

CAPRAL ASX ANNOUNCEMENT

Capral delivers a record earnings result for Half Year 2022

Thursday, 18 August 2022

Capral Half Year 2022 Results and Investor Webinar

Capral Limited (ASX: CAA) ("Capral"), Australia's largest extruder and distributor of aluminium products, herewith releases its financial results for the 6 months ending 30 June 2022 (1H22) on Thursday, 18 August 2022.

- Volume on par with prior period at 36,200 tonnes on back of relatively strong market conditions in residential building and key industrial sectors
- Underlying EBITDA^{1&2} of \$31.6m (1H21:\$24.6) and Underlying EBIT² of \$21.0m (1H21:\$14.9m)
- Net Profit After Tax of \$22.2m (1H21:\$15.7m) includes deferred tax benefit of \$3.5m (1H21: \$2.0m)
- Underlying Earnings Per Share² at \$1.05
- Strong balance sheet with net cash of \$34.9m
- Interim dividend declared at \$0.20 per share, fully franked
- High operating leverage in extrusion plants having run at near capacity
- Improved sales mix lead to higher margins
- Some customers resumed importing as supply chains stabilised
- Conditions expected to soften in second half
- FY22 earnings guidance maintained

Capral's Half Year 2022 Report and Results Presentation are attached.

Webcast Details

Capral's Managing Director and CEO, Tony Dragicevich, and Chief Financial Officer, Tertius Campbell will host an investor webcast at 10:30 am (AEST) today.

Participants can register for the webinar by navigating to:

<https://ccmediaframe.com/?id=tNuVGhxZ>

Please note that registered participants will receive a confirmation email with details on how to join the webcast upon registration.



CAPRAL ASX ANNOUNCEMENT

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, and in accordance with AASBI6, excludes rent payments

² Underlying EBITDA, EBIT, and Earnings Per Share (EPS) are adjusted for significant items (LME Revaluation and Income Tax Benefit)



APPENDIX 4D - HALF-YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2022

Name of Entity	CAPRAL LIMITED
A.B.N	78 004 213 692
Half-Year Ended	30/06/2022
Reporting Period	1 January 2022 to 30 June 2022
Previous Period	1 January 2021 to 30 June 2021

Results for announcement to the market

	30 June 2022 \$'000	30 June 2021 \$'000	Change \$'000	Change %
2.1 Revenues from ordinary activities	349,035	261,189	87,846	33.6
2.2 Profit from ordinary activities after tax attributable to members	22,196	15,693	6,503	41.4
2.3 Net profit for the period attributable to members	22,196	15,693	6,503	41.4
2.4 Dividend Information	30 June 2022		30 June 2021	
	Amount per security	Imputed amount per security	Amount per security	Imputed amount per security
Interim dividend	20 cents	20 cents	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 2022

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 2022	30 June 2021
NTA	\$8.54	\$6.88
Number of shares	17,767,272	17,016,959

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 2021 was paid on 25 March 2022, at 50 cents per ordinary share fully franked. Subsequent to half year end, it is declared that an interim dividend of 20 cents per ordinary share, fully franked, be paid on 15 September 2022.

6.0 Dividend or dividend reinvestment plans

The dividend reinvestment plan (DRP) will not be available for the interim dividend.

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 2022 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 – 27 April 2022
K. Ostin	17 June 2020 – Date of this report
G. F. Pettigrew	18 June 2010 - Date of this report
M. White	1 September 2021 – Date of this report
B. Tisher	24 February 2022 – Date of this report

Review of operations and key results

Capral is pleased to announce a record first half result. Profit after tax was \$22.2 million for the half-year ended 30 June 2022, compared with \$15.7 million for the corresponding period last year. Underlying Earnings per Share¹ increased 31% to \$1.05, up from \$0.80 per share in 1H21.

Results Overview

Capral delivered Underlying EBITDA¹ of \$31.6 million as compared to \$24.6 million in 1H21. Sales volume at 36,200 tonnes was on par with last year, but sales revenue grew 34% to \$349 million for the half driven by record high global aluminium prices (LME). Underlying EBIT¹ increased 41% to \$21.0 as compared to \$14.9 million in 1H21.

Strong volume and improved sales mix and margin combined to lift profitability to record levels. Dwelling commencements have started to decline but a very high order book at the start of the year supported volume. Market share gains against imports came under pressure as international supply chain problems eased. General industrial demand remained strong, especially transport and industrial construction.

A high level of capacity utilisation in our extrusion plants, combined with benefits of the 2019 operational restructure, contributed to the profit result.

The balance sheet remains strong with net cash at \$34.9 million, after a \$8.6 million dividend payment (\$6.0 million net after DRP) and \$4.7 million capex in 1H22.

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. Subsequent to half year end, the Company has declared a fully franked interim dividend of 20 cents per ordinary share in respect of the half year ended 30 June 2022 which will be paid on 15 September 2022. The dividend will be paid to all shareholders on the register of members as at the Record Date of 31 August 2022. Capral's Dividend Reinvestment Plan (DRP) will not be active for this dividend.

Please also refer to the 2022 Half Year Results Presentation lodged with this Report.

¹ EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and, in accordance with AASB16, excludes rent payments of \$9.5m. Underlying EBITDA, EBIT and Earnings per Share (EPS) are adjusted for Significant Items. Significant Items 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 Revaluation \$0.3 million (1HY21: \$1.6 million) and Income Tax Benefit \$3.5 million (1HY21: \$2.0 million). Capral believes that Underlying EBITDA, EBIT and Earnings per Share provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. The Underlying EBITDA, EBIT and Earnings per Share are presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011.

Capral Limited

Sustainability

From an Environmental Social and Governance perspective, Capral has committed itself to Net Zero by 2050 (Scope 1 and 2 emissions), by driving sustainability best practice throughout business, underpinned by a commitment to the United Nations Sustainability Development Goals.

Capral has made good progress during this half year. A scrap recycling agreement was signed with Tomago aluminium smelter, an Australian first. Solar energy generation is being installed at the Campbellfield operations in Victoria that will provide around 20% of the site's energy requirement. In addition, around 400 high bay warehouse lights have been replaced with LEDs at the Bremer Park facility in Queensland, reducing lighting energy consumption by 45%.

Capral joined the Aluminium Stewardship Initiative (ASI) and also MECLA (Materials Embodied Carbon Leader Alliance) to assist in guiding the Built Environment towards using more sustainable aluminium in projects.

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
Chairman

Sydney
18 August 2022



A. Dragicevich
Managing Director

The Board of Directors
Capral Limited
15 Huntingwood Drive
Huntingwood NSW 2148

18 August 2022

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 report of Capral Limited for the half year ended 30 June 2022, 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 faithfully



Deloitte Touche Tohmatsu



X Delaney
Partner
Chartered Accountants
Parramatta, 18 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2022

		Consolidated Half-year ended	
	Note	30 June 2022 \$'000	30 June 2021 \$'000
Revenue		349,035	261,189
Other income	5	1,662	1,340
Raw materials and consumables used		(237,585)	(158,983)
Employee benefits expense		(50,989)	(47,581)
Depreciation and amortisation expense		(10,557)	(9,760)
Finance costs		(2,661)	(2,761)
Freight expenses		(8,013)	(6,403)
Occupancy costs		(2,381)	(1,867)
Repair and maintenance expense		(3,295)	(3,081)
Other expenses		(16,555)	(18,424)
Profit before income tax		18,661	13,669
Income tax benefit	2	3,535	2,024
Profit for the period		22,196	15,693
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		22,196	15,693
Earnings per share		2022 Cents per share	2021 Cents per share
Basic (cents per share)		126.62	93.42
Diluted (cents per share)		124.12	91.51

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 17,530,041 (2021: 16,799,016) and the earnings used in the same calculation was \$22,196,000 (2021: \$15,693,000).

The weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share was 17,883,174 (2021: 17,149,528) and the earnings used in the same calculation was \$22,196,000 (2021: \$15,693,000).

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 2022

		Consolidated	
	Note	30 June 2022 \$'000	31 December 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	55,367	50,132
Trade and other receivables		119,940	96,290
Inventories		174,438	130,507
Other financial assets		1,932	-
Prepayments		2,135	723
Total current assets		353,812	277,652
Non-current assets			
Deferred tax assets	6	18,870	15,335
Property, plant and equipment		54,930	53,195
Right-of-use assets		68,738	75,313
Goodwill	13	3,070	3,070
Other intangible assets		593	700
Total non-current assets		146,201	147,613
Total assets		500,013	425,265
LIABILITIES			
Current liabilities			
Trade and other payables		183,589	139,037
Lease liabilities		14,920	15,810
Borrowings	12	20,453	-
Other financial liabilities		-	67
Current provisions		18,150	18,798
Deferred income		167	213
Total current liabilities		237,279	173,925
Non-current liabilities			
Lease liabilities		81,482	87,730
Non-current provisions		7,045	6,485
Total non-current liabilities		88,527	94,215
Total liabilities		325,806	268,140
Net assets		174,207	157,125
EQUITY			
Issued capital		433,433	430,588
Reserves		80,590	69,888
Accumulated losses		(339,816)	(343,351)
Total equity		174,207	157,125

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 2022

		Consolidated Half-year ended	
	Note	30 June 2022 \$'000	30 June 2021 \$'000
Cash flows from operating activities			
Receipts from customers		362,117	272,490
Payments to suppliers and employees		(358,266)	(258,096)
Interest and other finance costs paid		(2,875)	(2,644)
Net cash flows provided by operating activities		976	11,750
Cash flows from investing activities			
Payments for property, plant and equipment		(4,642)	(3,552)
Payments for intangible assets		(21)	(248)
Payments for purchase of a business	13	-	(10,302)
Proceeds from sale of property, plant and equipment		-	125
Net cash flows used in investing activities		(4,663)	(13,977)
Cash flows from financing activities			
Dividends paid		(8,613)	(7,467)
Proceeds from dividend reimbursement plan		2,604	2,079
Proceeds in relation to employee share scheme		428	-
Payments for share purchase – employee share scheme		-	(47)
Proceeds from borrowings		20,453	-
Repayment of principal of lease liabilities		(7,364)	(7,895)
Net cash flows provided by/(used in) financing activities		7,508	(13,330)
Net increase/(decrease) in cash and cash equivalents		3,821	(15,557)
Cash and cash equivalents at the beginning of the half-year period		50,132	49,396
Effect of foreign exchange rate changes		1,414	-
Cash and cash equivalents at end of the half-year period	11	55,367	33,839

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 2022

Consolidated	Note	Issued capital \$'000	Equity- settled compensatio n reserve \$'000	Employee Share Reserve \$'000	Asset revaluation reserve \$'000	Dividend Reserve* \$'000	Accumulated losses \$'000	Total \$'000
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		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
Balance as at 1 January 2022		430,588	11,909	(225)	4,088	54,116	(343,351)	157,125
Profit for the period		-	-	-	-	18,661	3,535^	22,196
Total comprehensive profit for the period		-	-	-	-	18,661	3,535^	22,196
Share-based payment expense		-	467	-	-	-	-	467
Shares issued – dividend reinvestment plan	7	2,604	-	-	-	-	-	2,604
Shares issued – employee escrow shares		241	-	-	-	-	-	241
Proceeds from employee escrow shares		-	-	187	-	-	-	187
Dividends paid		-	-	-	-	(8,613)	-	(8,613)
Balance as at 30 June 2022		433,433	12,376	(38)	4,088	64,164	(339,816)	174,207

*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 (2022: \$3.535 million; 2021: \$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 2022

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 2022 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 2021 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 2021, 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 2022

1 Significant accounting policies (cont'd)

(e) Impairment of non-current assets inclusive of right of use assets and goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which that asset belongs. 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 13.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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 2022 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 2022 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)	11.50%	12.01%
Re-based volume growth rate FY2023 and FY2024	0.00%	-0.63%
Average volumes increase 2025-26 p.a.	1.00%	0.67%
Long-term growth rate	1.00%	-0.10%

Volumes

In determining assumptions in relation to sales volumes into the commercial and residential/domestic market, Capral have based these on reputable third-party long term economic forecast reports with reference to historical performance and seasonal trends. The volume projections estimate the sales volumes at around 74,600 tonnes at the end of the 5-year period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2022

Consolidated Half-year ended	
30 June 2022 \$'000	30 June 2021 \$'000

2 Income tax

(a) Tax reconciliation

Current tax

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	18,661	13,669
Income tax expense calculated at 30%	5,598	4,101
Tax effect of non-assessable / non-deductible items:		
Effect of items that are not deductible or taxable in determining taxable profit	(628)	(1,068)
Effective income tax expense	4,970	3,033
Effect of utilisation of brought forward tax losses	(4,970)	(3,033)
Current income tax expense	-	-

Deferred tax

Previously unrecognised and unused tax losses now recognised as deferred tax assets

	3,535	2,024
Income tax benefit recognised in profit or loss	3,535	2,024

(b) Tax losses

Accumulated unused gross tax losses for which no deferred tax asset has been recognised.

	159,603	243,039
Potential tax benefit @ 30%	47,881	72,912

(c) Temporary deductible differences

Temporary deductible differences for which no deferred tax asset has been recognised.

	81,482	76,569
Potential tax benefit @ 30%	24,445	22,971

All unused tax losses were incurred by Australian entities.

At 30 June 2022, the Group has unused tax losses of \$222,503,603 (30 June 2021: \$269,466,355) available to offset against future profits. A deferred tax asset has been recognised in respect of \$62,900,000 (30 June 2021: \$26,430,000) of such losses. No deferred tax asset has been recognised in respect of the remaining \$159,603,000 (30 June 2021: \$243,039,000) as future taxable profits cannot be estimated reliably at this stage.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2022

3 Dividends

	Consolidated Half-year ended	
	30 June 2022 Cents per share	30 June 2021 Cents per share
Fully paid ordinary shares		
Interim dividend declared – fully franked	20	20
Final dividend paid - fully franked	50	45

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 2022 and 2021, the consolidated entity operated in one reportable segment under AASB 8 Operating Segments.

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 2022 or in 2021.

	Consolidated Half-year ended	
	30 June 2022 \$'000	30 June 2021 \$'000

5 Other income

Sub-lease rental income	1,662	1,340
	<u>1,662</u>	<u>1,340</u>

	Consolidated	
	30 June 2022 \$'000	31 December 2021 \$'000

6 Deferred tax assets

Balance at beginning of the financial period/year	15,335	5,905
Amounts recognised during the financial period/year	3,535	9,430
Balance at end of the financial period/year	<u>18,870</u>	<u>15,335</u>

The Group has recognised deferred tax assets with respect to tax losses carry forward of \$18,870,000 (31 December 2021: \$15,335,000). Based upon the forecasted operational performance, the recovery of these prior year losses in the short term is probable. The forecasted operational performance is based on recent performances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2022

7 Issuance of equity securities

Performance Rights - Managing Director

During the half-year, 49,000 performance rights were issued to Mr Dragicevich under the Long-Term Incentive Plan (LTIP) pursuant to shareholder approval at Capral's AGM in April 2022. These rights were issued subject to the achievement of performance conditions and have been independently valued as follows:

- EPS – 24,500 rights at \$7.77 per right
- TSR – 24,500 rights at \$5.82 per right

During the half-year, 78,330 performance rights granted as part of the 2019 LTIP award vested and converted on a 1 for 1 basis to Capral ordinary shares in March 2022.

The total number of performance rights outstanding to Mr Dragicevich as at 30 June 2022 is 237,970 (31 December 2021: 267,300).

Performance Rights – Key Management Personnel – Chief Financial Officer

During the half-year, 17,500 performance rights were issued to Mr Campbell under the LTIP. The new rights were issued subject to the achievement of performance conditions.

These rights have been independently valued as follows:

- EPS – 8,750 rights at \$6.78 per right
- TSR – 8,750 rights at \$4.91 per right

During the half-year, 21,670 performance rights granted as part of the 2019 LTIP award vested and converted on a 1 for 1 basis to Capral ordinary shares in March 2022.

The total number of performance rights outstanding to Mr Campbell as at 30 June 2022 is 73,870 (31 December 2021: 78,040).

Performance Rights - Executive and Senior Management

During the half-year, 121,500 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 – 60,750 rights at \$6.78 per right
- TSR – 60,750 rights at \$4.91 per right

During the half-year, 119,990 performance rights granted as part of the 2019 LTIP award vested and converted on a 1 for 1 basis to Capral ordinary shares in March 2022.

The total number of performance rights outstanding to Executive and Senior Management as at 30 June 2022 is 410,480 (31 December 2021: 408,970).

Ordinary Shares

During the half year, Capral issued 321,654 new ordinary shares to shareholders who participated in its dividend reinvestment plan.

During the half-year, Capral issued 219,990 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 32,369 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2022

8 Contingent liabilities

There has not been any material change to Capral's contingent liabilities in relation to legal or customer claims as disclosed in the 31 December 2021 Annual Report

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 2022, these guarantees totalled \$4,439,502 (31 December 2021: \$4,494,942).

Capral's bankers have issued letters of credit in respect of Capral's purchases internationally. At 30 June 2022, these open letters of credit totalled \$11,162,971 (31 December 2021: \$15,715,119).

Consolidated	
30 June	31 December
2022	2021
\$'000	\$'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	2,885	3,895
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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 (who are key management personnel). Other than the information detailed in Note 7, there have been no material related party transactions during the half year ended 30 June 2022.

Consolidated	
Half-year ended	
30 June	30 June
2022	2021
\$'000	\$'000

11 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, 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	55,367	33,839
Cash and cash equivalents at end of the half-year period	55,367	33,839

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2022

12 Stand by arrangement and credit facilities

	Consolidated	
	Half-year ended	
	30 June	30 June
	2022	2021
	\$'000	\$'000
As at 30 June 2022, the following facilities were in place:		
Secured facilities	<u>80,000</u>	<u>45,000</u>
Total secured facilities	<u>80,000</u>	<u>45,000</u>
Facilities utilised:		
Trade loan	20,453	-
Cash loan	-	-
Bank guarantees	4,440	3,833
Trade finance – drawn letters of credit	40,336	14,685
Trade finance – open letters of credit	11,163	21,563
Asset finance – in the form of finance lease	-	-
Total facilities utilised	<u>76,392</u>	<u>40,081</u>
Total available facilities	<u>3,608</u>	<u>4,919</u>

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

The existing ANZ facilities consist of:

Secured:

- \$75 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 trade loan facility has a maximum drawdown term of 90 days and with an ANZ defined variable base rate plus a margin.

Subsequent to 30 June 2022, the facilities have been revised to \$90 million relating to Multi-option Facility to align more closely to Capral's requirements and the expiry date remains the same as 30 April 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2022

13 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
Consideration	
Cash at Completion	7,100
Cash post Completion	3,202
Total Consideration	<u>10,302</u>

Acquisition-related costs amounting to \$48,000 had been excluded from the consideration transferred. Further cost relating to the integration of the acquired business during the period was \$65,000. Both these had been recognised as an expense in the 30 June 2021 half year period, within the 'Other expenses' line item in the Consolidated Statement of Comprehensive Income.

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.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2022

13 Business Combinations (cont'd)

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.

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 relating to the prior half year would have been \$15,688,000.

14 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the 2021 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 directors consider that prolonged general economic impacts arising from COVID-19, highly infectious influenza, high global inflation, increasing interest rate and interruptions in the global supply chain may have a negative impact on Capral's operations. In the unlikely event of another 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.

On 30 July 2022, Capral entered into an agreement to acquire the assets of an aluminium trade centre for an estimated purchase price of \$1,600,000. The contractual conditions precedent are yet to be fulfilled and the transaction is still conditional as at the date of this report. Completion is expected to occur by end of August 2022.

On 2 June 2022, Capral entered into an agreement to acquire some assets of Aluminium Industries of Australia Pty Ltd for a purchase price of \$700,000. Completion is expected to occur by end of September 2022.

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
Chairman



A. Dragicevich
Managing Director

Sydney
18 August 2022

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 2022, 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 2022 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.

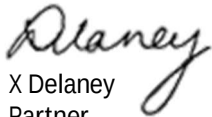
Auditor's Responsibilities for the Review of the Half-year Financial Report

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 2022 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



X Delaney
Partner

Chartered Accountants
Parramatta, 18 August 2022