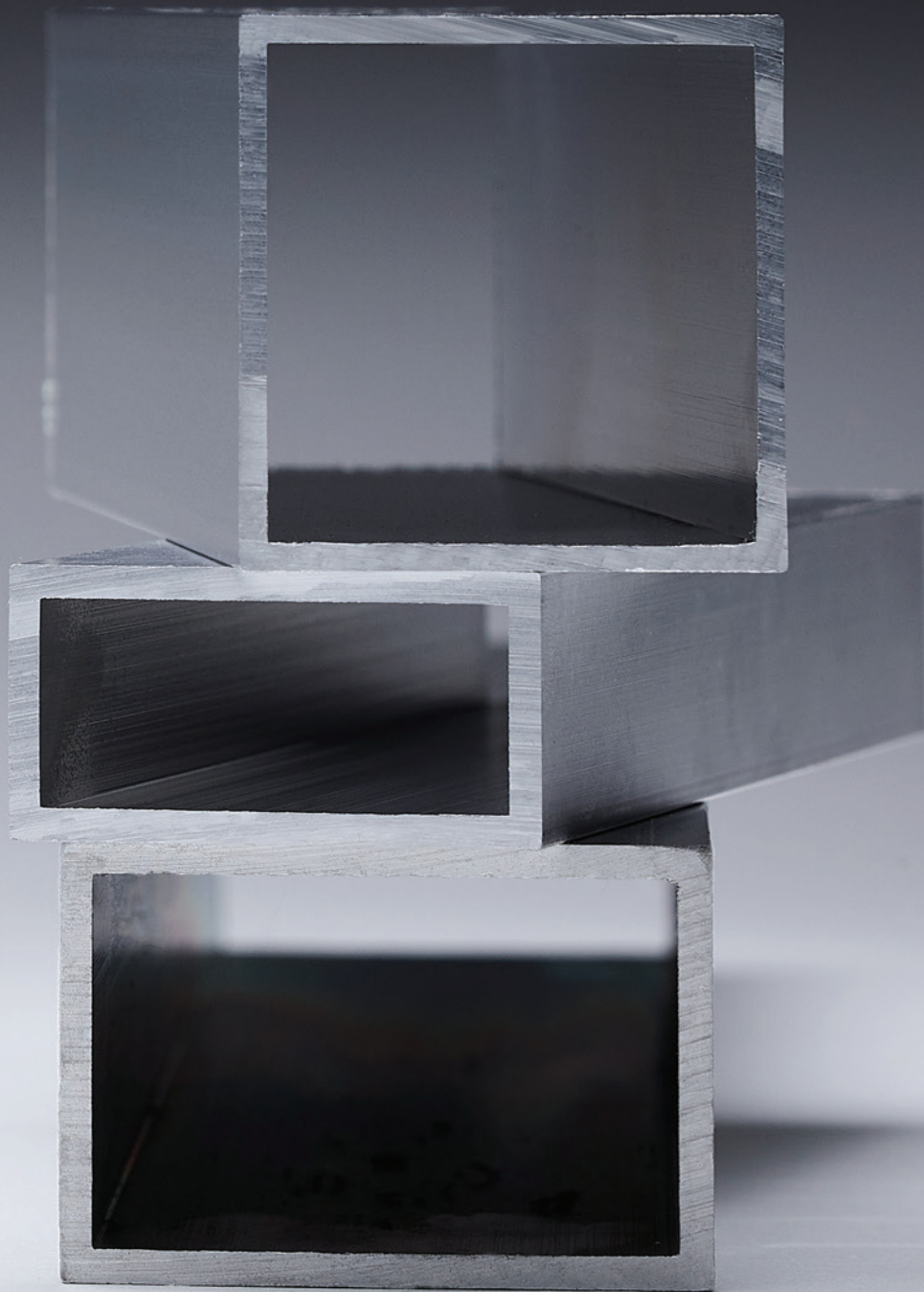
The performance rights outstanding at the end of the Financial Year were 18,500,000 (2018: 20,350,000), with a weighted average remaining contractual life of 1.0 year.

38. KEY MANAGEMENT PERSONNEL COMPENSATION

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	
	2019 \$	2018 \$
Short-term benefits	1,484,464	1,968,068
Post-employment benefits	86,049	130,157
Other long-term benefits	-	-
Termination benefits	42,210	-
Share-based payments	89,050	282,393
	1,701,773	2,380,618

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*.

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



A. DRAGICEVICH
MANAGING DIRECTOR

Sydney

26 February 2020



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Independent Auditor's Report to the Members of Capral Limited

Report on the Audit of the Financial Report

We have audited the financial report of Capral Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying value of property, plant and equipment</p> <p>As disclosed in Note 14, the Group has property, plant and equipment held at a written down value of \$40,431,000 as at 31 December 2019, net of impairment losses of \$34,069,000 recognised up to and including FY2013</p> <p>Note 1c(j) outlines the determination of the carrying value of the property, plant and equipment, which requires significant judgement by management in assessing for any indicators of impairment and preparing a value-in-use discounted cash flow model, in particular with reference to:</p> <ul style="list-style-type: none"> estimating future growth rates, discount rates, and the expected cash flows and capital expenditure. <p>Management has assessed the recoverable amount of property plant and equipment by initially assessing for any indicators of impairment. A potential indicator of impairment was identified. Accordingly, management prepared a value-in-use discounted cash flow model ("impairment model") to assess whether the carrying value of property, plant and equipment exceeded their recoverable value.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> Assessing the process undertaken and conclusions reached by management in respect of indicators of impairment Recalculating the mathematical accuracy and integrity of the impairment model Engaging our valuation specialists to assist with evaluating the appropriateness of the discount rate used Reviewing the FY20 budget, the basis on which it has been prepared, and assessing the historical accuracy of forecasting by management Critically assessing other key assumptions in the impairment model including: <ul style="list-style-type: none"> discount rate; forecasted cash flows and capital expenditure; Cost savings projected due to the restructuring at the Bremer Park site during the year; growth rates, in particular with reference to historic growth rates and forecast macro-economic conditions impacting demand in the industry; and terminal growth rate. Performing a sensitivity analysis on the key assumptions and inputs in the impairment model, to consider the extent of change in those assumptions that either individually or collectively would result in impairment or reversal of impairment. Considering the headroom in the impairment model and whether it is indicative of a need to reverse previously recorded impairment charges. <p>We also assessed the appropriateness of the disclosures in Notes 1c(j) and 14 to the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's Report, Managing Director's Operations and Financial Review, Sustainability Report and Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Members Details and Corporate Directory, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially

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misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Members Details and Corporate Directory, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.



We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 21 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Capral Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "D R White".

David White

Partner

Chartered Accountants

Parramatta, 26 February 2020

MEMBER DETAILS

(IN ACCORDANCE WITH THE LISTING RULES)
AS AT 28 FEBRUARY 2020

1. TWENTY LARGEST HOLDERS

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

NO.	NAME OF HOLDER	NO. OF SHARES HELD	ISSUED CAPITAL HELD (%)
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	99,327,300	20.51
2.	CITICORP NOMINEES PTY LIMITED	78,044,125	16.11
3.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	62,542,294	12.91
4.	NATIONAL NOMINEES LIMITED	32,666,896	6.74
5.	PRUDENTIAL NOMINEES PTY LTD	17,000,000	3.51
6.	MR ANTHONY MATTHEW DRAGICEVICH	7,974,675	1.65
7.	BNP PARIBAS NOMS PTY LTD <DRP>	7,314,138	1.51
8.	BRAZIL FARMING PTY LTD	6,500,000	1.34
9.	LUTON PTY LTD	5,373,905	1.11
10.	MR JOHN GEORGE WHITING + MRS DIANA PATRICIA WHITING <THE WHITING INVESTMENT A/C>	4,000,000	0.83
11.	AGO PTY LTD <SUPERANNUATION FUND A/C>	3,715,002	0.77
12.	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE)	3,516,307	0.73
13.	MR ANDREW ROY NEWBERY SISSON	3,500,000	0.72
14.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,165,280	0.65
15.	MR CHRISTIAN JAMES HAUSTEAD	3,150,000	0.65
16.	RAVENS COURT PROPRIETARY LIMITED	3,000,000	0.62
17.	SOUTHERN STEEL INVESTMENTS PTY LIMITED	3,000,000	0.62
18.	MRS GLENDA CLAIRE ORGILL	2,822,280	0.58
19.	DEBUSCEY PTY LTD	2,540,604	0.52
20.	HAWKDUN PTY LTD <J F COLLOPY PRACTICE S/F AC>	2,250,000	0.46
TOTAL		351,402,806	72.54

2. SUBSTANTIAL SHAREHOLDERS

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

NAME	NO. OF SHARES	% OF SHARES HELD	AS NOTIFIED ON
Allan Gray Australia	89,675,039	18.89	23/3/2015
Perpetual Limited	50,619,685	10.54	24/1/2019
First Sentier Investors Holdings Pty Limited	48,391,513	9.99	19/2/2020
Spheria Asset Management Pty Ltd	24,436,088	5.04	28/1/2020
Total	213,122,325	44.46	

3. NUMBER OF HOLDERS

- (a) *Quoted equity securities*: There were 1,770 holders of ordinary shares.
- (b) *Unquoted equity securities - options*: There were Nil unquoted options.
- (c) *Unquoted equity securities - performance rights*: There were 18,500,000 unquoted performance rights issued to 17 holders under the Capral Long Term Incentive Plan. There is 1 holder who holds 20% or more 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	338
1,001 - 5,000	272
5,001 - 10,000	207
10,001 - 100,000	656
100,001 and over	297
Total	1,770

5. DISTRIBUTION OF EQUITY SECURITIES CONTINUED

(b) *Unquoted performance rights*

Performance rights granted under the Capral Long Term Incentive Plan (including to the Managing Director) with various vesting and expiry dates and a nil exercise price:

RANGE OF SHARES	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	17
Total	17

6. MARKETABLE PARCELS

The number of shareholders holding less than a marketable parcel* of shares is 538 holders.

(* Minimum parcel size of shares: 4,348)

7. ON-MARKET BUY BACK

There is no current on-market buy back.

CORPORATE DIRECTORY

Capral's Registered Office

71 Ashburn Road, Bundamba, QLD 4304
Telephone: +61 (0)7 3816 7000

Capral's Principal Administration Office / Investor enquiries

Level 4, 60 Phillip Street, Parramatta, NSW 2150
Telephone: +61 (0)2 9682 0710
Email: InvestorRelations@capral.com.au

Share Registry

Computershare Investor Services Pty Limited

ABN 48 078 279 277
Level 2, 60 Carrington Street, Sydney, NSW 2000
Telephone: 1800 855 080
Fax: +61 (0) 3 9473 2118

Auditor

Deloitte Touche Tohmatsu

ABN 74 490 121 060
Eclipse Tower, Level 19,
60 Station Street, Parramatta, NSW 2150

Securities Exchange Listing

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

Company Secretary

Ms Gillian Nairn (Joint)
Mr William Joseph Campbell (Joint)

Corporate Governance Statement

<http://www.capral.com.au/>
– under Corporate / Investors / Corporate Governance





CAPRAL
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