

CAPRAL

ASX ANNOUNCEMENT

17 August 2018

HY18 Results

Please see attached Capral's Half Year Report 2018 and accompanying HY18 Results Presentation. Summarised below are the key highlights:

- Trading EBITDA¹ \$6.9 million, up slightly on \$6.6 million in H1 2017, off similar volume
- Pipeline in residential work starting to reduce but commercial construction and industrial markets remained strong, driven by infrastructure projects and transport and marine
- Margins adversely impacted by imports, excess local capacity and the rising LME
- Strong balance sheet with net cash at \$28.9 million
- Special dividend of 0.5 cents per share, fully franked, declared
- Key capital investment projects on track to improve long term competitive position.

Capral's Managing Director and Chief Executive Officer, Tony Dragicevich, and Chief Financial Officer, Tertius Campbell, will host a teleconference commencing at 10:30 am (AEST) today.

Dial-in details for the teleconference are as follows:

Australia: +61 2 9007 3187 or 1800 558 698

Conference ID: 616202

For further information please contact:

Corporate

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Yours faithfully



Richard Rolfe
Company Secretary

Capral Limited
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ASX: CAA

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¹ For an explanation refer to the documents attached to this release

APPENDIX 4D - HALF-YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2018

| | |
|------------------|--------------------------------|
| Name of Entity | CAPRAL LIMITED |
| A.B.N | 78 004 213 692 |
| Half-Year Ended | 30/06/2018 |
| Reporting Period | 1 January 2018 to 30 June 2018 |
| Previous Period | 1 January 2017 to 30 June 2017 |

Results for announcement to the market

| | 30 June 2018 \$'000 | 30 June 2017 \$'000 | Change \$'000 | Change % |
|--|------------------------|-----------------------------|---------------------|-----------------------------|
| 2.1 Revenues from ordinary activities | 222,561 | 207,634 | 14,927 | 7.2 |
| 2.2 Profit from ordinary activities after tax attributable to members | 4,347 | 4,415 | (68) | (1.5) |
| 2.3 Net profit for the period attributable to members | 4,347 | 4,415 | (68) | (1.5) |
| 2.4 Dividend Information | 30 June 2018 | | 30 June 2017 | |
| | Amount per security | Imputed amount per security | Amount per security | Imputed amount per security |
| Interim dividend | - | - | - | - |
| Special dividend | 0.5 cents | 0.5 cents | - | - |

2.5 Record date for determining entitlements to and the date for payments of the dividends (if any)

It is proposed that a Special dividend of 0.5 cents per ordinary share, fully franked, be paid, with Record Date of 24 August 2018 and Payment Date of 14 September 2018.

2.6 Explanation of 2.1 to 2.4

Please refer to the Director's Report (included with this Report).

3.0 Net Tangible Assets per security

| | 30 June 2018 | 30 June 2017 |
|-----------------------|--------------|--------------|
| NTA (cents per share) | 26.7 | 25.4 |
| Number of shares | 480,289,334 | 477,107,457 |

4.0 Entities over which control has been gained or lost

Not Applicable

5.0 Individual and total dividends

A final dividend in respect of the financial year ended 31 December 2017 was paid on 23 March 2018, at 1.25 cents per ordinary share fully franked. It is proposed that a Special dividend of 0.5 cents per ordinary share, fully franked, be paid on 14 September 2018.

6.0 Dividend or dividend reinvestment plans

Not Applicable

7.0 Associates and joint venture entities

Not Applicable

8.0 Foreign Entities

Not Applicable

9.0 Audit dispute or qualification

Not Applicable

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DIRECTORS' REPORT

The 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 half-year ended 30 June 2018 and the independent auditor's review report thereon.

Directors

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

| Name | Period Office Held |
|-------------------|---------------------------------------|
| R. L. Wood-Ward | 6 November 2008 - Date of this report |
| 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 |

Review of operations and key results

Capral today announced a profit after tax of \$4,347,000 for the half-year ended 30 June 2018, compared with a \$4,415,000 profit after tax for the corresponding period last year.

A special dividend of 0.5 cents per ordinary share has been declared today, with a Record Date of 24 August 2018 and Payment Date of 14 September 2018.

Results Overview

Capral delivered a Trading EBITDA* of \$6.9 million as compared to \$6.6 million in H1 2017 on like volumes with sales revenue growth of 7.2% due to higher metal prices. Statutory EBITDA of \$7.6 million as compared to \$7.7 million in H1 2017, included a positive LME revaluation of \$0.8 million (H1 2017: \$1.1 million).

Dwelling commencements are currently forecast to be on par with 2017¹, however the pipeline in residential work is starting to reduce with weakness in WA, NT and QLD. Commercial construction and key industrial markets (manufacturing, transport and marine) remained strong in H1 2018, driven by the growth in infrastructure projects and transport and marine fleet replacement. Margins were impacted by imports which continue to suppress selling prices, excess local capacity, and the inability to fully recover the rising LME price from customers in a timely manner.

The 2018 balance sheet remains strong with net cash at \$28.9 million, after making a \$6 million dividend payment in March and increased capex spend on automation initiatives. Capral also renewed its \$50 million finance facility with ANZ until January 2020.

The capital investment plans in new technology and automation to improve Capral's long term competitive position are on track for completion by year end.

Financial performance has enabled Capral to pay a special, fully franked dividend of 0.5 cents per share in September 2018.

Please also refer to the 2018 Half Year Results Presentation lodged with this Report.

Auditor's independence declaration

The auditors' independence declaration as required under section 307C of the Corporations Act is set out on page 3.

* Trading EBITDA is EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. These items are LME and Premium revaluation, and one-off costs relating to restructuring that are non-recurring in nature. Trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011

¹ Source: *BIS Oxford Economics July 2018 forecast (two quarters delayed)*

Capral Limited

Rounding of amounts

Capral is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with this, 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 pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors



R. Wood-Ward
Chairman

Sydney
17 August 2018



A. Dragicevich
Managing Director

The Board of Directors
Capral Limited
Level 4
60 Phillip Street
PARRAMATTA NSW 2150

17 August 2018

Dear Board Members

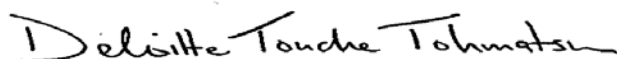
Auditor's Independence Declaration to Capral Limited

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

As lead audit partner for the review of the financial statements of Capral Limited for the half-year ended 30 June 2018, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David White

Partner
Chartered Accountants
Parramatta, 17 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2018

| | | Consolidated Half-year ended | |
|--|------|---------------------------------|---------------------------------|
| | Note | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Revenue | | 222,561 | 207,634 |
| Other income | 5 | 206 | 183 |
| Raw materials and consumables used | | (135,019) | (120,732) |
| Employee benefits expense | | (44,838) | (43,980) |
| Depreciation and amortisation expense | | (2,794) | (2,895) |
| Finance costs | | (500) | (436) |
| Freight expenses | | (5,874) | (5,596) |
| Occupancy costs | | (10,169) | (10,054) |
| Repair and maintenance expense | | (3,791) | (3,532) |
| Other expenses | | (15,435) | (16,177) |
| Profit before income tax | | 4,347 | 4,415 |
| Income tax benefit | 2 | - | - |
| Profit for the period | | 4,347 | 4,415 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss | | - | - |
| Items that may be reclassified subsequently to profit or loss | | - | - |
| Total comprehensive income for the period | | 4,347 | 4,415 |
| Earnings per share | | 2018 Cents per share | 2017 Cents per share |
| Basic (cents per share) | | 0.91 | 0.93 |
| Diluted (cents per share) | | 0.89 | 0.91 |

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 479,181,830 (2017: 476,223,976) and the earnings used in the same calculation was \$4,347,000 (2017: \$4,415,000).

The weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share was 488,307,080 (2017: 484,548,481) and the earnings used in the same calculation was \$4,347,000 (2017: \$4,415,000).

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

| | | Consolidated | |
|--------------------------------------|------|---------------------------|-------------------------------|
| | Note | 30 June 2018 \$'000 | 31 December 2017 \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 12 | 28,857 | 34,358 |
| Trade and other receivables | | 73,528 | 67,959 |
| Inventories | | 89,494 | 76,978 |
| Other financial assets | | 704 | 32 |
| Prepayments | | 1,255 | 729 |
| Total current assets | | 193,838 | 180,056 |
| Non-current assets | | | |
| Deferred tax assets | | 2,857 | 2,857 |
| Property, plant and equipment | | 42,407 | 42,010 |
| Other intangible assets | | 293 | 336 |
| Total non-current assets | | 45,557 | 45,203 |
| Total assets | | 239,395 | 225,259 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 89,175 | 74,033 |
| Other financial liabilities | | 189 | 644 |
| Current provisions | | 12,819 | 12,638 |
| Deferred income | | 293 | 100 |
| Total current liabilities | | 102,476 | 87,415 |
| Non-current liabilities | | | |
| Non-current provisions | | 5,448 | 4,952 |
| Total non-current liabilities | | 5,448 | 4,952 |
| Total liabilities | | 107,924 | 92,367 |
| Net assets | | 131,471 | 132,892 |
| EQUITY | | | |
| Issued capital | | 425,744 | 425,744 |
| Reserves | | 11,623 | 11,427 |
| Accumulated losses | | (305,896) | (304,279) |
| Total equity | | 131,471 | 132,892 |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 30 June 2018

| | | Consolidated Half-year ended | |
|--|------|---------------------------------|---------------------------|
| | Note | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 239,248 | 218,294 |
| Payments to suppliers and employees | | (233,347) | (217,906) |
| Interest and other finance costs paid | | (423) | (403) |
| Net cash flows provided by/(used in) operating activities | | 5,478 | (15) |
| Cash flows from investing activities | | | |
| Interest received | | 11 | 7 |
| Payments for property, plant and equipment | | (4,995) | (3,034) |
| Payments for intangible assets | | (31) | (44) |
| Net cash flows used in investing activities | | (5,015) | (3,071) |
| Cash flows from financing activities | | | |
| Dividends paid | | (5,964) | (5,934) |
| Net cash flows used in financing activities | | (5,964) | (5,934) |
| Net decrease in cash and cash equivalents | | (5,501) | (9,020) |
| Cash and cash equivalents at the beginning of the half-year period | | 34,358 | 31,409 |
| Cash and cash equivalents at end of the half-year period | 12 | 28,857 | 22,389 |

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2018

| Consolidated | Issued capital \$'000 | Equity-settled compensation reserve \$'000 | Asset revaluation reserve \$'000 | Accumulated losses \$'000 | Total \$'000 |
|---|--------------------------|--|--|---------------------------------|-----------------|
| Balance as at 1 January 2017 | 425,744 | 9,737 | 221 | (310,430) | 125,272 |
| Profit for the period | - | - | - | 4,415 | 4,415 |
| Total comprehensive loss for the period | - | - | - | 4,415 | 4,415 |
| Dividends paid | - | - | - | (5,934) | (5,934) |
| Share-based payment expense | - | 335 | - | - | 335 |
| Balance as at 30 June 2017 | 425,744 | 10,072 | 221 | (311,949) | 124,088 |
| Balance as at 1 January 2018 | 425,744 | 10,413 | 1,014 | (304,279) | 132,892 |
| Profit for the period | - | - | - | 4,347 | 4,347 |
| Total comprehensive profit for the period | - | - | - | 4,347 | 4,347 |
| Dividends paid | - | - | - | (5,964) | (5,964) |
| Share-based payment expense | - | 196 | - | - | 196 |
| Balance as at 30 June 2018 | 425,744 | 10,609 | 1,014 | (305,896) | 131,471 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2018

1 Significant accounting policies

Capral Limited (**Capral**) is a company domiciled in Australia. The consolidated half-year financial report of Capral for the half-year period ended 30 June 2018 comprises Capral and its subsidiaries (**consolidated entity**).

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting (which complies with the International Financial Reporting Standard IAS 34: Interim Financial Reporting), other mandatory professional reporting requirements and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the most recent annual financial report for the year ended 31 December 2017 and any public announcements made by Capral during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(b) Basis of preparation

Capral is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with this, amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The half-year financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial assets and liabilities at fair value through profit and loss and certain classes of property, plant and equipment. Cost is based on the fair values of consideration given in exchange for assets. Except where indicated otherwise, all amounts are presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in Capral's annual report for the financial year ended 31 December 2017.

(c) Significant accounting judgements, estimates and assumptions

In the application of Capral's accounting policies, 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 other factors that are considered to be relevant. 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.

There are no changes to the significant accounting judgement, estimates and assumptions from 31 December 2017.

(d) Adoption of new and revised standards

Capral has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the consolidated entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2018

(e) Standards and interpretations in issue not yet adopted

With respect to AASB 16 Leases, Capral is assessing the full impact of the new standard. Capral plans to transition to AASB 16 using the modified retrospective method. The application of AASB 16 is expected to have a material effect on Capral's reported assets and liabilities which will impact key financial ratios. The impact mainly arises from the significant property leases that Capral holds. Capral does not intend on adopting this new standard before its mandatory effective date of 1 January 2019.

(f) 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.

No impairment assessment was performed at 30 June 2018 as there was no indication of impairment or reversal of impairment.

(g) Comparatives

Comparative figures have been reclassified as follows:

Stores consumable amounting to \$1,011,000 have been reclassified from other expenses to raw materials and consumables used. Various site costs amounting to \$1,709,000 have been reclassified from other expenses to occupancy costs. Un-amortised dies costs amounting to \$1,154,000 have been reclassified from prepayment to inventories.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2018

| Consolidated Half-year ended | |
|---------------------------------|---------------------------|
| 30 June 2018 \$'000 | 30 June 2017 \$'000 |

2 Income tax

(a) Tax reconciliation

The income tax expense for the half year differs from the prima facie amount calculated by reference to the pre-tax profit. The differences are reconciled as follows:

| | | |
|--|---------|---------|
| Profit from continuing operations before income tax expense | 4,347 | 4,415 |
| Income tax expense calculated at 30% | 1,304 | 1,325 |
| Tax effect of non-assessable / non-deductible items: | | |
| Effect of items that are not deductible or taxable in determining taxable profit | 1,305 | 132 |
| Effective income tax expense | 2,609 | 1,457 |
| Effect of tax losses utilised | (2,609) | (1,457) |
| Income tax expense recognised in profit or loss | - | - |

(b) Tax losses

| | | |
|--|---------|---------|
| Accumulated unused gross tax losses for which no deferred tax asset has been recognised. | 279,045 | 287,742 |
| Potential tax benefit @ 30% | 83,714 | 86,323 |

All unused tax losses were incurred by Australian entities.

3 Dividends

Fully paid ordinary shares

| | | |
|---|------|------|
| Interim dividend (cents per share) | - | - |
| Final dividend paid (cents per share)-fully franked | 1.25 | 1.25 |
| Special dividend (cents per share) – fully franked | 0.50 | - |

As at 30 June 2018, the special dividend is not paid.

The special dividend is to be paid on 14 September 2018.

4 Segment information

The information reported to the consolidated entity's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2018 and 2017, the consolidated entity operated in one reportable segment under AASB 8.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2018

| | Consolidated Half-year ended | |
|-----------------------|---------------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| 5 Other income | | |
| Royalties | 206 | 183 |
| | <u>206</u> | <u>183</u> |

6 Issuance of equity securities

Performance Rights - Managing Director

During the half-year, 2,200,000 performance rights were issued to Mr Dragicevich under the Long Term Incentive Plan (**LTIP**) pursuant to shareholder approval at Capral's AGM in April 2018. These rights were issued subject to the achievement of performance conditions and have been independently valued as follows:

- EPS – 1,100,000 rights at \$0.12 per right
- TSR – 1,100,000 rights at \$0.10 per right

During the half-year, 1,272,750 rights granted to Mr. Dragicevich as part of the 2015 LTIP award vested and converted on a 1 on 1 basis to Capral ordinary shares in March 2018.

During the half-year, 810,500 performance rights granted as part of the 2015 LTIP award lapsed.

The total number of performance rights outstanding to Mr Dragicevich as at 30 June 2018 is 6,700,000 (31 December 2017: 6,583,250).

Performance Rights - Executive and Senior Management

During the half-year, 4,900,000 performance rights were issued under the LTIP. The new rights were issued subject to the achievement of performance conditions.

These rights have been independently valued as follows:

- EPS – 2,450,000 rights at \$0.13 per right
- TSR – 2,450,000 rights at \$0.12 per right

During the half-year, 1,909,127 rights granted as part of the 2015 LTIP award vested and converted on a 1 on 1 basis to Capral ordinary shares in March 2018.

During the half-year, 1,215,746 performance rights granted as part of the 2015 LTIP award lapsed.

The total number of performance rights outstanding to Executive and Senior Management as at 30 June 2018 is 13,650,000 (31 December 2017: 11,874,873).

Ordinary Shares

During the half-year, 3,181,877 performance rights granted to Capral's managing director, executives and senior management vested and converted on a 1 on 1 basis to Capral ordinary shares.

Capral issued 3,181,877 new ordinary shares to satisfy the obligation to deliver shares resulting from the conversion of those vested performance rights.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2018

7 Contingent liabilities

Claims and possible claims, indeterminable in amount, have arisen in the ordinary course of business against Capral entities. Capral has fully provided for all known and determinable claims.

Capral's bankers have issued guarantees in respect of rental obligations on lease commitments, use of utilities infrastructure, specialised trade facilities and corporate credit cards. These guarantees total \$3,421,980 (31 December 2017: \$3,782,684).

| Consolidated | |
|--------------|-------------|
| 30 June | 31 December |
| 2018 | 2017 |
| \$'000 | \$'000 |

8 Capital commitments

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

| | | |
|------------------------|--------------|--------------|
| Not longer than 1 year | <u>2,684</u> | <u>3,813</u> |
|------------------------|--------------|--------------|

9 Lease commitments

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

| | | |
|--|----------------------|---------------|
| Not longer than 1 year | 16,506 | 18,186 |
| Longer than 1 year and not longer than 5 years | 48,969 | 40,509 |
| Longer than 5 years | 17,446 | 15,314 |
| | <u>82,921</u> | <u>74,009</u> |

Operating leases relate to properties, vehicles and equipment with unexpired lease terms of up to 10 years, with options to extend for varying periods of up to 10 years.

Non-cancellable operating lease receivable

| | | |
|--|---------------------|--------------|
| Not longer than 1 year | 1,766 | 1,676 |
| Longer than 1 year and not longer than 5 years | 441 | 1,117 |
| | <u>2,207</u> | <u>2,793</u> |

10 Related parties

Refer to Note 6 above in relation to equity securities granted, lapsed and converted to Capral ordinary shares during the half year under the LTIP that include rights granted to Capral's Managing Director, and rights granted and shares issued to the Chief Financial Officer, General Manager - Operations and Company Secretary (who are key management personnel).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2018

11 Borrowings

As at 30 June 2018, the following facilities were in place:

| Facility | Balance as at 30 June 2018 (\$'000) | Unused (\$'000) | Unamortised borrowing costs (\$'000) | Amortised cost (carrying value) | |
|-------------------------------|--|--------------------|---|--|---|
| | | | | Repayment not longer than 1 year (\$'000) | Repayment longer than 1 year (\$'000) |
| ANZ Multi-option facility | - | 45,000 | - | - | - |
| ANZ Asset Finance facility | - | 5,000 | - | - | - |

The facility has been renewed with an expiry date of 31 January 2020.

| Consolidated Half-year ended | |
|---------------------------------|---------------------------|
| 30 June 2018 \$'000 | 30 June 2017 \$'000 |

12 Cash and cash equivalents

Reconciliation of cash and cash equivalents

For the purposes of the Condensed Consolidated 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 and ANZ Multi-option facility balance. Cash as at the end of the half year as shown in the Condensed Consolidated Statement of Cash Flows is reconciled to the related items in the Condensed Consolidated Statement of Financial Position as follows:

| | | |
|---|----------------------|----------------------|
| Cash at bank and on hand | <u>28,857</u> | <u>22,389</u> |
| Cash and cash equivalents at end of the half-year period | <u>28,857</u> | <u>22,389</u> |

13 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 Capral and AED enter into a Deed of Cross Guarantee (**Deed**). Under the Deed, Capral 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 Capral in full in the event that it is wound up.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2018

14 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the 2017 annual financial report. In addition, refer to Notes 6 and 10 in relation to changes during the half year; performance rights granted, expired and conversion to ordinary shares to Capral's Managing Director, executive and senior management, under the LTIP.

15 Subsequent events

No matter or circumstance has arisen since the end of the half-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.

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; and
- 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 the consolidated entity.

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 13 of the half-year report will, as a group, be able to meet any obligations or liabilities to which they are, or may become, liable by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the directors



R. Wood-Ward
Chairman



A. Dragicevich
Managing Director

Sydney
17 August 2018

Independent Auditor's Review Report to the Members of Capral Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capral Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and **other explanatory information, and the directors' declaration of the consolidated entity** comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 15.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act **2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.** As the auditor of Capral Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

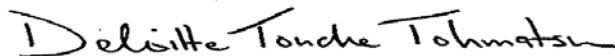
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Capral Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Capral Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair **view of the consolidated entity's** financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



David White
Partner
Chartered Accountants
Parramatta, 17 August 2018