

CAPRAL LIMITED NOTICE OF ANNUAL GENERAL MEETING 2019

ABN 78 004 213 692



NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS 2019

Notice is given that the Annual General Meeting (**AGM**) of Shareholders of Capral Limited (ABN 78 004 213 692) (**Capral**) will be held at Parkroyal Parramatta, 30 Phillip Street, Parramatta, New South Wales on Tuesday 16 April 2019 at 10:00am.

BUSINESS

1. Statutory Reports

The Financial Report, the Directors' Report and the Independent Audit Report (the **Reports**) for the year ended 31 December 2018 will be presented for consideration.

Shareholders can view the Annual Report, which contains the Financial Report for the year ended 31 December 2018, on Capral's website (www.capral.com.au), go to "Corporate/ Investors" & then "Annual Reports".

2. Questions

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

The Chairman will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to the audit and financial statements, and give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the Independent Audit Report or audit.

3. RESOLUTION 1.

Re-Election of Director - Mr Ian Blair

To consider and, if thought fit, pass the following as an ordinary resolution:

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

4. RESOLUTION 2.

Adoption of Remuneration Report

To consider and, if thought fit, pass the following as an Ordinary Non-Binding Resolution:

That, Capral's Remuneration Report, included in the Directors' Report for the financial year ended 31 December 2018, be adopted.

Voting Exclusion Statement

A vote on this Resolution 2 must not be cast (in any capacity) by or on behalf of the following persons:

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

However, a person described above may cast a vote on this Resolution 2 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- (b) the vote is cast by the chair of the AGM and the appointment of the chair as proxy:
 - i. does not specify the way the proxy is to vote on the resolution; and
 - ii. expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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

5. RESOLUTION 3.**Issue of share rights and shares to Mr Anthony Dragicevich**

To consider and, if thought fit, pass the following as an ordinary resolution:

That, the issue to Anthony Dragicevich of:

- (a) up to 2,350,000 Share Rights on the terms set out in the Explanatory Memorandum; and
- (b) shares in Capral subject to the vesting of those Share Rights, as and on the basis described in the Explanatory Memorandum,

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

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, Capral will disregard any votes cast in favour of Resolution 3 by or on behalf of Rex Wood-Ward, Anthony Dragicevich, Philip Jobe, Ian Blair or Graeme Pettigrew who are eligible to participate in the *Capral Long Term Incentive Plan* or an associate (as defined in Chapter 19 of the ASX Listing Rules) of those persons.

In accordance with section 200E(2A) of the Corporations Act, Capral will disregard any votes cast on Resolution 3 (in any capacity) by or on behalf of Anthony Dragicevich or an associate (as defined in the Corporations Act) of Anthony Dragicevich.

However, Capral need not disregard a vote cast in favour on Resolution 3 if:

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

In addition, in accordance with section 200BD of the Corporations Act, Capral will disregard any vote cast on Resolution 3 by a member of the Key Management Personnel as at the date of the AGM or a Closely Related Party of such persons, where the proxy appointment does not specify the way the proxy is to vote on the resolution. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting if the proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of a member of the Key Management Personnel.

By order of the Board**Richard Rolfe**

Company Secretary
Sydney, 5 March 2019

ATTENDANCE & VOTING AT THE MEETING

In accordance with Corporations Regulation 7.11.37, the Board has determined that Capral shares are taken, for the purposes of determining the right of shareholders to attend and vote at the AGM, to be held by persons who held them at 7:00 pm (Sydney time) on Sunday 14 April 2019. If you are not the registered holder of a relevant share at that time you will not be entitled to vote in respect of that share.

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

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

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

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

PROXIES

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

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

A proxy form accompanies this Notice. Should you wish to appoint a proxy, please complete the proxy form and return it (and any supporting documents attached) by no later than 10:00 am (Sydney time) on Sunday, 14 April 2019 by one of the following methods:

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

Chairman will vote undirected proxies in favour of all resolutions

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

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

The Chairman intends to vote any undirected proxy in favour of all resolutions including Resolution 2 (Adoption of Remuneration Report) and Resolution 3 (Issue of Share Rights and Shares to Anthony Dragicevich).

Appointment of other Key Management Personnel as your proxy

Due to the voting exclusions and requirements referred to in the Notice of Meeting, if you intend to appoint any other Key Management Personnel or their Closely Related Parties as your proxy, you are encouraged to direct your proxy on how to vote on Resolution 2 (Adoption of Remuneration Report) and Resolution 3 (Issue of Share Rights and Shares to Anthony Dragicevich) by marking either "For", "Against" or "Abstain" on the proxy form for the relevant item of business.

Definitions

Closely Related Parties are any of the following people:

- » a spouse or child of Key Management Personnel;
- » a child of Key Management Personnel's spouse;
- » a dependent of Key Management Personnel or Key Management Personnel's spouse;

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

Key Management Personnel are those people described as Key Management Personnel in Capral's Remuneration Report for the financial year ended 31 December 2018 and includes all directors.

Remuneration Report means Capral's Remuneration Report included in the Directors' Report for the financial year ended 31 December 2018.

Attorney

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

Corporate Representatives

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

SHAREHOLDER QUESTIONS

If you wish a question to be put to the Chairman or the Auditor and you are not able to attend the AGM, please send your question to the Company Secretary via Capral's share registry by one of the methods detailed above. To allow time to collate questions and prepare answers, questions are to be received by 7:00 pm (Sydney time) on Tuesday 9 April 2019. Questions submitted in writing to the Company Secretary will be put to the Chairman or Auditor at the Board's discretion. A list of questions for the auditor will be available at the AGM.

EXPLANATORY MEMORANDUM

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

1&2. Statutory Reports and shareholder questions

The Financial Report, Directors' Report and Auditor's Report for Capral for the year ended 31 December 2018 will be laid before the AGM in accordance with section 317 of the Corporations Act.

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

3. Resolution 1. Re-election of Director

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

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

Mr Ian Blair was appointed as a non-executive director on 23 May 2006 and is Chairman of the Audit & Risk Committee and a member of the Remuneration & Nomination Committee. Mr Blair is a Chartered Accountant and Company Director. He spent almost 20 years as a partner in major accounting firm Deloitte, and retired after 5 years as CEO of that firm. Mr Blair is currently Chairman of Bisley & Co Pty Ltd.

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

4. Resolution 2. Adoption of Remuneration Report

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

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

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

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

5. Resolution 3. Issue of Share Rights to Mr Anthony Dragicevich

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

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

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

Shareholder approval is sought for the issue of Share Rights to Mr Dragicevich under Capral's Long Term Incentive Plan. Specific details of the proposed issue are set out below.

A **Share Right** is a right to be issued one Capral ordinary share (**Share**) for nil exercise price upon the satisfaction of certain vesting conditions. 1 Share Right converts into 1 Share upon vesting.

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

Number of Share Rights and Issue Price

Subject to obtaining shareholder approval, Capral will issue 2,350,000 Share Rights to Mr Dragicevich for nil consideration. The Share Rights are subject to continuous service requirements and vesting criteria over a three year performance period from 1 January 2019 to 31 December 2021.

Timing of grant and vesting

The grant date of the Share Rights will be on or about the date of shareholder approval, but in any event no later than 12 months after the AGM. The vesting date of the Share Rights will be 1 March 2022 (subject to the satisfaction of the continuous service requirements and the vesting criteria).

Vesting conditions

Vesting of the Share Rights is subject to Mr Dragicevich remaining employed at Capral on the vesting date and the following performance hurdles:

- 50% of the Share Rights are subject to an Earnings Per Share (**EPS**) performance condition; and
- 50% of the Share Rights are subject to a Total Shareholder Return (**TSR**) performance condition.

EPS performance condition

An EPS target is set each year based on the Net Profit After Tax Target as specified by the Board (adjusted for any extraordinary items approved by the Board) divided by the weighted average number of securities on issue during the year.

The Net Profit After Tax Target used for this condition is set at least at minimum Budget level. The Board may adjust EPS to exclude the effects of material business acquisitions or divestments and certain one-off costs. Adjustments would be disclosed.

Performance is measured over three years and tested every year. For the Share Rights to vest, actual performance over that three year period must meet, in aggregate, the three annual targets combined (even if the target in any individual year(s) is not met) as set out below:

EPS TARGET RANGE	% RIGHTS VESTING
More than 5% below target	None
5% below target	50
Between 5% below target to 10% above target	Between 50 and 100 (pro rata)
10% above target and higher	100

TSR performance condition

The TSR performance condition is measured against the entities with ordinary shares and units (as the case may be) included in the S&P/ASX All Ordinaries Index as at 1 January 2019 but excluding those companies who are classified in the Global Industry Classification Standard sector number 40.

The number of Share Rights subject to the TSR performance condition which may vest will be determined by comparing Capral's TSR against the TSR of each member of this comparator group over the three year performance period from 1 January 2019 to 31 December 2021, and the percentile position of Capral within that comparator group as set out below:

PERCENTILE OF TSR	% RIGHTS VESTING
Less than 50th	None
50th	50
More than 50th less than 75th	Between 50 and 100 (pro rata)
75th and higher	100

Lapse of Share Rights

Share Rights lapse on termination of Mr Dragicevich's employment except in special circumstances (such as death, permanent disability and redundancy) where the Board retains discretion, and then having regard to his performance until the termination date and the proportion of the unexpired performance period, when determining the number of Share Rights that vest.

The Board has the ability to forfeit some or all of the Share Rights and any Shares issued on vesting of those Share Rights in certain circumstances, including in the event of fraud, material misstatement or misrepresentation of Capral's financial results.

Dividend rights

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

Other information

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

- » Mr Dragicevich is a Director of Capral and accordingly, shareholder approval for Mr Dragicevich to acquire securities under an employee incentive scheme is required.
- » The maximum number of Share Rights (and subsequently, the maximum number of Shares) that may be acquired by Mr Dragicevich and for which shareholder approval is sought is 2,350,000 Share Rights.
- » The acquisition price for the Share Rights is nil and no money is payable by Mr Dragicevich for a Share on the vesting of a Share Right.
- » No loans will be made in relation to the acquisition of the Share Rights or Shares by Mr Dragicevich.
- » There have been no issues of securities to Capral directors or their associates under the Capral Long Term Incentive Plan since the issue of securities to Mr Dragicevich in accordance with the approvals given at the, 2016 AGM, 2017 AGM and 2018 AGM:
 - » 2,200,000 Share Rights were issued to Mr Dragicevich under the 2018 scheme, following shareholder approval at the 2018 AGM. The acquisition price for those Share Rights was nil.
 - » 2,000,000 Share Rights were issued to Mr Dragicevich under the 2017 scheme, following shareholder approval at the 2017 AGM. The acquisition price for those Share Rights was nil.
 - » 2,500,000 Share Rights were issued to Mr Dragicevich under the 2016 scheme, following shareholder approval at the 2016 AGM. The acquisition price for those Share Rights was nil.
 - » 2,451,925 of the 2016 approved Share Rights have vested and will convert into 2,451,925 Shares and the balance of 48,075 Share Rights will lapse in respect of the 2016 award. There are 2,000,000 unvested Share Rights in respect of the 2017 award and 2,200,000 unvested Share Rights in respect of the 2018 award.
- » All directors of Capral are eligible to participate in the Capral Long Term Incentive Plan. As at the date of this Notice the Directors of Capral are Messrs Tony Dragicevich, Rex Wood-Ward, Philip Jobe, Ian Blair and Graeme Pettigrew.
- » The Share Rights will be issued to Mr Dragicevich on or about the date of the AGM, but in any event no later than 12 months after the AGM.

Listing Rule 7.1 imposes a 15% cap on the number of equity securities that can be issued by Capral without approval of shareholders in any rolling twelve month period. However, Capral is permitted to issue shares (or other securities) in excess of the 15% limit if those shares or securities are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders.

Resolution 3, if passed, will provide approval for this purpose in relation to both the Share Rights and any Shares issued on vesting of those rights. If approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1, in accordance with Exception 14 in Listing Rule 7.2.

Accelerated vesting and potential termination benefit

As noted above, the Share Rights will vest on an accelerated basis in certain special circumstances.

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

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

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

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

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

If shareholders do not approve the proposed issue of Share Rights to Mr Dragicevich under Resolution 3, the proposed award of Share Rights to him will not proceed. However, to ensure Capral can attract and retain the right talent and align Mr Dragicevich with those of shareholders, the Board considers it is important for Capral to offer incentives to its directors and executives that are in line with market practice. The Board would need to consider alternative remuneration arrangements.

Director recommendation

The Board considers that the award of Share Rights to Mr Dragicevich is an appropriate incentive in the best interests of Capral and therefore recommends (with Mr Dragicevich abstaining from making a recommendation) that shareholders vote in favour of Resolution 3.



Capral Limited

ABN 78 004 213 692

71 Ashburn Rd, Bundamba QLD 4304

T 07 3816 7000 | F 07 3816 7111

www.capral.com.au