CAPRAL ALUMINIUM

ASX ANNOUNCEMENT

21 August 2019

HY19 Results

Please see attached Capral's Half Year Report 2019 and accompanying HY19 Results Presentation. Summarised below are the key highlights:

- Trading EBITDA[1] $2.4 million, down on $6.9 million in H1 2018, off 10% lower volume
- The downturn in residential construction has been sharper and faster than forecast. Sales to window fabricators were down 17% on H1 2018. Industrial markets were also weaker with sales down 6% on H1 2018
- Margins adversely impacted by lower manufacturing volume and fixed cost absorption
- Strong balance sheet with net cash at $18.7 million, after $5m dividend payment and increased capital expenditure
- LME fell in Q1 2019 and has remained reasonably stable since
- Key capital investment automation projects successfully completed
- Restructure and downsizing of major manufacturing plant in QLD results in $6.0 million restructuring provision
- Restructure of QLD plant and additional sub lease of free space will have a significant positive impact on profitability in H2 2019
- Increased anti-dumping measures on Chinese extrusion imports were announced in May 2019 and, together with a focus on circumvention surveillance, will lead to improved domestic extrusion volumes going forward

Capral's Managing Director and Chief Executive Officer, Tony Dragicevich, and Chief Financial Officer, Tertius Campbell, will host a teleconference commencing at 11:00 am (AEST) today.

Dial-in details for the teleconference are as follows:

Australia: +61 2 9007 3187 or 1800 558 698
Conference ID: 1000 1452

For further information please contact:

Corporate

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Yours faithfully

Gillian Nairn
Company Secretary

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

CAPRAL

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ASX: CAA

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APPENDIX 4D - HALF-YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Name of Entity	**CAPRAL LIMITED**
A.B.N	**78 004 213 692**
Half-Year Ended	**30/06/2019**
Reporting Period	**1 January 2019 to 30 June 2019**
Previous Period	**1 January 2018 to 30 June 2018**

Results for announcement to the market

		30 June 2019 $'000	30 June 2018 $'000	**Change $'000**	**Change %**
2.1	**Revenues from ordinary activities**	**201,242**	222,561	(21,319)	(9.6)
2.2	**(Loss)/profit from ordinary activities after tax attributable to members**	**(8,384)**	4,347	(12,731)	N/A
2.3	**Net (loss)/profit for the period attributable to members**	**(8,384)**	4,347	(12,731)	N/A

2.4 Dividend Information	**30 June 2019**		30 June 2018	
	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)

Not Applicable

2.6 Explanation of 2.1 to 2.4

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

3.0 Net Tangible Assets per security

	30 June 2019	30 June 2018
NTA (cents per share)	**17.71**	26.7
Number of shares	**484,390,895**	480,289,334

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 2018 was paid on 22 March 2019, at 1.00 cent per ordinary share fully franked.

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 2019 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 loss after tax of $8,384,000 for the half-year ended 30 June 2019, compared with a $4,347,000 profit after tax for the corresponding period last year.

No dividend has been declared for this half-year.

Results Overview

Capral delivered a Trading EBITDA* of $2.4 million as compared to $6.9 million in H1 2018 on 10% lower volumes and sales revenue. EBITDA[1] of $3.4 million as compared to $7.6 million profit in H1 2018, included a negative LME revaluation of $1.0 million and restructuring provision and one-off costs of $6.4m.

Dwelling commencements fell sharply in the first half and volumes to window fabricators fell by 17% on H1 2018. Commercial construction and key industrial markets (manufacturing and transport) also slowed in the first half with volumes down 6% on H1 2018. Margins were impacted by lower manufacturing volumes resulting in lower fixed cost absorption. LME fell in Q1 2019 and has remained reasonably stable since.

The balance sheet remains strong with net cash at $18.7 million, after making a $5 million dividend payment in March 2019 and increased capex spend on automation initiatives. Capral also renewed its $50 million finance facility with ANZ until January 2021.

The capital investment projects in new technology and automation to improve Capral's long term competitive position were successfully completed during the first half.

A restructure and downsizing of our major manufacturing plant in Queensland resulted in a $5.4 million restructuring provision. This initiative, together with the sub-lease of additional free space at this site, will have a significant positive impact on profitability in H2 2019.

Increased anti-dumping measures on Chinese extrusions were announced in May 2019 and this, together with a focus on circumvention surveillance, should lead to improved domestic extrusion volumes going forward.

Please also refer to the 2019 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.

[1] EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and incorporates AASB16 impact from 2019.
* Trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. Trading EBITDA is EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. These items are LME and Premium revaluation ($1.0 million), one-off and other restructuring related costs ($6.4 million) that are non-recurring in nature and including the depreciation and interest on of Right of Use assets as proxy for rent ($8.4 million).

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	A. Dragicevich
Chairman	Managing Director

Sydney
21 August 2019

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

21 August 2019

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

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

DR White

David White
Partner
Chartered Accountants
Parramatta, 21 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2019

	Note	Consolidated Half-year ended 30 June 2019 $'000	30 June 2018 $'000
Revenue		**201,242**	222,561
Other income	5	**162**	206
Raw materials and consumables used		**(124,915)**	(135,019)
Employee benefits expense		**(42,713)**	(44,838)
Depreciation and amortisation expense		**(9,178)**	(2,794)
Finance costs		**(2,627)**	(500)
Freight expenses		**(5,764)**	(5,874)
Occupancy costs		**(1,111)**	(10,169)
Repair and maintenance expense		**(3,566)**	(3,791)
Restructuring costs	6	**(6,010)**	-
Other expenses		**(13,904)**	(15,435)
(Loss)/profit before income tax		**(8,384)**	4,347
Income tax benefit	2	**-**	-
(Loss)/profit for the period		**(8,384)**	4,347
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 (loss)/income for the period		**(8,384)**	4,347

	2019 Cents per share	2018 Cents per share
(Loss)/earnings per share		
Basic (cents per share)	**(1.74)**	0.91
Diluted (cents per share)	**(1.74)**	0.89

The weighted average number of ordinary shares on issue used in the calculation of basic (loss)/earnings per share was 482,600,711 (2018: 479,181,830) and the loss used in the same calculation was $8,384,000 (2018: the earnings $4,347,000).

The weighted average number of ordinary shares on issue used in the calculation of diluted (loss)/earnings per share was 491,889,781 (2018: 488,307,080) and the loss used in the same calculation was $8,384,000 (2018: the earnings $4,347,000).

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	Note	Consolidated 30 June 2019 $'000	31 December 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**18,659**	27,566
Trade and other receivables		**65,366**	65,403
Inventories		**82,342**	84,960
Other financial assets		**14**	561
Prepayments		**1,444**	1,197
Total current assets		**167,825**	179,687
Non-current assets			
Deferred tax assets		**2,857**	2,857
Property, plant and equipment		**40,412**	44,931
Right-of-use assets	1(d)	**60,625**	-
Other intangible assets		**272**	308
Total non-current assets		**104,166**	48,096
Total assets		**271,991**	227,783
LIABILITIES			
Current liabilities			
Trade and other payables		**70,975**	78,398
Lease liabilities	1(d)	**16,449**	-
Other financial liabilities		**101**	169
Current provisions		**18,606**	12,870
Deferred income		**113**	147
Total current liabilities		**106,244**	91,584
Non-current liabilities			
Lease liabilities	1(d)	**73,040**	-
Non-current provisions		**3,783**	4,671
Total non-current liabilities		**76,823**	4,671
Total liabilities		**183,067**	96,255
Net assets		**88,924**	131,528
EQUITY			
Issued capital		**425,744**	425,744
Reserves		**11,930**	12,013
Accumulated losses		**(348,750)**	(306,229)
Total equity		**88,924**	131,528

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 2019

	Note	Consolidated Half-year ended 30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities			
Receipts from customers		**221,403**	239,248
Payments to suppliers and employees		**(216,902)**	(233,347)
Interest and other finance costs paid		**(2,538)**	(423)
Net cash flows provided by operating activities		**1,963**	5,478
Cash flows from investing activities			
Interest received		**4**	11
Payments for property, plant and equipment		**(3,320)**	(4,995)
Payments for intangible assets		**(35)**	(31)
Proceeds from sale of property, plant and equipment		**5,066**	-
Net cash flows provided by/(used in) investing activities		**1,715**	(5,015)
Cash flows from financing activities			
Dividends paid		**(4,803)**	(5,964)
Repayment of principal of lease liabilities	1(d)	**(7,782)**	-
Net cash flows used in financing activities		**(12,585)**	(5,964)
Net decrease in cash and cash equivalents		**(8,907)**	(5,501)
Cash and cash equivalents at the beginning of the half-year period		**27,566**	34,358
Cash and cash equivalents at end of the half-year period	11	**18,659**	28,857

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 2019

Consolidated	Note	Issued capital	Equity-settled compensation reserve	Asset revaluation reserve	Accumulated losses	Total
		$'000	$'000	$'000	$'000	$'000
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**
Balance as at 1 January 2019		425,744	10,999	1,014	(306,229)	131,528
Loss for the period		-	-	-	(8,384)	(8,384)
Total comprehensive loss for the period		-	-	-	(8,384)	(8,384)
Dividends paid		-	-	-	(4,803)	(4,803)
Share-based payment expense		-	232	-	-	232
Shares acquired on conversion of vested rights		-	(315)	-	-	(315)
Initial adoption of AASB 16 Leases	1(d)	-	-	-	(29,334)	(29,334)
Balance as at 30 June 2019		**425,744**	**10,916**	**1,014**	**(348,750)**	**88,924**

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 2019

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 2019 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 2018 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 2018, except as noted in Note 1(d) below.

(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 2018.

(d) Application 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 except for AASB 16 Leases, did not have any material effect on the financial position or performance of the consolidated entity.

Application of AASB 16 Leases ('AASB 16')

The Group has applied AASB 16 in accordance with the transitional approach C5(b) to retrospectively adjust the cumulative effect of initially applying this standard recognised at the date of initial application i.e. 01 January 2019 in the opening retained earnings. Consequently, the Group has not restated the comparative information. In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

(d) Application of new and revised standards (Cont'd)

Impact of the new definition of a lease

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

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

» The right to direct the use of that asset.

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

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

Financial impact of the initial application of AASB 16

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

	Consolidated Half-year ended 30 June 2019 $'000
Impact on profit/(loss) for the half-year	
Increase in depreciation and amortisation expenses (1)	6,351
Increase in finance costs (1)	1,997
Decrease in employee benefits expenses, occupancy costs and other expenses (1), (4)	(9,805)
Impact on (loss)/earnings per share	**$**
(Increase)/decrease in loss per share from continuing operations	
Basic	0.25
Diluted	0.25

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

Impact on assets, liabilities and equity as at 30 June 2019

	Date of Initial Application (1 January 2019) $'000	New, Extensions & Renewal of Leases During Half-Year ended 30 June 2019 $'000	Lease Payments (Excl. Other Costs) $'000	Depreciation – Right of Use Assets for Half-Year ended 30 June 2019 $'000	Interest Expense – Lease Liabilities for Half-Year ended 30 June 2019 $'000	Impact as at 30 June 2019 $'000
Right of Use Assets (1),(2)	59,727	7,249	-	(6,351)	-	60,625
Net Impact on Total Assets	**59,727**	**7,249**	**-**	**(6,351)**	**-**	**60,625**
Lease Liabilities (1)	(90,022)	(7,249)	9,779	-	(1,997)	(89,489)
Lease Straight Lining Provision (4)	961	-	-	-	-	-
Net Impact on Total Liabilities	**(89,061)**	**(7,249)**	**9,779**	**-**	**(1,997)**	**(88,528)**
Net Impact of Retained Earnings	29,334	-	-	-	-	29,334
Net Impact on Total Liabilities and Equity	**(59,727)**	**(7,249)**	**9,779**	**-**	**(1,997)**	**(59,194)**

(1) The application of AASB 16 to leases previously classified as operating leases under AASB 117 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in 'employee benefits expenses', 'occupancy costs' and 'other expenses', and an increase in depreciation and interest expense.

(2) Equipment under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-of-use assets. There has been no change in the amount recognised.

(3) Lease liability on leases previously classified as finance leases under AASB 117 and previously presented within obligations under finance leases is now presented in the line 'lease liabilities'. There has been no change in the liability recognised.

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

Impact on the statement of cash flows

» Cash paid for the interest portion of lease liabilities is included under interest paid as part of operating activities

» Cash payments for the principal portion of leases liabilities is included as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by $7,782,000 and net cash used in financing activities increased by the same amount.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

(e) Standards and interpretations in issue not yet adopted

In the current year, the company has adopted all of 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.

(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.

As at 30 June 2019 the group has assessed both the internal and the external indicators of impairment, including completing value in use models.

The key assumptions used in the value in use assumptions calculations as at 30 June 2019 were as follows:

- Revenue Growth rate used to extrapolate the cash flow beyond the forecast period: 1%
- Pre Tax discount rate: 11.41%

No impairment was recognised as at 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

	Consolidated Half-year ended 30 June 2019 $'000	30 June 2018 $'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 (loss)/profit. The differences are reconciled as follows:

	30 June 2019 $'000	30 June 2018 $'000
(Loss)/profit from continuing operations before income tax expense	**(8,384)**	4,347
Income tax (benefit)/expense calculated at 30%	**(2,515)**	1,304
Tax effect of non-assessable / non-deductible items:		
Effect of items that are not deductible or taxable in determining taxable profit	**(332)**	1,305
Effective income tax (benefit)/expense	**(2,847)**	2,609
Effect of tax losses utilised	**-**	(2,609)
Effect of unused tax losses not recognised as deferred tax assets	**2,847**	-
Income tax expense recognised in profit or loss	**-**	-

(b) Tax losses

	30 June 2019 $'000	30 June 2018 $'000
Accumulated unused gross tax losses for which no deferred tax asset has been recognised.	**289,111**	279,045
Potential tax benefit @ 30%	**86,733**	83,714

All unused tax losses were incurred by Australian entities.

3 Dividends

Fully paid ordinary shares

	30 June 2019	30 June 2018
Interim dividend (cents per share)	**-**	-
Final dividend paid (cents per share) - fully franked	**1.00**	1.25
Special dividend (cents per share) - fully franked	**-**	0.50

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 2019 and 2018, 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 2019

	Consolidated Half-year ended 30 June 2019 $'000	30 June 2018 $'000

5 Other income

Royalties	**162**	206
	162	206

6 Restructuring costs

In June 2019, a restructuring process was started to right size the Group's manufacturing operations to match current levels of demand. The restructuring involves reduction of the extrusion press operation, closures of an anodising plant and a vertical paint line, reorganisation to allow the sublet of additional floor space, and restructuring and consolidation of roles and operations. To the extent that employees could not be redeployed, redundancy terms were agreed.

The carrying value of assets retired as part of the restructuring was offset with the impairment provision recognised in 2013. Therefore, no additional impairment was recognised as at 30 June 2019.

The restructuring costs charged to profit or loss consist of the following:

	30 June 2019 $'000	30 June 2018 $'000
Machinery and equipment dismantling and relocation	**2,342**	-
Redundancy costs	**3,248**	-
Site Consolidation	**420**	-
	6,010	-

7 Issuance of equity securities

Performance Rights - Managing Director

During the half-year, 2,350,000 performance rights were issued to Mr Dragicevich under the Long Term Incentive Plan (**LTIP**) pursuant to shareholder approval at Capral's AGM in April 2019. These rights were issued subject to the achievement of performance conditions and have been independently valued as follows:

- EPS – 1,175,000 rights at $0.10 per right
- TSR – 1,175,000 rights at $0.07 per right

During the half-year, 2,451,925 rights granted to Mr. Dragicevich as part of the 2016 LTIP award vested and converted on a 1 on 1 basis to Capral ordinary shares in April 2019.

During the half-year, 48,075 performance rights granted as part of the 2016 LTIP award lapsed.

The total number of performance rights outstanding to Mr Dragicevich as at 30 June 2019 is 6,550,000 (31 December 2018: 6,700,000).

Performance Rights - Executive and Senior Management

During the half-year, 4,650,000 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 – 2,325,000 rights at $0.105 per right
- TSR – 2,325,000 rights at $0.075 per right

During the half-year, 4,168,277 rights granted as part of the 2016 LTIP award vested and converted on a 1 on 1 basis to Capral ordinary shares in March and April 2019.

7 Issuance of equity securities (cont'd)

During the half-year, 81,723 performance rights granted as part of the 2016 LTIP award lapsed.

During the half-year 2,100,000 performance rights were forfeited due to the departure of two senior managers.

The total number of performance rights outstanding to Executive and Senior Management as at 30 June 2019 is 11,950,000 (31 December 2018: 13,650,000).

Ordinary Shares

During the half-year, 6,620,202 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 4,101,561 new ordinary shares and purchased 2,518,641 of its shares to satisfy the obligation to deliver shares resulting from the conversion of those vested performance rights.

8 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 $3,937,087 (31 December 2018: $3,897,087).

Capral's bankers have issued letters of credit in respect of Capral's purchases internationally. These letters of credit total $24,188,312 (31 December 2018: $22,622,355).

	Consolidated	
	30 June 2019 $'000	31 December 2018 $'000
9 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	**251**	1,521

10 Related parties

Refer to Note 7 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 (31 December 2018: 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 2019

11 Cash and cash equivalents

	Consolidated Half-year ended 30 June 2019 $'000	30 June 2018 $'000
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, 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	**18,659**	28,857
Cash and cash equivalents at end of the half-year period	**18,659**	28,857

12 Stand by arrangement and credit facilities

As at 30 June 2019, the following facilities were in place:

	Consolidated Half-year ended 30 June 2019 $'000	31 December 2018 $'000
Secured facilities	**50,000**	50,000
Total secured facilities	**50,000**	50,000
Facilities utilised:		
Trade loan	**-**	-
Cash loan	**-**	-
Bank guarantees	**3,937**	3,897
Trade finance – letters of credit	**24,188**	22,622
Asset finance – in the form of finance lease	**5,000**	-
	33,125	26,519

The original expiry of the facilities is 31 January 2020. Subsequently, the facilities have been renewed for another term to 31 January 2021.

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

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

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.

AED has been deregistered on 24 July 2019.
In connection with deregistration of AED, the Deed was revoked on 13 May 2019.

14 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the 2018 annual financial report. In addition, refer to Notes 7 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

The wholly owned subsidiary, Aluminium Extrusion and Distribution Pty Limited was deregistered on 24 July 2019.

No other 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
21 August 2019

Deloitte.

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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 2019, 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 17.

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 2019 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.

Deloitte.

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 2019 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

DELOITTE TOUCHE TOHMATSU

DR White

David White
Partner
Chartered Accountants
Parramatta, 21 August 2019