CAPRAL LIMITED 2016 ANNUAL REPORT

CAPRAL ALUMINIUM
SHAPING THE FUTURE

Capral's Vision & Values

Our Vision:
To be our customers **first choice supplier** of aluminium products and solutions.

SAFETY FIRST
Everyone is responsible.
Injuries can be prevented.
All jobs can be done safely.

PLAY FAIR
Act with integrity.
Do the right thing.
Work as a team.
Be honest and respectful.

CUSTOMER SUCCESS
Customers determine our success.
Committed to service and quality.
Be responsive to customer needs.

OWN IT
Be accountable.
Feel empowered.
Take pride in our work.
Act boldly.

BETTER EVERY DAY
Continuous improvement.
Be innovative.
Embrace change.

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Key Statistics

FOR THE YEAR ENDED 31 DECEMBER	2016	2015	VARIANCE
Sales Volumes – External tonnes ('000)	63.4	57.8	5.6
	$m	**$m**	**$m**
Revenue	424.8	402.6	22.2
EBITDA	21.1	5.1	16.0
Trading EBITDA[1]	20.3	13.0	7.3
Profit/ (Loss) after Tax	14.4	(2.5)	16.9
Operating Cash Flow	15.6	7.3	8.3
Net Cash	31.4	20.1	11.3

1 *Please refer to note on page 3*

Chairman's Report

Financial Results

The Company recorded a net profit after tax of $14.4 million for the year ended 31 December 2016 (2015: loss $2.5 million which included a loss of $7 million due to write down of inventory). At the operating level, Trading EBITDA* of $20.3 million was 55% higher than the $13 million reported in 2015. Statutory EBITDA was positively impacted by the $1.0 million LME revaluation, recording an increase from $5.1 million in 2015 to $21.1 million in 2016. Refer to the 2016 Full Year Results Presentation lodged today for the reconciliation of Trading and Statutory EBITDA.

2016 saw the continuation of the high level of activity in house building which began in the second half of 2015, together with increased activity in the commercial construction and industrial sectors. As a result, 2016 volumes rose 9.7% to 63,400 tonnes (2015: 57,800 tonnes) while revenues of $425 million increased by 5.5% over the $403 million reported in 2015. This increase in revenues was accompanied by a substantial increase in profitability driven by greater capacity utilisation.

Management continued its focus on costs and productivity improvements, delivering significant cost savings and efficiencies which, together with the volume leverage over its fixed cost base, contributed to the increase in profitability. Positive net operating cash flows resulted in year-end net cash on hand increasing by $11.3 million to $31.4 million.

The strong house building market enjoyed in 2016 is anticipated to continue into 2017, albeit at a reduced rate as external indicators point to a slow-down in new building activity later in the year. The initiation of further dumping cases against Malaysia and Vietnam demonstrates our commitment to ensuring that Australian manufacturers are participating on a level playing field, and has resulted in the Commission imposing initial dumping duties on imports from these countries.

The Company will continue to concentrate on cost reduction and efficiencies in all of its operations and, in this regard, a substantial part of our capital expenditure is earmarked to improving productivity.

The Company is forecasting earnings for 2017 at similar levels to 2016. I refer shareholders to the Outlook section of the Managing Director's Operations and Financial Review.

Safety

Despite the Company's proactive focus on safety improvement, 2016 saw an increase in its total reportable injury rate. We will continue to focus on improving safety through education and monitoring of the workplace.

Dividends

The Company has declared a fully franked dividend of 1.25 cents per ordinary share (2015: Nil), which represents 42% payout of Net Profit After Tax, to be paid on 22 March 2017 in respect of the financial year ended 31 December 2016. The dividend will be paid to all shareholders on the register of members as at the Record Date of 1 March 2017.

I would like to extend the Board's appreciation to the entire Capral team and to all of Capral's stakeholders for their continued support. I thank my co-directors for their commitment during the past year.

Rex Wood-Ward
Chairman

23 February 2017

* *Trading EBITDA is the Statutory 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, and one-off costs relating to restructuring that are non-recurring in nature. Trading EBITDA is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011.*

Managing Director's Operations and Financial Review

Capral performed strongly in 2016. Having executed its plans and strategies in recent years, and become more efficient with lower cost structures, Capral was well positioned to benefit from the improved markets in which it operates. During 2016, those markets were generally buoyant throughout the year. The housing sector was particularly strong with starts at historically high levels. This resulted in high extrusion volumes to window fabricators. Non-residential building and our key industrial segments (manufacturing, transport and marine) showed positive growth for the first time in many years. Volumes were also assisted by positive outcomes from anti-dumping reviews, although imports from Asian countries continue to suppress price.

Dwelling commencements increased to a record 226,500[2] in 2016. High density (apartment), new housing and medium density sectors all remained strong.

A lower Australian dollar assists Capral's competitiveness against imports and also assists our local manufacturing customers. The relatively stable currency has stemmed the tide of Australian manufacturing businesses moving operations off-shore. However, many have closed local operations over the past five years and are highly unlikely to return.

Aluminium billet is the largest input cost into Capral's manufacturing operations. Metal costs were relatively stable for most of 2016 however LME rose by greater than 10% late in the year. Over half of Capral's customers are on LME based pricing contracts.

Capral delivered strong profit growth in 2016 with a Trading EBITDA[1] of $20.3 million (2015: $13.0 million) on sales revenue growth of 5.5%. Statutory EBITDA of $21.1 million (2015: $5.1 million) included a positive LME revaluation of $1.0 million. Refer to the 2016 Full Year Results Presentation lodged today for the reconciliation of Trading and Statutory EBITDA.

Capral recorded a net profit after tax of $14.4 million (2015: loss $2.5 million) and this has enabled Capral to return to declaring dividends (see further below). The net cash position improved by $11.3 million during the year as a result of earnings growth. Working Capital increased by $5.0 million due to higher volume and metal cost increases. The balance sheet remains strong with net cash of $31.4 million at year end. A new two year, $50.5 million facility was established with ANZ Bank in January 2017.

Key Initiatives and Strategies

The key high level strategies remain consistent:

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

The focus in 2017 will be on investing in technology to reduce our manufacturing costs and improve our long term competitive position. We have also invested in our sales capability through Customer Relationship Management technology and online transactions (Capral Estore and EDI). Cost management initiatives remain a key focus and continue to flow from our lean management programmes.

The fastest growing market sector for aluminium has been windows for high density dwellings. Imports of fully assembled windows have taken a large share of this extrusion market. Although this market will slow in the next few years it will continue to grow its share of the residential dwelling market. Capral is working with our key customers to develop innovative solutions to provide an opportunity to capture a higher share of this market.

1 Refer to Trading EBITDA explanation in footnote to Chairman's Report on page 3.

2 Source: BIS Shrapnel December 2016 forecast (two quarters delayed).

In August 2016 Capral was appointed exclusive Australian distributor for Schüco, the leading European window and door systems supplier. Schüco systems are very high quality with superior acoustic and thermal ratings. Schüco systems complement Capral's systems and significantly enhance our overall offer to the architectural market.

Fair Trade

Capral continues to take the lead industry role in initiating effective action against imports of dumped aluminium extrusions into the Australian market. Over the past two years a number of positive outcomes were achieved, including:

- The finding in 2015 by the Anti-Dumping Commission of anti-circumvention activities by the largest exporter of aluminium extrusions from China to Australia. This was followed by the closure of their related import and distribution businesses.
- A full review of the 2010 dumping duties was concluded late in 2015 with the Anti-Dumping Commission finding ongoing dumping of aluminium extrusions from China. Modest increased anti-dumping measures were imposed until 2020.
- In 2016 a case was taken against Malaysia and Vietnam and the Commission imposed initial dumping duties of around 13% on imports from these countries. A final determination is expected to be received in the first half of 2017.

These outcomes have had a positive impact for local extruders in terms of volume however price suppression remains.

Dividend

As Capral's performance has improved, we are pleased to announce that Capral is in a position to pay a dividend. Based on this year's earnings, we have resolved to pay a final, fully franked dividend of 1.25 cents per share on 22 March 2017. This corresponds to a pay-out ratio of 42% of Capral's net profit after tax, which is within our target pay-out range of 40% to 80%.

Safety

Capral continues to prioritise the safety of its people with an ongoing focus on safety training, systems and culture. During 2016 Capral retained AS4801 (Safety Management) accreditation across the group and Capral secured ISO9001 (Quality Management) and ISO14001 (Environmental Management) accreditation for all sites. Lost time injury frequency rate fell to 3.2 (2015: 4.0), however the total reportable injury frequency rate rose to 15.5 (2015: 13.3). In 2017, Capral will target improved safety outcomes and activities around our **Safety First** Value have already commenced.

Risks

Capral is exposed to a range of risks that could impact the achievement of Capral's strategies and financial prospects, and further details are outlined in the Sustainability Report (pages 8 to 10).

Outlook

External forecasts are for the housing market to remain relatively strong throughout 2017 with starts forecast to slow a little from the current high levels. Pent up demand and a strong pipeline for home builders should underpin volumes for the year ahead.

The non-residential market is forecast to grow in 2017 but its impact on volume is lower than the residential market.

The industrial market, particularly the transport sector, will benefit as infrastructure projects progress and the Australian dollar remains at or below current levels.

Overall market conditions are forecast to remain similar to 2016 and Trading and Statutory EBITDA[1] is forecast, absent any unforeseen events, to be between $19 million and $22 million.

The team at Capral is committed to developing a sustainably profitable business that will provide quality products and service for our customers, secure the future of our employees, and deliver solid returns to our shareholders.

Tony Dragicevich
Managing Director

23 February 2017

1 *Refer to Trading EBITDA explanation in footnote to Chairman's Report on page 3.*

Board of Directors

Directors in office at the date of this report

Rex Wood-Ward

Chairman of Board (Independent)

Appointed 6 November 2008

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

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

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

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 (Non-independent)

Appointed 24 April 2009

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

Mr Blair is a Chartered Accountant and Company Director. He spent almost 20 years as a partner in major accounting firm Deloitte, and retired after 5 years as CEO of that firm. Mr Blair is currently Chairman of 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 and 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 is currently 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 Current.

Sustainability Report

Scope

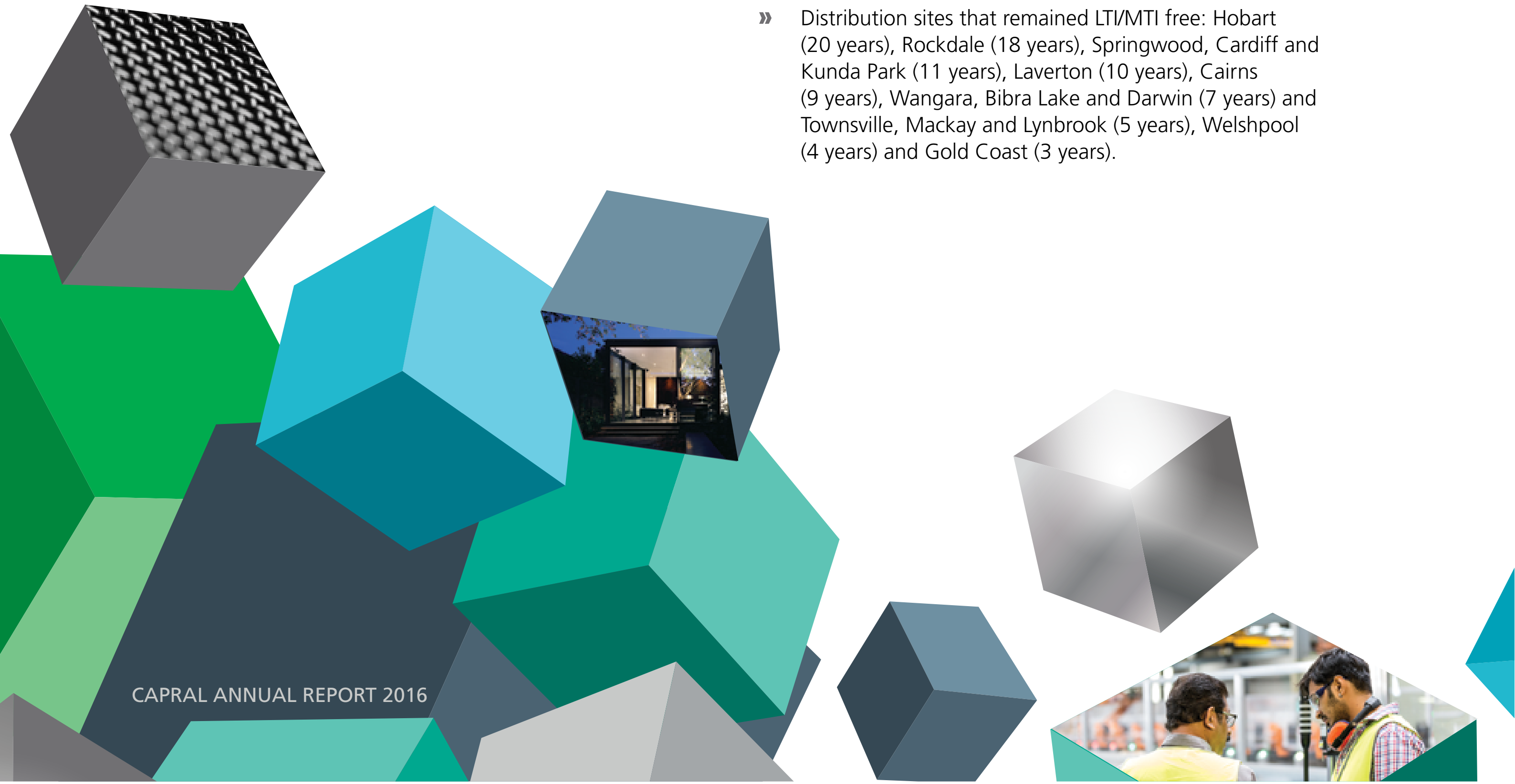
Capral's operations are affected by economic, environmental and social sustainability risks. These risks are managed within the internal controls framework described in Capral's Corporate Governance Statement (available on Capral's website). This report should be read with other sections of the Annual 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 understands the necessity of providing a safe workplace and is committed to ensuring people return home safely through safe working conditions and behaviours. We aim to maximise our safety effectiveness and assurance through understanding, engagement and accountability. Capral recognises the value of a strong safety culture and run numerous safe work programs each year, to bring us closer to our goals.

Below is a summary of the safety outcomes from 2016 for the Capral Group:

- There were 29 reportable injuries, 6 more than 2015. The LTI/MTI Frequency Rate increased to 15.5.
- Retained AS4801 (Safety Management) accreditation across the group and Capral secured ISO9001 (Quality Management) and ISO14001 (Environmental Management) accreditation.
- The number of key lead indicator measures improved overall as against 2015.
- Workers compensation is being well managed, with better than industry rates and reducing premium.
- A number of safety improvement programs and reviews were conducted.
- Perception surveys were completed and demonstrated overall improvements in safety culture and leadership. Identified gaps will be addressed as part of the 2017 plans.
- Manufacturing sites that achieved LTI free milestones: Canning Vale (7 years), Austex Dies (5 years), and Penrith and Campbellfield (1 year).
- Distribution sites that remained LTI/MTI free: Hobart (20 years), Rockdale (18 years), Springwood, Cardiff and Kunda Park (11 years), Laverton (10 years), Cairns (9 years), Wangara, Bibra Lake and Darwin (7 years) and Townsville, Mackay and Lynbrook (5 years), Welshpool (4 years) and Gold Coast (3 years).



In late 2016, we re-launched our Values including Safety First; everyone is responsible, injuries can be prevented, and all jobs can be done safely. Activities are planned at all sites for 2017 around this safety value. Also, in 2017, Capral will target improved safety outcomes through adherence to site safety plans. This includes addressing issues raised by the perception surveys, achieving best practice lead indicator targets, compliance with Capral's Letter of Assurance Audit program and High Risk Group Reviews, health and wellbeing programs and further training programs. Capral will also seek to transition to the new standards for Safety, Environmental and Quality Management.

People

The Capral Group employs more than 870 people at over 20 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:

- **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.

Capral continues to demonstrate a training commitment to its employees and the local community. This includes the provision of Certificate III Competitive Systems Training to 60 new production and warehouse workers at its Bremer Park site and Certificate IV and Diploma training in Competitive Systems and Processes at its Canning Vale site. In 2016, over 150 employees were enrolled by Capral in industry specific training initiatives and are currently working towards formal qualifications.

Environment

Capral has a relatively modest carbon footprint and is not included in the top 500 site emitters. Our main emissions come from natural gas and electricity. Capral is committed to meeting its obligations under the National Greenhouse Energy Reporting Act. Capral aims to lower its emissions profile through energy consumption improvements. Capral recorded approximate 4% reduction in emissions from 2015 as a result of LED lights replacement throughout the Operations, investment into solar power and maintenance work done to eliminate unnecessary energy losses.

In addition, Capral continues to act responsibly by managing scrap aluminium, water usage and the use of raw materials for packaging and thereby minimising the environmental impacts of our operations. Capral monitors compliance with legislative requirements and reviews industry best practice, to promote improved environmental performance. Our plant, equipment and processes are assessed regularly and measures are taken where improvements can be achieved. A continued focus remains on the disposal of waste; we recycle where possible.

Some of the examples of waste reduction are:

- replacement of one time timber packaging with reusable plastic or aluminium cleats;
- previously discarded plastic wrapping displacing foam as a filler in extrusion packs.

In 2016, all environmental reporting obligations were met as required and Capral secured ISO14001 (Environmental Management) accreditation for all operations.

Community interaction

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

2016 initiatives include:

» R U OK Day – Capral sites stopped work on 8 September and held morning / afternoon teas to observe this important event. This followed the launch last year of a Mental Health and Wellbeing Policy.

» White Ribbon Day – Capral sites stopped work and participated in White Ribbon Day events on 25 November. This followed the launch last year of a Domestic Violence Policy. Capral continue to provide education and support to employees regarding domestic violence.

» Fund raising for various charities and organisations including Beyond Blue, Steve Waugh Foundation, McGrath Foundation, Heart Foundation, Lions Club Disadvantaged Children's Charity.

» Support of Disability Support and Recreation which assists activities such as 'Youth Sports Day' and 'Kids Christmas Appeal'; i98FM Illawarra Convoy which support the Illawarra and South Coast communities; Queensland Police Legacy Child Safety Handbook; and local sports clubs and associations.

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 35% 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 at or near 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. These markets have been relatively soft in recent times.

» Economic downturn: An economic downturn, like the global financial crisis in 2008, could have a material adverse affect 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 2016 (**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 pages 6 and 7.

Principal activities

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

Dividends

The Directors recommend that a final dividend of 1.25 cents per ordinary share (fully franked) be declared. The record date for the final ordinary dividend will be 1 March 2017, with payment being made on 22 March 2017. No 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 4 and 5.

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

On 19 January 2017, Capral completed a new 2 year facility agreement with Australia and New Zealand Banking Group Limited of up to $50.5 million to, among other things, refinance the Capral group's previous facility. Otherwise, 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 4 and 5 and the Sustainability Report on pages 8 to 10. 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.

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	3	3
A.M. Dragicevich	8	8	3	3[1]	3	3[1]
P.J. Jobe	8	8	3	3	3	3
I.B. Blair	8	8	3	3	3	3
G.F. Pettigrew	8	8	3	3	3	3

1 *Attended meeting(s) in an ex-officio capacity*

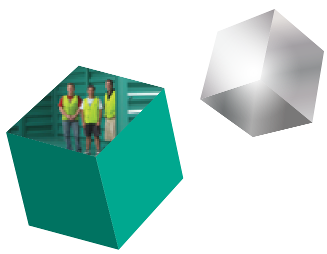
Directors' interests and benefits

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:

NAME	POSITION	ORDINARY SHARES FULLY PAID IN THE COMPANY		
		BALANCE AT 1.1.2016	BALANCE AT 31.12.2016	BALANCE AT DATE OF THIS REPORT
R.L. Wood-Ward	Director and Chairman of the Board	–	–	–
A.M. Dragicevich	Managing Director	5,800,000	6,000,000[1]	6,000,000
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 200,000 shares on market*



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

MR A.M. DRAGICEVICH NATURE OF OTHER INTERESTS	BALANCE AT 1.1.2016	BALANCE AT 31.12.2016	BALANCE AT DATE OF THIS REPORT
Performance rights	3,500,000	4,583,250[1]	4,583,250

1 1,416,750 performance rights lapsed on 15 January 2016 and 2.5 million performance rights were issued on 14 April 2016

MR P.J. JOBE NATURE OF OTHER INTERESTS	BALANCE AT 1.1.2016	BALANCE AT 31.12.2016	BALANCE AT DATE OF THIS REPORT
Options at $0.50	4,300,000	–[1]	–

1 4.3 million options lapsed on 21 April 2016

Unissued shares or interests under option

At the date of this report, there are 15,373,118 (2015: 13,250,143) unissued shares or interests under option. Refer to sections 1 to 3 of the Remuneration Report.

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

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 performances 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 that was reviewed and updated during the year.

Remuneration (including short and long term incentives) 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, as approved at the 1999 annual general meeting. 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, 20-25% 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 was determined by the Board in 2012 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 represented a significant reduction to the previous Managing Director's remuneration. It forms part of his executive employment contract and is subject to annual review. His fixed remuneration has not been increased since joining Capral.

The Board has reviewed generally available market information regarding fixed remuneration of the key management personnel for 12 ASX listed companies in either building product related industries or with comparable revenues and market capitalisation. The Board considers that 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 2.5% on 1 March 2016, having remained unchanged since 1 March 2013.

(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 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	» Trading EBITDA for Capral and (for relevant General/ Divisional Managers) Business Units (30%). Key financial threshold measure as reflects underlying earnings after excluding external economic factors such as 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 (where possible) strategic initiatives and profit improvement objectives, and also include a minimum of 5% for Safety improvement. There are usually around 5-6 key individual objectives which are set for each participant and are aligned to Capral's strategic plans and budget; they 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 perfor-mance against measures	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. The Managing Director, in consultation with senior managers, is responsible for recommending to the Board the amount of STIP, if any, to be paid. All payments are subject to Capral achieving its minimum annual Trading EBITDA target. Stretch payments are not made where target financial metrics are not met.
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. Any 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. Employees who start employment part way through the period may be eligible for a pro-rata payment, provided that their probation period has been successfully completed by the end of the year.
Clawback of awards	In the event of fraud, misstatement or misrepresentation of the financials, the Board has the ability to 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	There is no deferred cash/ equity component. The Board considers this is appropriate in the context of the relatively low amounts paid under STIP awards, Capral's current remuneration framework and the cyclical nature of the business.
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 in consultation with the Managing Director and approved by the Board.

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%
CFO/GM Operations	12.5%	25%	50%
Company Secretary	10%	20%	40%

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 generally available market information regarding short term incentive schemes of the key management personnel for 12 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, with STIP relative to TEC below the group's median.

(h) Long Term Incentives

Capral's long term incentives (**LTIP**) are 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.

LTIP – Managing Director

Prior to his appointment as Managing Director, Mr Dragicevich was granted 2,000,000 performance rights under LTIP in 2013. These have either vested or lapsed. He was granted a further 2,000,000 performance rights following shareholder approval in April 2014 and 2,500,000 performance rights following shareholder approval in April 2015. During the Financial Year, an additional 2,500,000 performance rights were granted to Mr Dragicevich following shareholder approval in April 2016.

A summary of the Managing Director's LTIP 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	Eligible to receive additional annual issues of up to 50% of the value of TEC, subject to shareholder approval. 2014 award: 2,000,000 rights granted in April 2014 following shareholder approval. 2015 award: 2,500,000 rights granted in April 2015 following shareholder approval.
Performance period & vesting dates	2014 award: 1 year performance period. 1,000,000 rights (Tranche 1) had a vesting date of 1 March 2015 and 1,000,000 rights (Tranche 2) had a vesting date of 1 March 2016. The testing dates were 31 December 2014 (for Tranche 1) and 31 December 2015 (for Tranche 2). 2015 award: 3 year performance period with 31 December testing dates. Vesting date of 1 March 2018. 2016 award: 3 year performance period with 31 December 2018 testing date. Vesting date of 1 March 2019.

Performance conditions	Performance rights are subject to Mr Dragicevich remaining employed by Capral at the vesting date and the achievement of the following performance conditions: 2014 award: 70% of the rights were subject to a TSR performance condition and 30% of the rights were subject to a Basic Earnings Per Share (**EPS**) performance condition. 2015 and 2016 awards: 50% of the rights are subject to a TSR performance condition and 50% of the rights are subject to an EPS performance condition. 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 number of securities on issue. For the 2016 award, the actual EPS performance over the 3 year period must meet, in aggregate, the 3 annual targets combined. 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 rights subject to the TSR condition are subject to Capral's performance 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. The Board considered setting a rate of EPS growth over the 3 year performance period however determined that is was more appropriate to set this performance measure every year because: » the EPS targets reward achievement of a Board approved Budget that generally requires growth against the prior year which is directly under the Managing Director's influence thus placing further focus on the key business drivers; » the outcomes may become distorted by building and commodity cycles that can vary materially over a longer term; » the relative nature of the starting level of earnings; and » the TSR rewards performance that meets or exceeds the market and thereby directly linked to shareholder value. For the 2016 award, the structure of the EPS condition was changed so that actual EPS performance over the 3 year period must meet, in aggregate, the 3 annual targets combined. For the 2015 and 2016 awards, the Managing Director falls under the same LTIP as the other executives which has a 3 year performance period – see below. The use of EPS and TSR tests is consistent with market practice as it ensures alignment between comparative shareholder return and remuneration of executives. Different options regarding the TSR peer group have been considered (such as alternatives ASX indices or a selected peer group) however in the context of Capral's relative size and objectives it has been determined that the TSR peer group is appropriate. The EPS condition is also considered as appropriate as it assesses the success of Capral in achieving earnings growth.

Assessment of performance against measures	2014 award: Performance against conditions is assessed at the end of each financial year (31 December testing date). These rights have fully vested or lapsed. 2015 award: Performance against the EPS condition is assessed at the end of each financial year (31 December testing date). If the condition is met in a given year, the rights will convert to shares at the end of the 3 year vesting period and will be issued to the Managing Director provided that he continues to be employed by Capral at the vesting date. If the condition is not met in a given year, those rights will lapse. 2016 award: Performance against the EPS condition is assessed at the end of the 3 year period (31 December 2018 testing date). 2015 and 2016 awards: Performance against the TSR condition is assessed at the end of the 3 year period (31 December testing date). All awards: There is no re-testing. Vested rights convert on the relevant vesting date on a one-for-one basis to ordinary shares. Unvested rights lapse.
Treatment of awards on cessation of employment	If employment is terminated by Capral, other than for cause, unvested rights will immediately vest.
Treatment of awards on change of control	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 and would generally consider applying pro-rata assessments for current awards.
Dividend/ participation rights	There is no entitlement to dividends on performance rights during the vesting period or to participate in respect of issues of shares to shareholders.
Clawback of awards	In the event of fraud, misstatement or misrepresentation of the financials, the Board has the ability to 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.
Plan review	The LTIP design is reviewed at least annually by the Remuneration & Nomination Committee, and approved by the Board.

LTIP – Other Executives

On the recommendation of the Managing Director to the Remuneration & Nomination Committee, selected senior executives participate in LTIP. A summary of LTIP for those 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	As a matter of practice, the aggregate amount of each annual award is less than 1% of issued capital. There is no specified % of the value of TEC for individual awards in executive employment contracts. The value of individual awards is generally less than 30% of TEC.
Performance period & vesting dates	3 years with 31 December testing dates. 2013 award: vesting date of 1 March 2016 2014 award: vesting date of 1 March 2017 2015 award: vesting date of 1 March 2018 2016 award: vesting date of 1 March 2019.

Performance conditions	Performance rights granted under LTIP during 2013, 2014, 2015 and the Financial Year are subject to the participant remaining employed by Capral at the vesting date and the achievement of the following performance conditions: » 60% (for the 2013 and 2014 awards) or 50% (for the 2015 and 2016 awards) of rights are subject to an EPS performance condition. For the 2013-2015 awards, these were granted in 3 equal tranches, and will be tested on 31 December each year over a 3 year period. For the 2016 award, the actual EPS performance over the 3 year period, as tested on 31 December 2018, 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 number of securities on issue. 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. » 40% (for the 2013 and 2014 awards) or 50% (for the 2015 and 2016 awards) 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. Refer to the explanation above (LTIP- Managing Director) regarding the setting of the EPS condition. The use of EPS and TSR tests is consistent with market practice as it ensures alignment between comparative shareholder return and remuneration of executives. TSR has been a feature of LTIP since 2006. Different options regarding the TSR peer group have been considered (such as alternatives ASX indices or a selected peer group) however in the context of Capral's relative size and objectives it has been determined that the TSR peer group is appropriate. The EPS condition was implemented in the plan in 2011 and has been consistently applied. The measure is considered as appropriate as it assesses the success of Capral in achieving earnings growth.
Assessment of perfor-mance against measures	Performance against the EPS condition is assessed at the end of each financial year (31 December testing date). For the 2013-2015 awards, if the condition is met in a given year, the rights will convert to shares at the end of the 3 year vesting period and will be issued to participants provided that they continue to be employed by Capral at the vesting date. If the condition is not met in a given year, those rights will lapse. For the 2016 award, performance against the EPS condition is assessed at the end of the 3 year period (31 December 2018 testing date). For all awards, performance against the TSR condition is assessed at the end of the 3 year period (31 December testing date). There is no re-testing. Vested rights convert on the relevant vesting date a one-for-one basis to ordinary shares. Unvested rights lapse.
Treatment of awards on cessation of employment	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.
Treatment of awards on change of control	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 and would generally consider applying pro-rata assessments for current awards.
Dividend/ participation rights	There is no entitlement to dividends on performance rights during the vesting period or to participate in respect of issues of shares to shareholders.
Clawback of awards	In the event of fraud, misstatement or misrepresentation of the financials, the Board has the ability to 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.
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.

Vesting of rights subject to the TSR performance condition at each testing date is determined in accordance with Table A below:

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

The Board has reviewed generally available market information regarding long term incentive schemes of the key management personnel (including the Managing Director) for 12 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. This was the first increase in 3 years. There was no increase to the Managing Director's fixed remuneration. Total expensed remuneration for the key management personnel (including the directors) overall increased as compared to the prior year.

(b) STIP

STIP payments are above the prior year.

(c) LTIP

- 2,500,000 performance rights were granted to the Managing Director in April 2016 following shareholder approval (2015: 2,500,000) and 4,500,000 rights were granted under the 2016 LTIP award to executives (2015: 4,500,000) in March 2016.
- 1,000,000 performance rights granted to the Managing Director under Tranche 2 of the 2014 LTIP award and 416,750 performance rights granted to the Managing Director under Tranche 1 of the 2015 LTIP award did not meet the relevant performance conditions, and consequently these rights lapsed.
- 577,025 rights granted to executives under the 2013 LTIP award vested and converted into Capral shares on a 1 for 1 basis in March 2016. The 577,025 shares were purchased on market at an average price of $0.097.

Performance rights granted to the Managing Director and executives under 2014 and 2015 LTIP awards were tested after the year end with the outcomes detailed in section 3 below.

For the financial year ending 31 December 2017, Capral intends to:

- increase the fixed remuneration of executives; and
- grant further performance rights under the LTIP to the Managing Director (subject to shareholder approval) and selected executives. The scheme will be amended to introduce pro rata vesting on the EPS condition.

(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 2015 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.

			SHORT–TERM EMPLOYEE BENEFITS		
NAME	YEAR	TITLE	SALARY AND FEES	BONUS[2]	NON-MONETARY BENEFITS
			$	$	$
Directors					
A.M. Dragicevich	**2016**	**Managing Director**	**665,000**	**585,200**	**–**
	2015	Managing Director	665,000	215,600	–
R.L. Wood–Ward	**2016**	**Chairman**	**120,000**	**–**	**–**
	2015	Chairman	120,000	–	–
P.J. Jobe	**2016**	**Non–executive director**	**55,000**	**–**	**–**
	2015	Non–executive director	55,000	–	–
I.B. Blair	**2016**	**Non–executive director**	**70,000**	**–**	**–**
	2015	Non–executive director	70,000	–	–
G.F. Pettigrew[1]	**2016**	**Non–executive director**	**70,000**	**–**	**–**
	2015	Non–executive director	65,667	–	–
Executives					
T Campbell*	**2016**	**Chief Financial Officer**	**337,537**	**140,000**	**–**
	2015	Chief Financial Officer	330,000	57,000	–
R Michael*	**2016**	**GM Operations**	**312,415**	**103,000**	**–**
	2015	GM Operations	308,508	57,000	–
R Rolfe*	**2016**	**Gen. Counsel/ Co. Sec.**	**270,692**	**85,000**	**–**
	2015	Gen. Counsel/ Co. Sec	263,954	38,000	–
		Total 2016	**1,900,644**	**913,200**	**–**
		Total 2015	1,878,129	367,600	–

1 *Mr Pettigrew became the Remuneration & Nomination Committee Chairman effective 16 April 2015 and his fees were increased to $70,000 (plus superannuation) per annum.*

2 *All bonus amounts are on an accrual basis.*

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

POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS[3]	SHARE–BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED
SUPERANNUATION			PERFORMANCE RIGHTS[4]		
$	$	$	$	$	%
35,000	**–**	**–**	**94,605**	**1,379,805**	**49**
35,000	–	–	196,450	1,112,050	37
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**	**–**
6,238	–	–	–	71,905	–
31,463	**–**	**–**	**18,345**	**527,345**	**30**
30,000	–	–	70,614	487,614	26
35,585	**–**	**–**	**19,395**	**470,395**	**26**
35,000	–	–	68,267	468,775	27
19,308	**–**	**–**	**14,580**	**389,580**	**26**
19,046	–	–	38,809	359,809	21
151,281	**–**	**–**	**146,925**	**3,112,050**	
148,559	–	–	374,140	2,768,428	

4 *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 36 of the financial statements.*

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

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 2015, 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.

2,500,000 performance rights were granted to the Managing Director in April 2016 following shareholder approval. These rights have a vesting date of March 2019.

2,500,000 performance rights were granted to the Managing Director in April 2015 following shareholder approval. These rights have a vesting date of March 2018. Tranche 1 of the EPS condition was tested as at 31 December 2015. Capral did not achieve the 2015 EPS condition and consequently 416,750 of these rights lapsed in January 2016. Tranche 2 of the EPS condition was tested as at 31 December 2016. Capral achieved the 2016 EPS condition and consequently 416,750 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2018, provided that the Managing Director remains employed by Capral at that date.

2,000,000 performance rights were granted to the Managing Director in April 2014 following shareholder approval. 1,000,000 of these rights had a vesting date of 1 March 2015 (Tranche 1) and 1,000,000 of these rights had a vesting date of 1 March 2016 (Tranche 2). Tranche 1 was tested as at 31 December 2014. Capral's relative TSR performance over 2014 was in the 33rd percentile and consequently 70% of the rights subject to the TSR condition (700,000 rights) lapsed in January 2015. Capral achieved the 2014 EPS condition and consequently 30% of the rights subject to that condition (300,000 rights) vested and converted into Capral shares on a 1 for 1 basis as at 1 March 2015. Tranche 2 (the final tranche of this award) was tested as at 31 December 2015. Capral's relative TSR performance over 2015 was in the 47 percentile and consequently 70% of the rights subject to the TSR condition (700,000 rights) lapsed in January 2016. Capral did not achieve the 2015 EPS condition and consequently, 30% of the rights subject to that condition (300,000 rights) lapsed in January 2016.

TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE ($)	TEST DATE	LAPSED NO.	VESTED NO.
2016 Offer						
A Dragicevich		14/04/2016				
EPS 50%	1,250,000		$0.11	31/12/2018	–	–
TSR 50%	1,250,000		$0.08	31/12/2018	–	–
Total 2016 Offer	**2,500,000**				**–**	**–**
2015 Offer						
A Dragicevich		16/04/2015				
Tranche 1 – EPS 16.67%	416,750		$0.16	31/12/2015	(416,750)	–
Tranche 2 – EPS 16.67%	416,750		$0.16	31/12/2016	–	–
Tranche 3 – EPS 16.66%	416,500		$0.16	31/12/2017	–	–
Tranche 4 – TSR 50%	1,250,000		$0.132	31/12/2017	–	–
Total 2015 Offer	**2,500,000**				**(416,750)**	**–**

TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE ($)	TEST DATE	LAPSED NO.	VESTED NO.
2014 Offer						
A Dragicevich		16/04/2014				
Tranche 1 – EPS 30%	300,000		$0.155	31/12/2014	–	300,000
Tranche 1 – TSR 70%	700,000		$0.094	31/12/2014	(700,000)	–
Tranche 2 – EPS 30%	300,000		$0.155	31/12/2015	–	–
Tranche 2 – TSR 70%	700,000		$0.106	31/12/2015	–	–
Total 2014 Offer	**2,000,000**				**(700,000)**	**300,000**

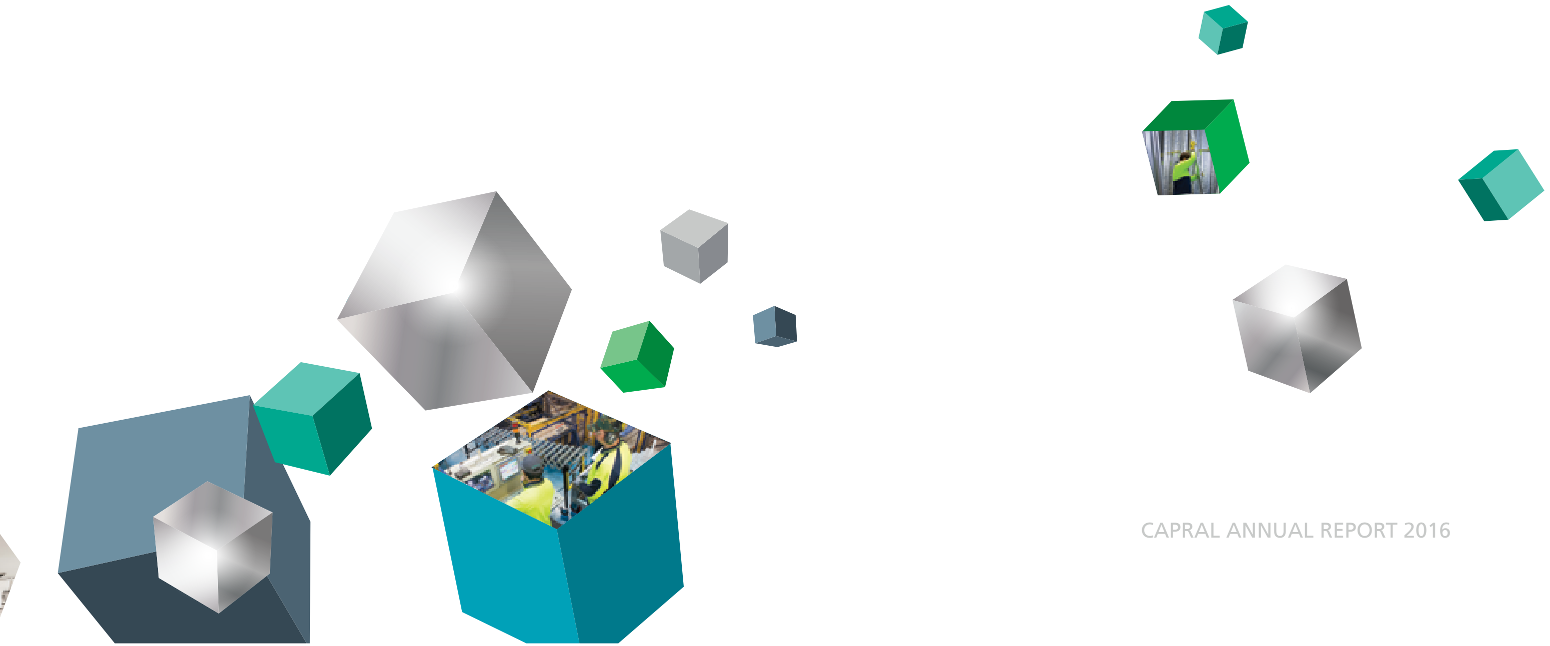
Performance rights – other key management personnel

During the Financial Year and the financial year ended 31 December 2015, performance rights were granted as equity compensation benefits under the LTIP, to certain key management personnel as disclosed as at balance date below. The performance rights were granted at no cost to the participants.

4,500,000 performance rights were granted under the 2016 LTIP award to executives in March 2016. These rights have a vesting date of March 2019.

4,500,000 performance rights were granted under the 2015 LTIP award to executives in March 2015. Tranche 1 of the EPS condition was tested as at 31 December 2015. Capral did not achieve the 2015 EPS condition and consequently 650,130 of these rights lapsed in January 2016. Tranche 2 of the EPS condition was tested as at 31 December 2016. Capral achieved the 2016 EPS condition and consequently 750,152 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2018, provided that the participants remain employed by Capral at that date.

In relation to the 2014 LTIP award, Tranche 1 of the EPS condition (760,000 rights) had already been tested on 31 December 2014 and the condition had been achieved. Tranche 2 of the EPS condition (760,000 rights) was tested as at 31 December 2015. Capral did not achieve the 2015 EPS condition and consequently 760,000 of these rights lapsed in January 2016. Tranche 3 of the EPS condition (760,000 rights) was tested as at 31 December 2016 and the condition was achieved. The TSR condition (1,520,000 rights) was also tested as at 31 December 2016. Capral's relative TSR performance over the period from January 2014 to December 2016 was in the 54th percentile and consequently 59.4% of the rights subject to the TSR condition (902,880 rights) will vest and the balance (617,120 rights) will lapse. Consequently, a total of 2,422,880 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2017, provided that the participants remain employed by Capral at that date.



	TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE ($)	TEST DATE	LAPSED NO.	VESTED NO.
2016 Offer							
T. Campbell		**500,000**	07/03/2016				
	EPS 50%	250,000		$0.10	31/12/2018	–	–
	TSR 50%	250,000		$0.08	31/12/2018	–	–
R. Michael		**500,000**	07/03/2016				
	EPS 50%	250,000		$0.10	31/12/2018	–	–
	TSR 50%	250,000		$0.08	31/12/2018	–	–
R. Rolfe		**350,000**	07/03/2016				
	EPS 50%	175,000		$0.10	31/12/2018	–	–
	TSR 50%	175,000		$0.08	31/12/2018	–	–
Total 2015		**1,350,000**				**–**	**–**

	TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE ($)	TEST DATE	LAPSED NO.	VESTED NO.
2015 Offer							
T Campbell		**500,000**	06/03/2015				
	Tranche 1 – EPS 16.67%	83,350		$0.16	31/12/2015	–	–
	Tranche 2 – EPS 16.67%	83,350		$0.16	31/12/2016	–	–
	Tranche 3 – EPS 16.66%	83,300		$0.16	31/12/2017	–	–
	Tranche 4 – TSR 50%	250,000		$0.132	31/12/2017	–	–
R Michael		**500,000**	06/03/2015				
	Tranche 1 – EPS 16.67%	83,350		$0.16	31/12/2015	–	–
	Tranche 2 – EPS 16.67%	83,350		$0.16	31/12/2016	–	–
	Tranche 3 – EPS 16.66%	83,300		$0.16	31/12/2017	–	–
	Tranche 4 – TSR 50%	250,000		$0.132	31/12/2017	–	–
R Rolfe		**300,000**	06/03/2015				
	Tranche 1 – EPS 16.67%	50,010		$0.16	31/12/2015	–	–
	Tranche 2 – EPS 16.67%	50,010		$0.16	31/12/2016	–	–
	Tranche 3 – EPS 16.66%	49,980		$0.16	31/12/2017	–	–
	Tranche 4 – TSR 50%	150,000		$0.132	31/12/2017	–	–
Total 2015		**1,300,000**				**–**	**–**

TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE ($)	TEST DATE	LAPSED NO.	VESTED NO.
2014 Offer						
T Campbell	**500,000**	07/03/2014			**400,000**	**100,000**
Tranche 1 – EPS 20%	100,000		$0.150	31/12/2014	–	100,000
Tranche 2 – EPS 20%	100,000		$0.150	31/12/2015	(100,000)	–
Tranche 3 – EPS 20%	100,000		$0.150	31/12/2016	–	–
Tranche 4 – TSR 40%	200,000		$0.107	31/12/2016	–	–
R Michael	**500,000**	07/03/2014			**400,000**	**100,000**
Tranche 1 – EPS 20%	100,000		$0.150	31/12/2014	–	100,000
Tranche 2 – EPS 20%	100,000		$0.150	31/12/2015	(100,000)	–
Tranche 3 – EPS 20%	100,000		$0.150	31/12/2016	–	–
Tranche 4 – TSR 40%	200,000		$0.107	31/12/2016	–	–
R Rolfe	**300,000**	07/03/2014			**240,000**	**60,000**
Tranche 1 – EPS 20%	60,000		$0.150	31/12/2014	–	60,000
Tranche 2 – EPS 20%	60,000		$0.150	31/12/2015	(60,000)	–
Tranche 3 – EPS 20%	60,000		$0.150	31/12/2016	–	–
Tranche 4 – TSR 40%	120,000		$0.107	31/12/2016	–	–
Total 2014	**1,300,000**				**1,040,000**	**260,000**

Options

No options were issued under the LTIP during the Financial Year and the financial year ended 31 December 2015. 4,300,000 options granted to the previous Managing Director, Mr Jobe, expired on 21 April 2016. The total number of options granted to Mr Jobe and outstanding as at the end of the Financial Year is Nil (2015: 4,300,000).

Bonuses

During the Financial Year and the financial year ended 31 December 2015, STIP bonus payments were made to the Managing Director and key management personnel. The Managing Director's STIP payments for 2015 and 2016 equated to 31% and 84% (respectively) of his TEC (below and above respectively the 'target' level detailed in section 1 above) and the Board considers it appropriate having regard to the achievement of certain key financial measures as well as critical non-financial measures regarding customers, anti-dumping activities and other strategic plans. The other key management personnel's STIP payments for 2015 and 2016 were between 29% to 38% of TEC (above the 'target' level detailed in section 1 above).

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 2015 are disclosed below:

2016	% OF BONUS PAID	% OF BONUS FORFEITED	% OF COMPENSATION FOR THE YEAR CONSISTING OF STIP BONUS[1]
Executives			
A. Dragicevich	167.2	–	45.5
T. Campbell	151.8	–	27.5
R. Michael	118.4	–	22.8
R. Rolfe	146.6	–	22.7

2016 financial year bonuses are payable in the 2017 financial year.

2015	% OF BONUS PAID	% OF BONUS FORFEITED	% OF COMPENSATION FOR THE YEAR CONSISTING OF STIP BONUS[1]
Executives			
A. Dragicevich	61.6	38.4	23.5
T. Campbell	63.3	36.7	13.7
R. Michael	66.4	33.6	14.2
R. Rolfe	67.1	32.9	11.8

2015 financial year bonuses were paid in the 2016 financial year.

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:

2016	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	5,800,000	–	-	200,000[1]	6,000,000
P.J. Jobe	7,100,500	–	–	–	7,100,500
I.B. Blair	227,348	–	–	–	227,348
G.F. Pettigrew	–	–	–	–	–

2016	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
Executives					
T. Campbell	202,993	–	96,861[2]	–	299,854
R. Michael	51,095	–	91,326[2]	–	142,421
R. Rolfe	177,736	–	45,801[2]	(90,340)[3]	133,197
	13,559,672	**–**	**233,988**	**109,660**	**13,903,320**

1 *Acquired on market in accordance with the Capral Securities Trading Policy*

2 *Acquired on vesting of performance rights in March 2016*

3 *Disposed on market in accordance with the Capral Securities Trading Policy*

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 (2012-2015), Capral's financial performance was as follows, with the minimum target (MT) for STIP financial measures also shown for 2016:

YEAR ENDED 31 DEC	2016 (A)	2016 (MT)	2015 (A)	2014 (A)	2013 (A)	2012 (A)
Trading EBITDA $'000^	20,265	13,028	13,028	9,226	4,131	3,952
Operating Cash Flow $'000	15,555	12,199	7,295	7,676	470	9,522
Net Profit/(Loss) $'000	14,350	5,348	(2,511)	2,650	(51,707)*	(10,766)
% Working Capital to Annualised Sales	13.87	15.78	16.24	17.97	15.13	13.99
Dividend – cents per share	–	–	–	–	–	–
Basic earnings / (loss) – cents per share	3.02	0.01	(0.5)	0.6	(12.5)	(2.8)
Share price (closing) $	0.17	n/a	0.10	0.11	0.155	0.215

* *Includes $41.5 million impairment charge*

^ *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*

In the Financial Year, Capral's Trading EBITDA and Net Profit Before Tax significantly improved on 2015 and the stretch targets were achieved. The % Working Capital to Annualised Sales and Operating Cash Flow targets were achieved. At a divisional level, Trading EBITDA, Working Capital and sales volume targets were generally achieved, and some inventory reduction measures were met.

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

PERFORMANCE AREA	MEASURE	OUTCOME
Safety	Reduction in total reportable injury frequency rate	Rate increased. Group targets not met
	Hours lost from injuries	Hours lost increased. Targets not met
	AS4801 accreditation	Re-certification achieved in 2016. Target achieved
Customers	Volume retention/growth	Sales areas met most of the specific growth, revenue and margin measures. Performance varied by region/ division from zero to stretch
	Claims management	At a regional sales level some achieved at the minimum target level
Production	Operational efficiency	Manufacturing plants met some of their operational efficiency/ improvement targets
Supply Chain	Supply chain and inventory reduction programs	Some of the initiatives were achieved. Performance varied by region/ plant from zero to stretch
People	AL & LSL balance reduction	Some leave balance reduction initiatives were achieved. Performance varied by region/ division from zero to between target and stretch
Anti-dumping	Pursue anti-dumping campaign	Initiated case against Vietnam and Malaysia with favourable preliminary outcomes
Costs	Cost reduction initiatives	Some of the specific cost and expense reduction initiatives were achieved. Performance varied by region/ division from zero to between target and stretch

Accordingly, the 2016 STIP payments are above those paid in 2015 in line with 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 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 2015:
  - Capral's relative TSR performance over the period from January 2013 to December 2015 and for the 2015 financial year achieved the 36.65 and 47 percentiles respectively, being below the 50th percentile. Consequently, the rights subject to the TSR condition that were awarded in 2013 to executives and to the Managing Director under Tranche 2 of his 2014 award lapsed.
  - Given the net loss in 2015, the EPS condition for Tranche 3 of the 2013 award, Tranche 2 of the 2014 award, Tranche 1 of the 2015 award and Tranche 2 of the Managing Director's 2014 award were not met. Consequently, these rights lapsed.

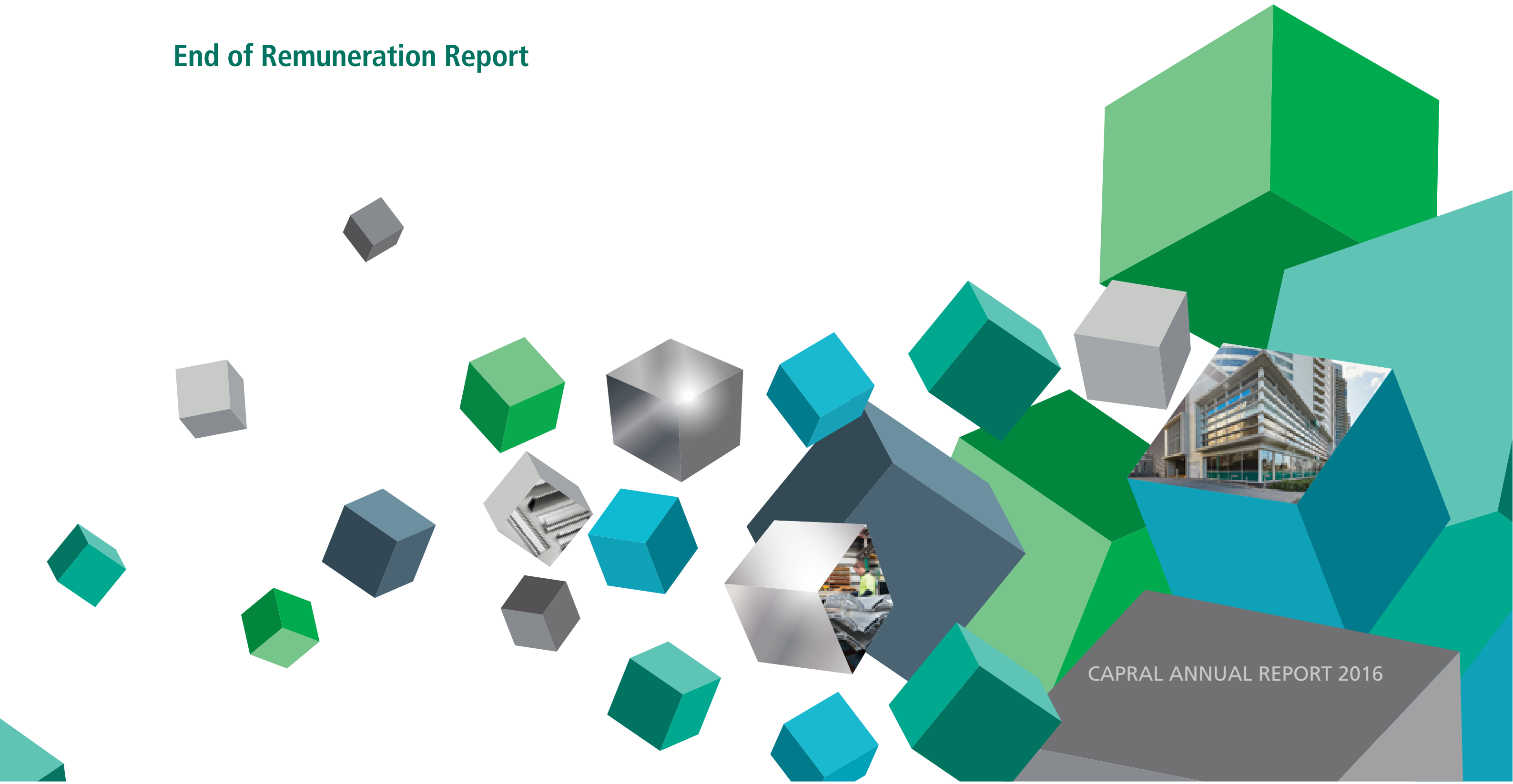
- In 2016:
  - Capral's relative TSR performance over the period from January 2014 to December 2016 achieved the 54th percentile, above the minimum 50th percentile. Consequently, about 60% of the rights subject to the TSR condition that were awarded in 2014 to executives will vest.
  - Given earnings growth in 2016, the EPS result for 2016 was 3 cents per share and therefore the EPS condition for Tranche 3 of the 2014 award and Tranche 2 of the 2015 award were met. Consequently, the rights subject to Tranche 3 of the 2014 award will vest and convert into Capral shares during March 2017.

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	R. MICHAEL	R. ROLFE
Expiry date	No fixed end date	No fixed end date	No fixed end date	No fixed end date
Notice of termination by Capral	6 months	6 months	6 months	16 weeks
Notice of termination by employee	6 months	6 months	6 months	16 weeks
Termination payments (in lieu of notice)	6 months salary plus accrued but unpaid STIP (pro rata for incomplete financial year). In addition, unvested LTIP rights will immediately vest if employment is terminated by Capral other than for cause. From 1 March 2017, 6 weeks annual leave per annum. TEC unchanged since 2013 commencement	6 months salary. STIP entitlement for incomplete financial years is subject to Board discretion	6 months salary. STIP entitlement for incomplete financial years is subject to Board discretion	16 weeks salary. STIP entitlement for incomplete financial years is subject to Board discretion

End of Remuneration Report



Environmental regulations

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

Directors' and officers' indemnities and insurance

Under Capral's constitution, Capral is required to indemnify, to the extent permitted by law, each director and secretary of Capral against any liability incurred by that person as an officer of Capral. The directors listed on pages 6 and 7 and the secretary listed on page 12 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 32 of the financial statements.

Auditor's independence declaration

The auditors' independence declaration as required under section 307C of the Corporations Act is set out on page 33.

Rounding of amounts

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

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

On behalf of the directors

R. L. Wood-Ward
Chairman

A. M. Dragicevich
Managing Director

Sydney
23 February 2017

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David White
Partner
Chartered Accountants
Parramatta, 23 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2016

Continuing operations	NOTE	2016 $'000	2015 $'000
Sales revenue		**398,202**	378,830
Scrap and other revenue		**26,604**	23,818
Revenue	3	**424,806**	402,648
Other income	3	**411**	165
Changes in inventories of finished goods and work in progress		**880**	(8,511)
Raw materials and consumables used		**(242,057)**	(237,014)
Employee benefits expense	2	**(88,368)**	(83,117)
Depreciation and amortisation expense	2	**(5,878)**	(6,424)
Finance costs	2	**(863)**	(1,200)
Freight expense		**(11,334)**	(10,334)
Occupancy costs	2	**(16,572)**	(16,750)
Repairs and maintenance expense		**(7,329)**	(6,627)
Restructuring costs	2	**(40)**	(736)
Other expenses		**(39,306)**	(34,611)
Profit/(loss) before tax		**14,350**	(2,511)
Income tax	4	**–**	–
Profit/(loss) for the year		**14,350**	(2,511)
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 profit/(loss) for the year		**14,350**	(2,511)

Earnings/(loss) per share		(Cents per share)	(Cents per share)
Basic earnings/(loss) per share	24	**3.02**	(0.5)
Diluted earnings/(loss) per share	24	**2.94**	(0.5)

The above Consolidated Statement of Profit or Loss and other Comprehensive Income/(loss) should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2016

	NOTE	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**31,409**	20,143
Trade and other receivables	8	**63,110**	60,533
Inventories	9	**76,889**	67,838
Other financial assets	30 (c)	**497**	71
Prepayments	10	**2,114**	2,232
Total current assets		**174,019**	150,817
Non-current assets			
Other receivables	8	**–**	84
Deferred tax assets	11	**2,857**	2,857
Property, plant and equipment	14	**38,185**	39,712
Other intangible assets	15	**117**	163
Total non-current assets		**41,159**	42,816
Total assets		**215,178**	193,633
LIABILITIES			
Current liabilities			
Trade and other payables	17	**73,136**	66,270
Borrowings	18	**48**	48
Provisions	19	**11,063**	11,708
Deferred income	20	**101**	107
Total current liabilities		**84,348**	78,133
Non-current liabilities			
Provisions	19	**5,558**	4,807
Total non-current liabilities		**5,558**	4,807
Total liabilities		**89,906**	82,940
Net assets		**125,272**	110,693
EQUITY			
Issued capital	21	**425,744**	425,744
Reserves	22 (a)	**9,958**	9,729
Accumulated losses	22 (b)	**(310,430)**	(324,780)
Total equity		**125,272**	110,693

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 2016

	NOTE	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**464,710**	440,700
Payments to suppliers and employees		**(448,339)**	(432,252)
		16,371	8,448
Interest and other costs of finance paid		**(816)**	(1,153)
Net cash provided by operating activities	34(ii)	**15,555**	7,295
Cash flows from investing activities			
Payments for property, plant and equipment		**(4,136)**	(3,729)
Payments for software assets		**(170)**	(42)
Interest received		**16**	42
Proceeds from sale of property, plant and equipment		**1**	75
Net cash flows used in investing activities		**(4,289)**	(3,654)
Net increase in cash and cash equivalents		**11,266**	3,641
Cash and cash equivalents at the beginning of the financial year		**20,143**	16,502
Cash and cash equivalents at the end of the financial year	34(i)	**31,409**	20,143

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 2016

	FULLY PAID ORDINARY SHARES	EQUITY-SETTLED COMPENSATION RESERVE	ASSET REVALUATION RESERVE	ACCUMULATED LOSSES	TOTAL
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2015	425,744	9,172	221	(322,269)	112,868
Loss for the year	–	–	–	(2,511)	(2,511)
Total comprehensive income for the year	–	–	–	(2,511)	(2,511)
Share-based payments expense	–	591	–	–	591
Share conversion from vested rights	–	(255)	–	–	(255)
Balance as at 31 December 2015	**425,744**	**9,508**	**221**	**(324,780)**	**110,693**
Balance as at 1 January 2016	425,744	9,508	221	(324,780)	110,693
Profit for the year	–	–	–	14,350	14,350
Total comprehensive profit for the year	–	–	–	14,350	14,350
Share-based payments expense	–	285	–	–	285
Shares acquired for conversion of vested rights	–	(56)	–	–	(56)
Balance as at 31 December 2016	**425,744**	**9,737**	**221**	**(310,430)**	**125,272**

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 2016

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 new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies, but did not have material impact on the Group's financial statements.

With the exception of AASB 15 and AASB 16 Leases, initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the Company. The impact, if any, of the adoption of AASB 15 is currently being assessed.

STANDARD	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	31 December 2018
AASB 16 Leases	1 January 2019	31 December 2019
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2)	1 January 2018	31 December 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	31 December 2017

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 23 February 2017.

Basis of Preparation

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

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

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

(a) Basis of Consolidation

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

Control is 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;

1c. Significant accounting policies continued

(c) Business Combinations continued

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

(d) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(e) Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Further details of derivative financial instruments are disclosed in Note 30 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

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

Embedded Derivatives

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

(f) Employee Benefits

(i) Salaries, wages and leave benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, including non-monetary benefits, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short term employee 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 36.

(iii) Defined contribution plan

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial Assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

(i) has been acquired principally for the purpose of selling in the near future;

(ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or

(iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(h) Financial Instruments Issued by the Group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 30.

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument.

This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the

1c. Significant accounting policies continued

(h) Financial Instruments Issued by the Group continued

amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 30.

Other financial liabilities

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

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

(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) Goodwill

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

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

(k) Government Grants

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

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

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment 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.

(m) Income Tax

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

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

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

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

(n) Intangible Assets

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

Patents, trademarks and licences

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

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

Software

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

(o) Inventories

Inventories representing aluminium 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.

1c. Significant accounting policies continued

(p) Leased Assets

The Group as lessee:

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease team, 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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(q) 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.

(r) Provisions

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provision for restoration and rehabilitation (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.

(s) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Sales revenue comprises sales of goods and services at net invoice values less returns, trade allowances and applicable rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the Group retains neither continuing managerial involvement to the degree normally associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalties

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

Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying agreement.

Rental income

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

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(t) 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.

(u) 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 Company's accounting policies

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

Inventories

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

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

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.

1e Comparative information

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

2 Profit /(loss) for the year

	CONSOLIDATED 2016 $'000	2015 $'000
(a) Other expenses		
Profit/(loss) before tax includes the following specific net expenses:		
Cost of sales of goods	**331,119**	319,908
Inventory:		
Write-down of inventory to net realisable value	**993**	694
Reversal of write-down of inventory	**(710)**	(1,744)
Amortisation of other intellectual property	**9**	47
Amortisation of software	**170**	148
Total amortisation	**179**	195
Depreciation:		
Buildings	**139**	134
Leasehold improvements	**235**	193
Plant and equipment	**5,325**	5,902
Total depreciation	**5,699**	6,229
Total depreciation and amortisation	**5,878**	6,424
Operating lease rental expenses		
Sublease income received	**(1,674)**	(1,719)
Minimum lease payments	**18,246**	18,469
	16,572	16,750
Other charges against assets		
Impairment of trade receivables	**226**	161
Employee benefit expense		
Post employment benefits:		
– defined contribution plans	**6,213**	5,975
Equity-settled share-based payments	**285**	591
Termination benefits	**196**	110
Other employee benefits	**81,674**	76,441
	88,368	83,117
Restructuring costs		
Termination benefits	**40**	211
Asset write down	**–**	157
Other site closure costs	**–**	368
	40	736
Finance costs		
Interest and finance charges paid/payable		
– Other persons	**863**	1,200
Net finance costs are comprised of:		
Interest on bank overdrafts and loans	**863**	1,200
Total interest expense	**863**	1,200
b) Gains and Losses		
Net gain/(loss) on foreign exchange	**25**	(182)
Net gain/(loss) on disposal of property, plant and equipment	**1**	(139)

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
3 Revenue and other income		
Revenue from continuing operations		
Sales revenue – sale of goods	**398,202**	378,830
Other revenue		
Scrap revenue	**26,588**	23,776
Interest – other	**16**	42
Total other revenue	**26,604**	23,818
Other income		
Royalties	**408**	165
Other miscellaneous income	**3**	–
	411	165
4 Income tax expense		
(a) Reconciliation of income tax benefit to prima facie tax (benefit)/expense		
Profit/(loss) from continuing operations before income tax expense	**14,350**	(2,511)
Income tax calculated @ 30% (2015:30%)	**4,305**	(753)
Tax effect of non-assessable/non-deductible items:		
Effect of items that are temporary differences for which (decrease)/increase in deferred tax assets have not been recognised	**(1,083)**	(1,879)
Effect of items that are not deductible or taxable in determining taxable profit	**147**	230
Effect of tax losses not recognised as deferred tax assets	**–**	2,402
Effect of tax losses utilised	**(3,369)**	–
Income tax benefit	**–**	–
(b) Tax losses		
Accumulated unused gross tax losses for which no deferred tax asset has been recognised	286,569[1]	297,598
Potential tax benefit @ 30% (2015:30%)	85,971	89,280

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 (2015: none).

6 Segment information

The information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2015 and 2016, the Group operated in one reportable segment under AASB 8.

Major Products and Services

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

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

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

Management 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 the year 2015.

7 Current assets – cash and cash equivalents

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Cash at bank and cash in hand	**31,409**	20,143

The ANZ receipt account of $13,592,000 (2015: $14,343,000) is restricted cash as the amount in this account can only be used to repay debt. Access to cash held in the ANZ receipt account is via a request to draw down amounts from the Harrenvale Corporation (Australia) Pty Ltd (previously GE Commercial Corporation (Australia) Pty Ltd) revolver facility account.

8 Current assets – trade and other receivables

	CONSOLIDATED	
	2016 $'000	2015 $'000
Trade receivables – at amortised cost	**63,327**	61,022
Allowance for doubtful debts (i)	**(400)**	(812)
	62,927	60,210
Other receivables – at amortised cost	**183**	407
	63,110	60,617
Disclosed in the financial statements as:		
Current trade and other receivables	**63,110**	60,533
Non-current other receivables	**–**	84
	63,110	60,617

The average credit period on sales of goods is approximately 53 days (2015: 54 days). No interest is charged on trade receivables.

During both the Financial Year and 2015 the provision has been based on a percentage of the total debt for customers who are subject to formal payment plans or legal action and 1.75% of the 90 day and over balances. The provision for doubtful debts is reviewed each month and necessary adjustments made to the provision. The provision is based on estimated irrecoverable amounts from the sale of goods, determined by reference to past experience and knowledge of customers. Allowances are made for known doubtful debts at the time of appointment of administrators, liquidators or other formal insolvency events.

Included in the Group's trade receivables are debtors with balances in 61 days and over of $0.261 million (2015: $0.761 million), refer note 30(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 88 days (2015: 72 days). Aging past due but not impaired was calculated based on agreed customers individual terms.

Aging past due but not impaired:

	CONSOLIDATED	
	2016 $'000	2015 $'000
1–30 days past due	**10,187**	8,577
31–60 days past due	**2,015**	1,315
61+ days past due	**82**	119
Total	**12,284**	10,011

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $0.179 million (2015: $0.643 million). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

1–30 days past due	**–**	–
31–60 days past due	**–**	1
61+ days past due	**179**	642
Total	**179**	643

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
(i) Movement in the allowance for doubtful debts		
Balance at beginning of the financial year	**(812)**	(991)
Amounts written off during the financial year	**638**	340
Increase in allowance recognised in profit or loss	**(226)**	(161)
Balance at end of the financial year	**(400)**	(812)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group and Company do not have any significant exposure to any individual customer or counterparty.

Major concentrations of credit risk are in the construction, transport, consumer durable and electrical industries in Australia. Furthermore, the Company has credit insurance cover which requires ongoing management of credit accounts with monthly reports provided to the Insurer. Accordingly, there is no further credit provision required in excess of the allowance for doubtful debts.

	CONSOLIDATED	
	2016 $'000	**2015 $'000**

9 Current assets – inventories

	2016 $'000	2015 $'000
Raw materials and stores	**12,311**	10,715
Work in progress	**1,663**	2,062
Finished goods	**62,915**	55,061
	76,889	67,838

All inventories are expected to be recovered within 12 months.

10 Current assets – prepayments

	2016 $'000	2015 $'000
Prepayments	**2,114**	2,232

11 Deferred tax assets

	2016 $'000	2015 $'000
Deferred tax assets	**2,857**	2,857

The Group has recognised deferred tax assets of $2,857,000 (2015: $2,857,000) (the Company $2,650,000 – 2015: $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:

	EQUITY HOLDING		
ENTITY NAME	2016 %	2015 %	COUNTRY OF INCORPORATION
Aluminium Extrusion & Distribution Pty Limited[1]	**100**	100	Australia
Austex Dies Pty Limited	**100**	100	Australia

1 *Subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC. The Company and Aluminium Extrusion & Distribution Pty Limited have entered into a deed of cross guarantee (**Deed**). Refer to note 28.*

13 Related parties

Parent entities

The ultimate parent entity within the Group is Capral Limited.

Equity interests in controlled entities

Interests in controlled entities are set out in Note 12.

Transactions with key management personnel

Refer to Note 36 in relation to securities granted and forfeited during the Financial Year under the Long Term Incentive Plan that include rights granted to Capral's Managing Director and rights granted and shares issued, to Capral's 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 2016 as the parent entity in the consolidated entity, the Company has a non-interest bearing loan of $3,300,000 (2015: $2,200,000) 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 $162,000 (2015: $440,000) – Aluminium Extrusion & Distribution Pty Limited
- Purchase of dies of $4,988,000 (2015: $4,268,000) – Austex Dies Pty Limited

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

	CONSOLIDATED	
	2016 **$'000**	**2015** **$'000**
14 Property, plant and equipment		
Freehold land		
At valuation	**1,200**	1,200
Accumulated depreciation	**–**	–
Net book amount	**1,200**	1,200
Buildings		
At valuation	**2,949**	2,922
Accumulated depreciation	**(537)**	(399)
Net book amount	**2,412**	2,523
Leasehold improvements		
At cost	**11,273**	10,635
Accumulated depreciation	**(7,927)**	(7,505)
Accumulated impairment	**(1,254)**	(1,441)
Net book amount	**2,092**	1,689
Total land and buildings	**5,704**	5,412
Plant, machinery and equipment		
At cost	**219,439**	214,852
Accumulated depreciation	**(155,493)**	(146,501)
Accumulated impairment losses	**(33,600)**	(37,118)
Net book amount	**30,346**	31,233
Construction work in progress at cost	**2,135**	3,067
Net plant, machinery and equipment	**32,481**	34,300
Total property, plant and equipment – net book value	**38,185**	39,712

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 as at 31 December 2012 using Capitalisation and Direct Comparison approaches to determine the fair value of the land and buildings. The valuations, which conform to International Valuation Standards, were determined by reference to recent market transactions on arm's length terms at the time. The fair value of the Land and Buildings is $1,200,000 and $2,700,000 respectively.

14 Property, plant and equipment continued

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

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Freehold land		
At cost	**1,750**	1,750
Accumulated depreciation	**–**	–
Net book amount	**1,750**	1,750
Buildings		
At cost	**3,605**	3,578
Accumulated depreciation	**(184)**	(323)
Net book amount	**3,421**	3,255

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:

Consolidated	FREEHOLD LAND AT FAIR VALUE $'000	BUILDINGS AT FAIR VALUE $'000	LEASEHOLD IMPROVEMENTS AT COST $'000	PLANT AND EQUIPMENT AT COST $'000	IN COURSE OF CONSTRUCTION AT COST $'000	TOTAL $'000
2016						
Opening net book amount	1,200	2,523	1,689	31,233	3,067	**39,712**
Additions	–	24	92	2,966	1,168	**4,250**
Disposals	–	–	–	(1)	–	**(1)**
Transfers	–	4	545	1,472	(2,099)	**(78)**
Depreciation charge (Note 2(a))	–	(139)	(235)	(5,325)	–	**(5,699)**
Net book amount at 31 December 2016	**1,200**	**2,412**	**2,091**	**30,345**	**2,136**	**38,184**
2015						
Opening net book amount	1,200	2,622	1,525	35,745	1,455	**42,547**
Additions	–	32	80	1,720	1,897	**3,729**
Disposals	–	–	(197)	(17)	–	**(214)**
Transfers	–	3	474	(313)	(285)	**(121)**
Depreciation charge (Note 2(a))	–	(134)	(193)	(5,902)	–	**(6,229)**
Net book amount at 31 December 2015	**1,200**	**2,523**	**1,689**	**31,233**	**3,067**	**39,712**

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.

Following the strong results in the Financial Year, management has also considered the possibility of reversing the impairment previously recognised. However, recognising the operational and economic challenges, such as dumping, residential and commercial construction activity and increasing input costs, it is management's view that no reversal of impairment should be recognised in the Financial Year. Refer to Note 1 (d) for the critical accounting judgements in this regard.

The result of Impairment assessment as at 31 December 2016

No impairment assessment was performed at 31 December 2016 as there was no indication of impairment or reversal of impairment.

15 Intangibles

	OTHER INTELLECTUAL PROPERTY $'000	SOFTWARE $'000	TOTAL $'000
Consolidated			
2016			
Cost	15,941	23,672	39,613
Accumulated amortisation	(8,379)	(21,085)	(29,464)
Accumulated impairment losses	(7,562)	(2,470)	(10,032)
Net book value	**–**	**117**	**117**
2015			
Cost	15,941	23,538	39,479
Accumulated amortisation	(8,370)	(20,914)	(29,284)
Accumulated impairment losses	(7,562)	(2,470)	(10,032)
Net book value	**9**	**154**	**163**

15 Intangibles continued

Reconciliations

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

	OTHER INTELLECTUAL PROPERTY $'000	SOFTWARE $'000	TOTAL $'000
Consolidated			
2016			
Opening net book amount	9	154	163
Additions	–	56	56
Disposals	–	–	–
Transfers	–	78	78
Amortisation	(9)	(171)	(180)
Net book amount at 31 December 2016	**–**	**117**	**117**
2015			
Opening net book amount	30	165	195
Additions	–	42	42
Disposals	–	–	–
Transfers	26	95	121
Amortisation	(47)	(148)	(195)
Net book amount at 31 December 2015	**9**	**154**	**163**

16 Assets pledged as security

In accordance with the security arrangements of liabilities disclosed in Note 25 below, 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.

17 Current liabilities – payables

	CONSOLIDATED	
	2016 $'000	2015 $'000
Trade payables (i)	**59,083**	54,354
Goods and services tax payable	**1,278**	1,577
Other payables	**12,775**	10,339
	73,136	66,270

(i) The average credit period on purchases is 63 days from the end of the month (2015:65 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.

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
18 Borrowings		
Unsecured – at amortised cost		
Current		
Loans from other entities	**48**	48
	48	48
19 Provisions		
Current		
Employee benefits[4]	**10,172**	10,456
Make good on leased assets[1]	**330**	577
Other[2]	**561**	675
	11,063	11,708
Non-current		
Employee benefits[4]	**1,867**	1,594
Make good on leased assets[1]	**2,173**	1,725
Other[3]	**1,518**	1,488
	5,558	4,807

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

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

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

4 *The current provision for employee benefits includes $889,000 of annual leave entitlements accrued but not expected to be taken within 12 months (2015: $780,000).*

Consolidated	MAKE GOOD ON LEASED ASSETS $'000	OTHER $'000	TOTAL $'000
Movements in carrying amounts			
Carrying value at the beginning of the financial year	2,302	2,163	4,465
Additional amounts provided	201	(84)	117
Carrying value at the end of the financial year	2,503	2,079	4,582

20 Deferred income – current

	CONSOLIDATED	
	2016 $'000	**2015** $'000
Deferred income – other	**101**	107
	101	107

21 Issued capital

	2016	2015	2016	2015
	No. 000	No. 000	$'000	$'000
(a) Share capital				
Ordinary shares: fully paid	**474,685**	474,685	**425,744**	425,744

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to the share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

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 2015	Balance at the beginning of the financial year	474,684,577	–	425,744
December 2015	Balance at the end of the financial year	474,684,577	–	425,744
January 2016	Balance at the beginning of the financial year	474,684,577	–	425,744
December 2016	Balance at the end of the financial year	474,684,577	–	425,744

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
22 Reserves and accumulated losses		
Asset revaluation reserve	**221**	221
Equity-settled compensation reserve	**9,737**	9,508
	9,958	9,729
Accumulated losses	**(310,430)**	(324,780)
	(300,472)	(315,051)
(a) Movements in reserves were:		
Equity-settled compensation reserve		
Balance at the beginning of the financial year	**9,508**	9,172
Vested rights converted to shares	**–**	–
On market purchase of shares in respect of performance rights issue	**(56)**	(255)
Expense recognised	**285**	591
Balance at the end of the financial year	**9,737**	9,508
Asset revaluation reserve		
Balance at the beginning of the financial year	**221**	221
Revaluation increase	**–**	–
Balance at the end of the financial year	**221**	221
(b) Accumulated losses		
Balance at the beginning of the financial year	**(324,780)**	(322,269)
Net profit/(loss) attributable to members of Capral	**14,350**	(2,511)
Balance at the end of the financial year	**(310,430)**	(324,780)
23 Dividends		
Ordinary shares: Nil (2015:Nil)	**–**	–
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	**27,105**	27,105

	CONSOLIDATED	
	2016 Cents	**2015** Cents

24 Earnings/(Loss) per share

	2016 Cents	2015 Cents
Basic earnings/(loss) per share	**3.02**	(0.5)
Diluted earnings/(loss) per share	**2.94**	(0.5)

Profit used in the calculation of basic and diluted profit per share for 2016 was $14,350,000 (2015: loss $2,511,000). The weighted average numbers of ordinary shares on issue used in the calculation of basic and diluted earnings per share were 474,684,577 and 488,838,355 respectively (2015: 474,675,361 and 488,043,735 respectively).

There are 15,373,118 performance rights (2015: 13,508,092 rights) and Nil options (2015: 4,300,000 options), with the potential to dilute future earnings at the end of the Financial Year.

	CONSOLIDATED	
	2016 $'000	**2015** $'000

25 Stand by arrangement and credit facilities

	2016 $'000	2015 $'000
Secured bank loan facilities		
Amount used	–	–
Amount unused	**60,000**	60,000
Total available facilities	**60,000**	60,000

The Company's arrangements with Harrenvale Corporation (Australia) Pty Ltd (previously GE Commercial Corporation (Australia) Pty Ltd) (GE) continued during the Financial Year with a facility of up to $60,000,000. The term of this facility ends on 30 June 2017. The facility is fully secured and consisted of a $60,000,000 revolver facility for a term of 3 years. The revolver facility is a receivables purchase facility whereby the consolidated entity has agreed to sell its receivables to the financier, in return for funding, based on the level of the receivables balance in the revolving account available to be drawn, contingent on the consolidated entity meeting its obligations set out in the facility agreement.

Up until 30 April 2015 the Company's facility with GE included a $30,000,000 term loan facility.

The GE revolver facility balance was offset with GE controlled cash at 31 December 2015 and 31 December 2016.

Subsequent to year-end, the Company entered into a new facility arrangement with Australia and New Zealand Banking Group Limited of up to $50.5 million to, among other things, refinance the Capral group's facility with GE. The new facility is for a term expiring on 31 January 2019, is fully secured against the Capral group and consists of a:

- $45 million Multi-option Facility which includes a Loan Facility, Trade Instruments and Trade Finance;
- $5 million Asset Finance Facility;
- $0.5 million Commercial Card Facility.

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
26 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	**1,723**	1,112
27 Commitments for expenditure – operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases for office and plant premises are payable as follows:		
Within one year	**21,169**	19,695
Later than one year but not later than five years	**48,024**	47,804
Later than five years	**24,941**	29,776
	94,134	97,275

Operating leases relate to office and plant premises with lease terms of between 2 to 20 years, with options to extend for a further 3 to 10 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease receivable	2016	2015
Within one year	**1,666**	1,666
Later than one year but not later than five years	**1,111**	4,582
Later than five years	**–**	–
	2,777	6,248

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

28 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.

For the 2016 and 2015 financial years, the closed group represents the Company and its wholly owned Australian subsidiaries (except for Austex Dies Pty Limited).

28 Deed of Cross Guarantee continued

	CLOSED GROUP	
	2016 $'000	**2015** $'000
Statement of profit or loss and comprehensive income		
Revenue	**423,961**	401,514
Other income	**411**	161
Changes in inventories of finished goods and work in progress	**880**	(8,511)
Raw materials and consumables used	**(245,812)**	(239,981)
Employee benefits expense	**(86,086)**	(80,947)
Depreciation and amortisation expense	**(5,564)**	(6,201)
Finance costs	**(874)**	(1,200)
Freight expense	**(11,232)**	(10,252)
Occupancy costs	**(16,471)**	(16,491)
Repairs and maintenance expense	**(7,033)**	(6,413)
Restructuring costs	**(736)**	(736)
Other expenses	**(38,285)**	(34,309)
Profit/(loss) before income tax	**13,159**	(3,366)
Income tax (expense)/benefit	**–**	–
Profit/(loss) for the year	**13,159**	(3,366)
Other comprehensive profit/(loss) for the year (net of tax)		
Revaluation increase	**–**	–
Total comprehensive profit/(loss) for the year	**13,159**	(3,366)
Summary of movements in accumulated losses		
Accumulated losses at the beginning of the year	**(327,173)**	(323,807)
Profit/(loss) for the year	**13,159**	(3,366)
Accumulated losses at the end of the year	**(314,014)**	(327,173)

	CLOSED GROUP	
	2016 $'000	**2015** $'000
Statement of financial position		
Current assets		
Cash and cash equivalents	**30,985**	19,621
Trade and other receivables	**61,582**	60,130
Inventories	**76,832**	67,790
Other financial assets	**24**	71
Prepayments	**2,385**	2,506
Total current assets	**171,808**	150,118
Non current assets		
Other receivables	**–**	84
Deferred tax assets	**2,650**	2,650
Investment in subsidiary	**1,100**	1,100
Property, plant and equipment	**36,790**	39,518
Other intangible assets	**117**	163
Total non current assets	**40,657**	43,515
Total assets	**212,465**	193,633
LIABILITIES		
Current liabilities		
Trade and other payables	**74,645**	69,019
Borrowings	**48**	48
Provisions	**11,461**	11,352
Deferred income	**101**	107
Total current liabilities	**86,255**	80,526
Non current liabilities		
Provisions	**4,743**	4,807
Total non current liabilities	**4,743**	4,807
Total liabilities	**90,998**	85,333
NET ASSETS	**121,467**	108,300
EQUITY		
Issued capital	**425,744**	425,744
Reserves	**9,737**	9,729
Accumulated losses	**(314,014)**	(327,173)
TOTAL EQUITY	**121,467**	108,300

29 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)
	31/12/16	31/12/15				
Foreign currency forward contracts (see note 30(f))	Assets – $473,067[1] Liabilities – nil	Assets – nil Liabilities – $406,000[1]	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 – $2,412,000	Land – $1,200,000 Buildings – $2,523,000	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 assets (2015: presented under Trade and Other Payables)*

30 Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as 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 2015.

The capital structure of the Group consists of debt, as disclosed in Note 25, cash and cash equivalents, and equity holders of the parent, comprising issued capital, reserves and accumulated losses, as disclosed in Notes 7, 21 and 22 respectively. The Directors review the capital structure on a regular basis, and at least annually. As a part of this review the Directors consider the cost of capital and the risks associated with each class of capital. Based on the determinations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

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

The Group complied with its borrowing financial covenants under its current facility detailed in Note 25 as at 31 December 2016 as follows:

COVENANTS 2016	ACTUAL	LIMIT/COVENANT	HEADROOM
Net Tangible Worth ($'000)	121,698	Greater than 45,000	76,698
Capital Expenditure to Dec 16 ($'000)	3,316	Less than 6,500	3,184
Fixed Charge Coverage Ratio (ratio)	23.76	Greater than 1.1:1	22.66

The Group complied with its borrowing financial covenants under its facility detailed in Note 25 as at 31 December 2015 as follows:

COVENANTS 2015	ACTUAL	LIMIT/COVENANT	HEADROOM
Net Tangible Worth ($'000)	107,925	Greater than 45,000	62,925
Capital Expenditure to Dec 15 ($'000)	3,700	Less than 4,400	700
Fixed Charge Coverage Ratio (ratio)	10.11	Greater than 1.1:1	9.01

(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	
	2016 $'000	**2015** $'000
Financial Assets		
Loans and receivables (including cash and cash equivalents)	**94,519**	80,760
Other financial assets[1]	**24**	71
Financial Liabilities		
Amortised cost	**73,243**	66,318

1 *capitalised borrowing costs $24,000 (2015: $71,000).*

(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.

30 Financial instruments continued

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 30(f)) and interest rates (refer note 30(g)). From time to time, the Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including 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.

(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	
	2016 $'000	**2015** $'000
USD (trade payables)	**(4,214)**	(13,845)
JPY (trade payables)	–	(42)
EURO (trade receivables)	**199**	96
USD (trade receivables)	**992**	1,219

Foreign currency sensitivity

The Group is exposed to Euros and USD (2015: Euros, JPY 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 $5,534,000 (2015: $13,887,000). The total value of trade receivables denominated in currencies other than the AUD at reporting date was $1,372,000 (2015: $1,315,000).

The following table details the Group's sensitivity to a 10% increase and decrease in the AUD against the relevant foreign currency. 10% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at 31 December 2016 and 31 December 2015 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	
	2016 $'000	**2015** $'000
Profit or loss (after tax)		
AUD strengthens by 10%	**754**	1,257
AUD weakens by 10%	**(754)**	(1,257)

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	
	31/12/16 FC$'000	31/12/15 FC$'000	31/12/16 $'000 GAIN/(LOSS)	31/12/15 $'000 GAIN/(LOSS)
Buy EURO	**1,122**	135	**45**	(17)
Buy USD	**13,062**	28,179	**(518)**	(389)

(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 25 basis point (0.25%) increase and a 25 basis point (0.25%) decrease represents management's assessment of the possible change in interest rates (2015: 50bp or 0.5% increase and 50bp or 0.5% decrease). A positive number indicates an increase in profit.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Profit or loss (after tax)		
Impact of a 25bp (2015: 50bp) increase in AUD interest rates		
– Cash and cash equivalents	**55**	71
– Floating rate debt	**–**	–
Impact of a 25bp (2015: 50bp) decrease in AUD interest rates		
– Cash and cash equivalents	**(55)**	(71)
– Floating rate debt	**–**	–

30 Financial instruments continued

(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	
	2016 $'000	**2015** $'000
Current	**50,864**	50,368
1–30 days	**10,187**	8,577
31–60 days	**2,015**	1,316
60+ days	**261**	761
	63,327	61,022

(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 25 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 $31,409,000 (2015: $20,143,000) and trade and other receivables of $63,110,000 (2015: $60,617,000). Cash is liquid and trade and other receivables are expected to be realised on average within 53 days (2015: 54 days). Cash balances earn 0.1% interest per annum (2015: 0.9%). 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
	%	$'000	$'000	$'000	$'000
Consolidated					
2016					
Trade and other payables	–	73,136	–	–	–
Floating rate debt	4.18%	–	–	–	–
			–	–	–
2015					
Trade and other payables	–	66,270	–	–	–
Floating rate debt	4.29%	–	–	–	–
		76,484	–	–	–

(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.

31 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, international trade facilities and corporate credit cards. At 31 December 2016 these guarantees totalled $18,822,684 (2015: $18,857,683).

32 Remuneration of auditors

	CONSOLIDATED	
	2016 $	**2015** $
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	**285,000**	288,400
Other non-audit services		
– tax compliance	**75,280**	59,819
Total remuneration	**360,280**	348,219

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.

33 Events after reporting date

On 19 January 2017, the Company entered into a new facility arrangement with Australia and New Zealand Banking Group Limited of up to $50.5 million to, among other things, refinance the Capral group's facility with GE. Otherwise, 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.

34 Notes to the cash flow statement

(i) Reconciliation of cash and cash equivalents

	CONSOLIDATED	
	2016 $'000	**2015** $'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	**31,409**	20,143
	31,409	20,143

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

Profit/(loss) for the year	**14,350**	(2,511)
Non-cash items:		
Depreciation and amortisation of non-current assets	**5,878**	6,424
Loss on sale of property, plant and equipment	**1**	139
Share-based payments expense	**285**	591
Interest expense accrued but not paid	**47**	47
Interest income reclassified to investing activities	**(16)**	(42)
Change in assets and liabilities:		
Increase in current receivables	**(2,577)**	(2,213)
Decrease/(increase) in financial assets	**(473)**	1,234
Decrease/(increase) in inventories	**(9,051)**	14,434
(Increase)/decrease in prepayments	**118**	(280)
Increase/ (decrease) in non-current receivables	**84**	(10)
(Decrease)/increase in trade and other payables	**6,809**	(10,469)
(Decrease) in employee benefit provisions	**(11)**	(161)
Increase in other provisions	**117**	219
Decrease in deferred income	**(6)**	(107)
Net cash provided by operating activities	**15,555**	7,295

(iii) Details of finance facilities are included in note 25 to the financial statements.

(iv) Non-cash financing activities

There were no non-cash financing activities during the Financial Year or the 2015 year.

35 Parent entity disclosures

	COMPANY	
	2016 $'000	**2015** $'000
Financial Position		
Assets		
Current assets – third parties	**172,908**	151,218
Non-current assets	**37,709**	39,119
Total assets	**210,617**	190,337
Liabilities		
Current liabilities – third parties	**83,487**	78,147
Current liabilities – controlled entities	**2,770**	2,608
Non-current liabilities – controlled entities	**3,300**	2,200
Non-current liabilities – third parties	**4,743**	4,451
Total liabilities	**94,300**	87,406
Equity		
Issued capital	**425,744**	425,744
Accumulated losses	**(319,164)**	(332,321)
Reserves		
Equity-settled compensation reserve	**9,737**	9,508
Total Equity	**116,317**	102,931
Financial Performance		
Profit/(loss) for the year	**13,159**	(3,366)
Other comprehensive income	**–**	–
Total comprehensive profit/(loss)	**13,159**	(3,366)
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Deed of cross guarantee – refer Note 28	**–**	–
Contingent liabilities of the parent entity		
Refer note 31		
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	**1,723**	1,112

36 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 16	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE $
Issued 7 March 2014[1]	1,520,000	07/03/2014	31/12/2016	–	0.11
Issued 7 March 2014[1]	760,000	07/03/2014	31/12/2016	–	0.15
Issued 7 March 2014[1]	760,000	07/03/2014	31/12/2016	–	0.15
Issued 6 March 2015[2]	1,950,000	06/03/2015	31/12/2017	–	0.13
Issued 6 March 2015[2]	650,132	06/03/2015	31/12/2017	–	0.16
Issued 6 March 2015[2]	649,736	06/03/2015	31/12/2017	–	0.16
Issued 7 March 2016[3]	2,250,000	07/03/2016	31/12/2018	–	0.08
Issued 7 March 2016[3]	2,250,000	07/03/2016	31/12/2018	–	0.10

1 *In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2014 have an average vesting date of 1 March 2017.*

2 *In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2015 have an average vesting date of 1 March 2018.*

3 *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.*

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

PERFORMANCE RIGHT SERIES (LTIP)	NUMBER AS AT 31 DEC 15	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE $
Issued 8 March 2013[1]	1,154,046	08/03/2013	31/12/2015	-	0.17
Issued 8 March 2013[1]	577,025	08/03/2013	31/12/2015	-	0.24
Issued 8 March 2013[1]	577,021	08/03/2013	31/12/2015	-	0.24
Issued 7 March 2014[2]	1,520,000	07/03/2014	31/12/2016	-	0.11
Issued 7 March 2014[2]	760,000	07/03/2014	31/12/2016	-	0.15
Issued 7 March 2014[2]	760,000	07/03/2014	31/12/2016	-	0.15
Issued 7 March 2014[2]	760,000	07/03/2014	31/12/2016	-	0.15
Issued 6 March 2015[3]	1,950,000	06/03/2015	31/12/2017	-	0.13
Issued 6 March 2015[3]	650,132	06/03/2015	31/12/2017	-	0.16
Issued 6 March 2015[3]	650,132	06/03/2015	31/12/2017	-	0.16
Issued 6 March 2015[3]	649,736	06/03/2015	31/12/2017	-	0.16

1 *In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2013 have an average vesting date of 1 March 2016.*

2 *In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2014 have an average vesting date of 1 March 2017.*

3 *In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2015 have an average vesting date of 1 March 2018.*

36 Share-based payments continued

	PERFORMANCE RIGHTS (LTIP)			
Inputs into the model	07 MARCH 2016	06 MARCH 2015	07 MARCH 2014	08 MARCH 2013
Grant date	**7/03/2016**	6/03/2015	7/03/2014	8/03/2013
Dividend yield	**0%**	0%	0%	0%
Risk free yield	**1.90%**	1.82%	2.93%	2.93%
Expected volatility	**55%**	55%	55%	60%
Last testing date	**31/12/2018**	31/12/2017	31/12/2016	31/12/2015
Exercise price	**n.a**	n.a	n.a	n.a
Share price at grant date	**$0.10**	$0.16	$0.15	$0.235
Performance right life	**3 years**	3 years	3 years	3 years

Current Managing Director

During the Financial Year, 2,500,000 rights were issued to Mr A. Dragicevich.

During the comparative financial year, 2,500,000 rights were issued to Mr A. Dragicevich. 800,000 rights granted to Mr A. Dragicevich in March 2013 and 300,000 rights granted to Mr A. Dragicevich in April 2014 vested and converted to Capral's ordinary shares in March 2015 on a 1 for 1 basis.

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 16	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE $
Issued 16 April 2015[1]	1,250,000	16/04/2015	31/12/2017	–	$0.132
Issued 16 April 2015[1]	416,750	16/04/2015	31/12/2017	–	$0.160
Issued 16 April 2015[1]	416,500	16/04/2015	31/12/2017	–	$0.160
Issued 14 April 2016[2]	1,250,000	14/04/2016	31/12/2018	–	$0.080
Issued 14 April 2016[2]	1,250,000	14/04/2016	31/12/2018	–	$0.110

1 *In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2015 have an average vesting date of 1 March 2018.*

2 *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.*

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 15	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE $
Issued 16 April 2014[1]	700,000	16/04/2014	31/12/2015	–	$0.106
Issued 16 April 2014[1]	300,000	16/04/2014	31/12/2015	–	$0.155
Issued 16 April 2015[2]	1,250,000	16/04/2015	31/12/2017	–	$0.132
Issued 16 April 2015[2]	416,750	16/04/2015	31/12/2017	–	$0.160
Issued 16 April 2015[2]	416,750	16/04/2015	31/12/2017	–	$0.160
Issued 16 April 2015[2]	416,500	16/04/2015	31/12/2017	–	$0.160

1 *In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2014 have an average vesting date of 1 March 2016.*

2 *In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2015 have an average vesting date of 1 March 2018.*

Inputs into the model	14 APRIL 2016	16 APRIL 2015
Grant date	**14/4/2016**	16/4/2015
Dividend yield	**0%**	0%
Risk free yield	**1.90%**	1.82%
Expected volatility	**55%**	55%
Last testing date	**31/12/2018**	31/12/2017
Share price at grant date	**$0.110**	$0.160
Performance right life	**3 years**	3 years

Options

Executive and Senior Management

No options to acquire ordinary shares were granted under LTIP in the Financial Year or 2015.

Managing Director

During 2016, no options were issued to the Managing Director (2015: nil).

During the Financial Year, the remaining 4,300,000 options granted to the previous Managing Director, Mr Phil Jobe, in the financial year 2009, expired on 20 April 2016.

36 Share-based payments continued

The following tables reconcile the outstanding securities granted to the current and previous Managing Directors, and senior management at the beginning and end of the Financial Year:

Options	2016 NUMBER OF SHARE OPTIONS	2016 WEIGHTED AVERAGE EXERCISE PRICE $	2015 NUMBER OF SHARE OPTIONS	2015 WEIGHTED AVERAGE EXERCISE PRICE $
Balance at the beginning of the financial year	**4,300,000**	**0.417**	4,300,000	0.417
Granted during the financial year	**–**	**–**	–	–
Forfeited during the financial year	**–**	**–**	–	–
Exercised during the financial year	**–**	**–**	–	–
Expired during the financial year	**(4,300,000)**	**0.417**	–	–
Balance at the end of the financial year	**–**	**–**	**4,300,000**	**0.417**
Exercisable at the end of the financial year	**–**	**–**	4,300,000	0.417

Performance Rights	2016 NUMBER OF SHARE PERFORMANCE RIGHTS	2015 NUMBER OF SHARE PERFORMANCE RIGHTS
Balance at the beginning of the financial year	**13,508,092**	12,325,338
Granted during the financial year	**7,000,000**	7,000,000
Forfeited during the financial year	**–**	(2,005,069)
Vested during the financial year	**(577,025)**	(1,681,829)
Lapsed during the financial year	**(4,557,949)**	(2,130,348)
Balance at the end of the financial year	**15,373,118**	**13,508,092**

(i) Exercised during the Financial Year

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

577,025 performance rights granted to senior management have vested and 4,557,949 performance rights have lapsed during the Financial Year. Refer to section 2 of the Remuneration Report.

(ii) Balance at the end of the Financial Year

The options outstanding at the end of the Financial Year were Nil (2015: 4,300,000).

The performance rights outstanding at the end of the Financial Year were 15,373,118 (2015: 13,508,092), with a weighted average remaining contractual life of 1.6 year (2015: 1.4 year).

37 Key management personnel compensation

(a) Compensation of Key Management Personnel

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	CONSOLIDATED/COMPANY	
	2016 $	2015 $
Short-term benefits	**2,813,844**	2,245,729
Post-employment benefits	**151,281**	148,559
Other long-term benefits	**–**	–
Termination benefits	**–**	–
Share-based payments	**146,925**	374,140
	3,112,050	2,768,428

(b) Performance rights and options holdings of Key Management Personnel

The remuneration policy for the current and previous Managing Directors, and senior management is set out in section 1 of the Remuneration Report.

Details of the performance rights and options held by Key Management Personnel during the Financial Year are as follows:

2016 – PERFORMANCE SHARE RIGHTS	HELD AT START OF YEAR	GRANTED AS COMPENSATION	LAPSED	VESTED	HELD AT END OF YEAR
Directors					
A Dragicevich	3,500,000	2,500,000	(1,416,750)	–	4,583,250
Executives					
T Campbell	1,387,442	500,000	(473,931)	(96,861)	1,316,650
R Michael	1,365,302	500,000	(457,326)	(91,326)	1,316,650
R Rolfe	783,206	350,000	(247,415)	(45,801)	839,990
	7,035,950	3,850,000	(2,595,422)	(233,988)	8,056,540

2016 – OPTIONS	HELD AT START OF YEAR	GRANTED AS COMPENSATION	EXPIRED	EXERCISED	HELD AT END OF YEAR
Directors					
P Jobe	4,300,000	–	(4,300,000)	–	–
	4,300,000	–	(4,300,000)	–	–

All of the options granted to Mr Jobe in the above table expired on 20 April 2016.

37 Key management personnel compensation continued

Details of the performance rights and options held by Key Management Personnel during the financial year ended 31 December 2015 were as follows:

2015 – PERFORMANCE SHARE RIGHTS	HELD AT START OF YEAR	GRANTED AS COMPENSATION	LAPSED	VESTED	HELD AT END OF YEAR
Directors					
A Dragicevich	3,000,000	2,500,000	(900,000)	(1,100,000)	3,500,000
Executives					
T Campbell	1,158,223	500,000	(180,521)	(90,260)	1,387,442
R Michael	1,018,586	500,000	(102,189)	(51,095)	1,365,302
R Rolfe	616,262	300,000	(88,704)	(44,352)	783,206
	5,793,071	3,800,000	(1,271,414)	(1,285,707)	7,035,950

2015 – OPTIONS	HELD AT START OF YEAR	GRANTED AS COMPENSATION	EXPIRED	EXERCISED	HELD AT END OF YEAR
Directors					
P Jobe	4,300,000	–	–	–	4,300,000
	4,300,000	–	–	–	4,300,000

All of the options granted to Mr Jobe in the above table are exercisable and had vested as at 31 December 2014.

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that Capral will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of Capral and the consolidated entity;

(c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

(d) the directors have been given declarations required by section 295A of the Corporations Act 2001.

At the date of this declaration, Capral is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion there are reasonable grounds to believe that Capral and the companies to which the ASIC Class Order applies, as detailed in Note 28 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

R.L. Wood-Ward
Chairman

A. Dragicevich
Managing Director

Sydney
23 February 2017

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Capral Limited

Report on the Audit of the Financial Report

Opinion

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 2016, 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 the directors' declaration as set out on pages 34 to 79.

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 2016 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

Carrying value of property, plant and equipment
As disclosed in Note 14, the Company has property, plant and equipment held at a written down value of $38,185,000 net of impairment losses of $41,400,000 as at 31 December 2016.
Note 1d outlines that the determination of the carrying value of the property, plant and equipment requires significant judgement by management in performing an assessment whether there are any indicators of impairment, or indicators that a previously recognised impairment should be reversed.
The significant judgements by management include:
» the estimation of the expected level of future building activities across both the residential and commercial sectors in Australia which have historically experienced cyclical levels of activity;
» the price of aluminium which can have a significant impact on the Company's margins depending on its ability to pass on price variations to its customers; and
» the impact of current and potential "anti-dumping" legislation in relation to import duties imposed on overseas suppliers.
	Our procedures included, but were not limited to:
	» understanding the process that management undertakes to evaluate whether there are any indicators of impairment or reversal of impairment,
	» in conjunction with our valuation specialists we challenged the reasonableness of Management's assessment by comparing, analysing and evaluating the key inputs with reference to:
	  » external forecasts of market activity for the residential, commercial and industrial building sectors, as well as historic trends,
	  » independent assessment of the Company's current position in the building sector cycle,
	  » external data points for aluminium prices, and
	  » current "anti-dumping" actions by the Anti-Dumping Commission and the effect of these case determinations on future demand and prices for the Company's products.
	» assessing the appropriateness of the disclosures in Note 1d and Note 14.

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, the other information also includes the following documents which will be included in the annual report (but does not include the financial report and our auditor's report thereon): Members Details and Corporate Directory, which are expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly 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 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.

Directors' Responsibilities 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 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 14 to 31 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Capral Limited, for the year ended 31 December 2016, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

DR White

David White
Partner
Chartered Accountants
Parramatta, 23 February 2017

Member Details
(In accordance with the Listing Rules:)

As at 28 February 2017

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	Citicorp Nominees Pty Limited	73,455,111	15.47
2	RBC Investor Services Australia Nominees Pty Limited – Picredit	69,506,329	14.64
3	HSBC Custody Nominees (Australia) Limited	51,846,385	10.92
4	J P Morgan Nominees Australia Limited	48,820,906	10.28
5	BNP Paribas Nominees Pty Ltd – Agency Lending DRP Account	26,885,732	5.66
6	National Nominees Limited	22,526,955	4.75
7	BNP Paribas Noms Pty Ltd – DRP	17,080,574	3.60
8	Aust Executor Trustees Ltd – Kentgrove Capital Fund	7,750,000	1.63
9	Citicorp Nominees Pty Limited – Colonial First State Inv Account	7,592,884	1.60
10	RBC Investor Services Australia Nominees Pty Limited – Bkcust Account	6,900,713	1.45
11	Aust Executor Trustees Ltd – Lanyon Aust Value Fund	6,105,688	1.29
12	Mr Anthony Matthew Dragicevich	4,000,000	0.84
13	Luton Pty Ltd	3,973,905	0.84
14	Mr John George Whiting & Mrs Diana Patricia Whiting – The Whiting Investment Account	3,067,500	0.65
15	Debuscey Pty Ltd	2,540,604	0.54
16	Mr Gerald Francis Pauley & Mr Michael James Pauley – Pauley Super Fund Account	2,176,407	0.46
17	Dragant Super Pty Ltd – Dragant Superannuation Account	2,000,000	0.42
18	Australian Executor Trustees Limited – No. 1 Account	1,859,926	0.39
19	Mrs Antonia Collopy	1,848,371	0.39
20	Mr Peter Scarf and Mrs Ida Scarf – Scarf Super Fund Account	1,800,000	0.38
	Total	**361,737,990**	**76.21**

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	69,863,006	14.72	24/2/2016
IOOF Holdings Limited	54,880,762	11.56	11/6/2015
Commonwealth Bank of Australia	53,666,732	11.30	29/12/2016
Schroder Investment Management Australia	32,635,240	6.88	25/1/2017
Total	**309,720,779**	**63.35**	

3 Number of holders

(a) Quoted equity securities: there were 1,817 holders of ordinary shares.

(b) Unquoted equity securities – options: there were Nil unquoted options.

(c) Unquoted equity securities – performance rights: there were 15,373,118 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	350
1,001–5,000	327
5,001–10,000	215
10,001–100,000	660
100,001 and over	265
Total	**1,817**

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 RIGHTS	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 465 holders.

(Minimum parcel size of shares: 2,778)*

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

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

Mr Richard Rolfe

Corporate Governance Statement

http://www.capral.com.au/

– under Corporate / Investors / Corporate Governance

Capral Limited
ABN 78 004 213 692

71 Ashburn Rd, Bundamba QLD 4304
T 07 3816 7000

www.capral.com.au