CAPRAL ALUMINIUM

CAPRAL

ASX ANNOUNCEMENT

25 August 2021

Capral delivers strong earnings for Half Year 2021

Capral Limited (ASX: CAA) ("Capral"), Australia's largest extruder and distributor of aluminium products, today released its financial results for the 6 months ending 30 June 2021 (1H21). The key highlights are summarised below;

- Half year result significantly above prior period and ahead of latest guidance
- Volume up 33% on prior period to 36,000 tonnes on back of buoyant market conditions in residential building and key industrial sectors
- Trading EBITDA[1] of $15.7m (1H20:$5.8m) and EBITDA[1] of $26.2m (1H20:$17.0m)
- Profit after tax of $15.7m (1H20:$4.8m) includes deferred tax benefit of $2.0m
- Earnings per share at 93 cents
- Strong balance sheet with net cash of $33.8m
- Interim dividend declared at $0.20 per share, fully franked
- Improved operating leverage in extrusion plants and benefits continue to flow from the 2019 operational restructure
- Increased market share against imports has been maintained
- Acquisition of extrusion plant at Smithfield (NSW) completed and successfully integrated into Capral's extrusion manufacturing network
- Improved outlook and upgrade to FY21 earnings guidance, as contained in the Results Presentation

Please see attached Capral's Half Year 2021 Report and Results Presentation.

Conference Call Details

Capral Limited (ASX: CAA) wishes to advise that it released its half year results for the period ended 30 June 2021 on Wednesday, 25 August 2021.

Capral's Managing Director and CEO, Tony Dragicevich, and Chief Financial Officer, Tertius Campbell will host a teleconference commencing at 11:30 am (AEST) today. Participants can register for the conference by navigating to
https://s1.c-conf.com/diamondpass/10015487-o37snv.html

Approved and authorised for release by Capral's Board of Directors.
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Yours faithfully

Tony Dragicevich
Managing Director

[1] EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation. 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. For the current period, these items are LME and FX revaluation ($1.5 million) and including depreciation and interest on Right of Use assets as proxy for rent ($9.0 million). 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. The trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011.

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APPENDIX 4D - HALF-YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2021

Name of Entity	**CAPRAL LIMITED**
A.B.N	**78 004 213 692**
Half-Year Ended	**30/06/2021**
Reporting Period	**1 January 2021 to 30 June 2021**
Previous Period	**1 January 2020 to 30 June 2020**

Results for announcement to the market

		30 June 2021 $'000	30 June 2020 $'000	**Change $'000**	**Change %**
2.1	**Revenues from ordinary activities**	**261,189**	195,554	65,635	33.6
2.2	**Profit from ordinary activities after tax attributable to members**	**15,693**	4,807	10,886	226.5
2.3	**Net profit for the period attributable to members**	**15,693**	4,807	10,886	226.5

2.4 Dividend Information	**30 June 2021**		30 June 2020	
	Amount per security	Imputed amount per security	Amount per security	Imputed amount per security
Interim dividend	**20 cents**	**20 cents**	**-**	**-**
Special dividend	**-**	**-**	**-**	**-**

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

31 August 2021

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 (Post-Share Consolidation)

	30 June 2021	30 June 2020
NTA	**$6.88**	$5.66
Number of shares	**17,016,959**	16,562,669

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 2020 was paid on 26 March 2021, at 45 cents per ordinary share fully franked. It is declared that an interim dividend of 20 cents per ordinary share, fully franked, be paid on 15 September 2021.

6.0 Dividend or dividend reinvestment plans

The dividend reinvestment plan (DRP) that commenced in 2020 will be available. The DRP election date is 3 September 2021 and DRP shares will be issued on 15 September 2021 at a discount of 2.5% to the 5-day Volume Weighted Average Price per share on 3 September 2021.

7.0 Associates and joint venture entities

Not Applicable

8.0 Foreign Entities

Not Applicable

9.0 Audit dispute or qualification

Not Applicable

CONTENTS

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 2021 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
K. Ostin	17 June 2020 – Date of this report
G. F. Pettigrew	18 June 2010 - Date of this report

Review of operations and key results

Capral is pleased to announce a half year result significantly above its prior period and ahead of guidance provided at the Annual General Meeting. Profit after tax was $15.7 million for the half-year ended 30 June 2021, compared with $4.8 million for the corresponding period last year.

Results Overview

Capral delivered a Trading EBITDA[1] of $15.7 million as compared to $5.8 million in 1H20 on 34% higher sales revenue. EBITDA[1] of $26.2 million as compared to $17.0 million in 1H20.

Demand was higher from all key market segments. Dwelling commencements rose during the first half assisted by HomeBuilder stimulus. Market share gains against imports were maintained and general industrial demand was lifted by infrastructure stimulus.

Buoyant market conditions led to high demand and increased sales volume. This resulted in improved operating leverage in our extrusion plants and, combined with benefits of the 2019 operational restructure, produced a significant lift in profitability.

The balance sheet remains strong with net cash at $33.8 million, after a $7.5 million dividend payment ($5.4 million net after DRP) and a $10.3 million capacity acquisition in 1H21. Capral renewed its finance facility with ANZ Bank to 30 April 2023.

The acquisition of the G James extrusion plant at Smithfield (NSW) was completed in February 2021. The plant has been integrated into the Capral extrusion network and a second shift commenced in June 2021. Other capital investment focused on life cycle replacement, safety and environmental projects.

As previously disclosed, Capral has received customer claims relating to the supply of non-conforming marine grade plate with some claims including a property damage and consequential loss component. Management is in ongoing discussions with the insurer, supplier, and certifier (DNV-GL) in this regard. Capral will continue to update the market in accordance with its continuous disclosure obligations.

Dividend

Capral's first half performance supports the payment of an interim dividend. This dividend is based upon, and will be paid out of, current period earnings. The Company has declared a fully franked interim dividend of 20 cents per ordinary share in respect of the half year ended 30 June 2021 which will be paid on 15 September 2021. The dividend will be paid to all shareholders on the register of members as at the Record Date of 31 August 2021. Capral's Dividend Reinvestment Plan (DRP) will be active for this dividend with election to be made by 3 September 2021.

Please also refer to the 2021 Half Year Results Presentation lodged with this Report.

[1] EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation. 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. For the current period, these items are LME and FX revaluation ($1.5 million) and including depreciation and interest on Right of Use assets as proxy for rent ($9.0 million). 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. The trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011.

Auditor's independence declaration

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

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
25 August 2021

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

25 August 2021

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 half year financial statements of Capral Limited for the half year ended 30 June 2021, 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

Xdelaney
X Delaney
Partner
Chartered Accountants
Parramatta, 25 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2021

	Note	Consolidated Half-year ended 30 June 2021 $'000	30 June 2020 $'000
Revenue		**261,189**	195,554
Other income	5	**1,340**	1,548
Raw materials and consumables used		**(158,983)**	(124,103)
Employee benefits expense		**(47,581)**	(35,461)
Depreciation and amortisation expense		**(9,760)**	(9,073)
Finance costs		**(2,761)**	(3,090)
Freight expenses		**(6,403)**	(5,724)
Occupancy costs		**(1,867)**	(1,656)
Repair and maintenance expense		**(3,081)**	(2,635)
Restructuring costs		**-**	173
Other expenses		**(18,424)**	(10,726)
Profit before income tax		**13,669**	4,807
Income tax benefit	2	**2,024**	-
Profit for the period		**15,693**	4,807
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		**15,693**	4,807

	2021 Cents per share	2020 Cents per share
Earnings per share		
Basic (cents per share)	**93.42**	29.40
Diluted (cents per share)	**91.51**	28.83

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 16,799,016 (2020: 16,352,580) and the earnings used in the same calculation was $15,693,000 (2020: $4,807,000).

The weighted average number of ordinary shares on issue used in the calculation of diluted earnings/(loss) per share was 17,149,528 (2020: 16,674,519) and the earnings used in the same calculation was $15,693,000 (2020: $4,807,000).

EPS calculations in both current year and prior year were based on post 3 November 2020 share consolidation, 30 shares to 1 share.

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 2021

	Note	Consolidated 30 June 2021 $'000	31 December 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	**33,839**	49,396
Trade and other receivables		**82,542**	66,250
Inventories		**116,659**	79,130
Other financial assets		**969**	-
Prepayments		**1,911**	2,517
Total current assets		**235,920**	197,293
Non-current assets			
Deferred tax assets		**7,929**	5,905
Property, plant and equipment		**47,511**	38,814
Right-of-use assets		**65,948**	70,776
Goodwill	12	**3,070**	-
Other intangible assets		**709**	321
Total non-current assets		**125,167**	115,816
Total assets		**361,087**	313,109
LIABILITIES			
Current liabilities			
Trade and other payables		**114,466**	77,242
Lease liabilities		**13,479**	13,528
Other financial liabilities		**-**	1,615
Current provisions		**17,653**	14,820
Deferred income		**307**	127
Total current liabilities		**145,905**	107,332
Non-current liabilities			
Lease liabilities		**80,914**	82,948
Non-current provisions		**5,474**	4,639
Total non-current liabilities		**86,388**	87,587
Total liabilities		**232,293**	194,919
Net assets		**128,794**	118,190
EQUITY			
Issued capital		**429,173**	426,965
Reserves		**50,378**	44,006
Accumulated losses		**(350,757)**	(352,781)
Total equity		**128,794**	118,190

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 2021

	Note	Consolidated Half-year ended 30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Receipts from customers		**272,490**	216,913
Payments to suppliers and employees		**(258,096)**	(196,566)
Interest and other finance costs paid		**(2,644)**	(2,777)
Net cash flows provided by operating activities		**11,750**	17,570
Cash flows from investing activities			
Interest received		**-**	2
Payments for property, plant and equipment		**(3,552)**	(2,238)
Payments for intangible assets		**(248)**	(10)
Payments for purchase of a business	12	**(10,302)**	-
Proceeds from sale of property, plant and equipment		**125**	19
Net cash flows used in investing activities		**(13,977)**	(2,227)
Cash flows from financing activities			
Dividends paid		**(7,467)**	(2,422)
Proceeds from dividend reimbursement plan		**2,079**	1,221
Payments for share purchase – employee share scheme		**(47)**	-
Repayment of principal of lease liabilities		**(7,895)**	(7,162)
Net cash flows used in financing activities		**(13,330)**	(8,363)
Net (decrease)/increase in cash and cash equivalents		**(15,557)**	6,980
Cash and cash equivalents at the beginning of the half-year period		**49,396**	17,938
Cash and cash equivalents at end of the half-year period	10	**33,839**	24,918

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

Capral Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 30 June 2021

Consolidated	Note	Issued capital	Equity-settled compensation reserve	Asset revaluation reserve	Dividend Reserve*	Accumulated losses	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2020		425,744	10,874	1,014	23,130	(367,736)	93,026
Profit for the period		-	-	-	4,807	-	4,807
Total comprehensive profit for the period		-	-	-	4,807	-	4,807
Share-based payment expense		-	297	-	-	-	297
Shares issued – dividend reinvestment plan		1,221	-	-	-	-	1,221
Dividends paid		-	-	-	(2,422)	-	(2,422)
Balance as at 30 June 2020		**426,965**	**11,171**	**1,014**	**25,515**	**(367,736)**	**96,929**
Balance as at 1 January 2021		426,965	11,319	1,014	31,673	(352,781)	118,190
Profit for the period		-	-	-	13,669	2,024^	15,693
Total comprehensive profit for the period		-	-	-	13,669	2,024^	15,693
Share-based payment expense		-	170	-	-	-	170
Shares issued – dividend reinvestment plan	6	2,079	-	-	-	-	2,079
Shares issued – employee escrow shares		129	-	-	-	-	129
Dividends paid		-	-	-	(7,467)	-	(7,467)
Balance as at 30 June 2021		**429,173**	**11,489**	**1,014**	**37,875**	**(350,757)**	**128,794**

**Dividend reserve represents undistributed profits since the financial year 2010. Current period profit has been transferred to a dividend reserve account. An interim dividend is declared and is sourced from current period profit.*
^Income tax benefit ($2.024 million) in relation to deferred tax assets on tax losses are excluded from dividend reserve.
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 2021

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 2021 comprises Capral and its subsidiary (**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 2020 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 2020, 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.

(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 did not have any material effect on the financial position or performance of the consolidated entity. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

1 Significant accounting policies (cont'd)

(e) 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, goodwill 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. Goodwill is resulted from the business combination as disclosed in Note 12.

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 a result of the non-current assets recoverable amount assessment performed, Capral has determined that no impairment write-down of non-current assets as at 30 June 2021 was necessary. The recoverable amount of the CGU estimated by management exceeded the carrying amount of assets.

The key assumptions used in preparing the value in use cash flow valuation as at 30 June 2021 are as follows:

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

	Input to the model	Breakeven input
WACC (Post-tax)	9.75%	10.30%
Re-based volume growth rate FY2022	-12.88%	-14.07%
Average volumes increase 2023-25 p.a.	1.00%	0.70%
Long-term growth rate	1.00%	-0.20%

(f) JobKeeper Payment Scheme

Capral has recognised $4.4 million in JobKeeper payments in the half-year ended 30 June 2020. The receipts have been accounted as a reduction to the employee benefits expense in the statement of profit or loss and other comprehensive income with $2.2 million recognised as a corresponding receivable as at 30 June 2020.

(g) Comparative Figures

The sub-lease rental income of $1,333,000 previously classified as part of Occupancy Costs has been re-classified to Other Income. This leads to a change of $1,466,000 between receipts from customers and payments to suppliers and employees in the Consolidated Statement of Cash Flows.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

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:

	Consolidated Half-year ended 30 June 2021 $'000	30 June 2020 $'000
Profit from continuing operations before income tax expense	**13,669**	4,807
Income tax expense calculated at 30%	**4,101**	1,442
Tax effect of non-assessable / non-deductible items:		
Effect of items that are not deductible or taxable in determining taxable profit	**(1,068)**	(278)
Effective income tax expense	**3,033**	1,164
Effect of utilisation of tax losses not recognised	**(3,033)**	(1,164)
Previously unrecognised and unused tax losses now recognised as deferred tax assets	**2,024**	-
Income tax benefit recognised in profit or loss	**2,024**	-

(b) Tax losses

	30 June 2021 $'000	30 June 2020 $'000
Accumulated unused gross tax losses for which no deferred tax asset has been recognised.	**243,039**	291,347
Potential tax benefit @ 30%	**72,912**	87,404

All unused tax losses were incurred by Australian entities.

3 Dividends

Fully paid ordinary shares	Cents per share	Cents per share
Interim dividend declared – fully franked	**20**	-
Final dividend paid - fully franked	**45**	**15**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

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 2021 and 2020, the consolidated entity 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 number 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 half year ended 2021 or in 2020.

5 Other income

	Consolidated Half-year ended	
	30 June 2021 $'000	30 June 2020 $'000
Royalties	**-**	215
Sub-lease rental income	**1,340**	1,333
	1,340	1,548

6 Issuance of equity securities

Performance Rights - Managing Director

During the half-year, 86,300 performance rights were issued to Mr Dragicevich under the Long-Term Incentive Plan (**LTIP**) pursuant to shareholder approval at Capral’s AGM in April 2021. These rights were issued subject to the achievement of performance conditions and have been independently valued as follows:
- EPS – 43,150 rights at $6.43 per right
- TSR – 43,150 rights at $5.17 per right

During the half-year, 34,458 performance rights granted as part of the 2018 LTIP award vested and converted on a 1 for 1 basis to Capral ordinary shares in April 2021.

During the half-year, 38,872 performance rights granted as part of the 2018 LTIP award lapsed.

The total number of performance rights outstanding to Mr Dragicevich as at 30 June 2021 is 267,300 (31 December 2020: 254,330).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

6 Issuance of equity securities (Cont'd)

Performance Rights - Executive and Senior Management

During the half-year, 164,700 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 – 82,350 rights at $5.49 per right
- TSR – 82,350 rights at $4.18 per right

During the half-year, 57,969 performance rights granted as part of the 2018 LTIP award vested and converted on a 1 for 1 basis to Capral ordinary shares in April 2021.

During the half-year, 65,391 performance rights granted as part of the 2018 LTIP award lapsed.

The total number of performance rights outstanding to Executive and Senior Management as at 30 June 2021 is 487,010 (31 December 2020: 445,670).

Ordinary Shares

During the half year, Capral issued 330,733 new ordinary shares to shareholders who participated in its dividend reinvestment plan.

During the half-year, Capral issued 92,427 new ordinary shares to Capral's managing director, executives and senior management to satisfy the obligation to deliver shares resulting from the conversion of vested performance rights as mentioned above.

During the half-year, Capral issued 31,130 new ordinary shares to Capral's executives and senior management who purchased Capral's shares by using the above target component (stretch) of their after-tax Short Term Incentives Plan (STIP). These shares are held in escrow by Capral's share registry for a period of 3 years.

7 Contingent liabilities

Capral has received customer claims relating to the supply of non-conforming marine grade plate. The plate was manufactured by a third party, independently certified, imported and distributed by Capral. As stated in the 2020 Annual Report and 2021 Managing Director's AGM address, Capral supplied replacement plate to affected customers and this plate was fully provided for in Capral's 2020 accounts.

Some claims include a property damage and consequential loss component which have been submitted to Capral's insurer. Capral do not believe that it is liable for any of these claims and as such Management is in ongoing discussions with the insurer, supplier, and certifier (DNV-GL) in this regard. These claims, together with potential liability and recourse against third parties, are currently being assessed. Based on assessments done and legal advice obtained, the directors have made provision for what the Board believe Capral's resulting liability could be. Any contingent liability in excess of the amounts already provided is not able to be reliably estimated. The information usually required by AASB 137 (Provisions, Contingent Liabilities and Contingent Assets) is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of negotiations and legal proceedings.

Separate from the item above, claims and possible claims, arise in the ordinary course of business against Capral entities. Capral has fully provided for all known and determinable material claims.

Capral's bankers have issued guarantees in respect of rental obligations on lease commitments, use of utilities infrastructure and international trade facilities. At 30 June 2021, these guarantees totalled $3,833,087 (31 December 2020: $3,833,087).

Capral's bankers have issued letters of credit in respect of Capral's purchases internationally. At 30 June 2021, these open letters of credit totalled $21,562,838 (31 December 2020: $9,046,552).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

8 Capital commitments

	Consolidated	
	30 June 2021 $'000	31 December 2020 $'000
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	**1,977**	866

9 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 (who are key management personnel).

10 Cash and cash equivalents

	Consolidated Half-year ended	
	30 June 2021 $'000	30 June 2020 $'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	**33,839**	24,918
Cash and cash equivalents at end of the half-year period	**33,839**	24,918

11 Stand by arrangement and credit facilities

As at 30 June 2021, the following facilities were in place:

Secured facilities	**40,000**	50,000
Total secured facilities	**40,000**	50,000
Facilities utilised:		
Trade loan	**-**	-
Cash loan	**-**	-
Bank guarantees	**3,833**	6,096
Trade finance – drawn letters of credit	**14,685**	18,404
Trade finance – open letters of credit	**21,563**	3,769
Asset finance – in the form of finance lease	**-**	2,320
Total facilities utilised	**40,081**	30,589
Total available facilities	**-**	19,411

Each trade instrument is approved individually and may result in temporary facility over utilisation due to timing of release of instruments already expired.

The original expiry of the facilities is 30 April 2022. Subsequent to 30 June 2021, the facilities have been restructured to align more closely to Capral's requirements and renewed for another term to 30 April 2023.

The renewed ANZ facilities consist of:
Secured:
- $40 million Multi-option Facility which includes a Trade Finance Loan Facility, Trade Instruments and Trade Finance; and
- $5 million Standby Letter of Credit or Guarantee Facility.

Unsecured:
- $2.5 million Electronic Payaway Facility; and
- $0.5 million Commercial Card Facility.

The following facilities with ANZ has been cancelled:
- $5 million Cash Loan Facility; and
- $5 million reducing Asset Finance Facility.

12 Business Combinations

Capral Limited acquired certain assets and employee entitlements of the G James Extrusion Smithfield Business from G James Extrusion Co. Pty. Ltd on 1 February 2021 for a total consideration of $10,302,000.

	Consolidated Half-year ended	
	30 June 2021 $'000	30 June 2020 $'000
Consideration		
Cash at Completion	**7,100**	-
Cash post Completion	**3,202**	-
Total Consideration	**10,302**	-

Acquisition-related costs amounting to $259,000 have been excluded from the consideration transferred. Further cost relating to the integration of the acquired business for the year was $65,000 (2020: nil). Both these have been recognised as an expense in the period, within the 'Other expenses' line item in the Consolidated Statement of Comprehensive Income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

12 Business Combinations (Cont'd)

Smithfield Extrusion Facility was primarily acquired to provide additional extrusion capacity in key New South Wales market and reduce freight costs due to interstate production. In addition, the acquisition also facilitates better utilisation of other production facilities and reducing occasional reliance on third party producers.

Provisional Fair value of assets acquired and liabilities assumed at the date of acquisition:

	Consolidated Half-year ended 30 June 2021 $'000	30 June 2020 $'000
Current assets		
Inventory	**3,194**	-
Non-current assets		
Fixed assets	**4,508**	-
Current liabilities		
Employee benefits	**(470)**	-
Total	**7,232**	-
Goodwill:		
Consideration	**10,302**	-
Less: fair value of identifiable net assets acquired	**(7,232)**	-
Goodwill	**3,070**	-
Net cash outflow on purchase of a business:		
Consideration paid in cash	**(10,302)**	-
Net cash outflow on purchase of a business	**(10,302)**	-

The goodwill of $3,070,000 arising from the acquisition consists mostly of the synergies and economies of scale expected from combining the operations of Smithfield and Capral Group.

The initial accounting for the acquisition of assets and liabilities has only been provisionally determined at the end of the reporting period.

The ongoing assessment and valuation of the identifiable assets and liabilities related to the acquisition are expected to be finalised prior to 31 January 2022, within the 12-month window permitted by AASB 3 Business Combinations.

Impact of acquisition on the results of the Group

The acquired business contributed revenue of $6,871,000 and a loss of $30,000 to the group for the period from 1st February 2021 to 30th June 2021. The loss incurred was due to one-off integration cost.

Had the business combination been effected at 1st January 2021, the revenue of the Group would have been $261,074,000 and the profit for the half year would have been $15,688,000.

13 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the 2020 annual financial report. In addition, refer to Notes 6 and 9 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.

14 Subsequent events

Capral continues to operate as essential services during lockdowns occurring in NSW, VIC, QLD & SA at various times. Operations are strictly conducted under a High Risk COVID Safe Plan across all States. Capral manufactures and distributes Aluminium products into a number of 'permitted to open' sectors including residential building, heavy truck and transport equipment manufacturing, defence and security industries.

As many customers are permitted to operate during lockdowns as essential services, we do not anticipate a dramatic impact on demand.

The directors consider that prolonged general economic impacts arising from COVID-19 may have a negative impact on Capral's operations. In the unlikely event of an extended general shutdown of the economy throughout the Australian States and Territories, it may impact the recoverability of Capral's carrying value of assets going forward.

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.

In the directors’ opinion, there are reasonable grounds to believe that Capral will be able to meet any obligations or liabilities to which they are or may become liable.

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	A. Dragicevich
Chairman	Managing Director

Sydney
25 August 2021

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

Conclusion

We have reviewed the half-year financial report of Capral Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2021, 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 as set out on pages 4 to 17.

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 the Group is not in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of 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.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-year Financial Report section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 review report.

Directors' Responsibilities 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.

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 30 June 2021 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.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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X Delaney
Partner
Chartered Accountants
Parramatta, 25 August 2021