Capral Limited
ABN 78 004 213 692

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CAPRAL ASX ANNOUNCEMENT

Capral delivers another strong earnings result for Full Year 2023, ahead of guidance

Friday, 23 February 2024

Capral Full Year 2023 Results

Capral Limited (ASX: CAA) ("Capral"), Australia's largest extruder and distributor of aluminium products, releases its financial results for the 12 months ending 31 December 2023 (FY23). The full year underlying earnings were on par with the prior year's record and ahead of guidance, driven by Capral's diversified industry exposure and strong first half sales across the residential, commercial, and industrial sectors.

Key highlights:

- Volume 71,100 tonnes (FY22: 71,800 tonnes)
- Underlying EBITDA[1&2] up $0.3 million to $62.5 million (FY22: $62.2m) underpinned by solid market conditions and improved sales mix
- Underlying EBIT[2] $39.5 million (F22: $40.8m)
- Reported NPAT $31.8 million (FY22: $40.8m included income tax benefit $8.4m)
- Underlying earnings per share[2] at $1.83 (FY22: $1.96)
- Strong balance sheet with net cash of $59.5 million
- NTA per share $10.03 (FY22: $9.14)
- A fully franked final dividend of 35 cps declared, taking total dividends for FY23 to 55cps
- Total distributions to shareholders 72.5cps (FY22: 70cps), included share buy-back equivalent to 17.5cps
- Exceptional safety performance maintained and good progress on sustainability initiatives

Commenting on the FY23 results and outlook for FY24, Capral's Managing Director, Tony Dragicevich, said:

"Delivering strong earnings for the third consecutive year is a very satisfying result and a reflection of how far Capral has progressed in leveraging on the investments made in our extrusion and distribution business units.

"Capral has remained resilient in the face of higher interest rates and ongoing inflationary pressures that have impacted the broader market.

"Despite weaker residential volumes in the second half, our improved sales mix, combined with good productivity and margin management, kept underlying earnings at near record levels. Transport, cladding, and solar sectors remained strong throughout the year, and we expect continued strength in the industrial

CAPRAL ASX ANNOUNCEMENT

segment through 2024. The diversification of industries meant that demand for our products remained solid, allowing Capral's manufacturing plants to operate efficiently.

"For FY24, ongoing inflationary pressures will have an impact on our cost base. Our key markets are forecast to remain firm, with multi-residential expected to lead the recovery in housing commencements, and commercial and industrial to remain robust. The reduced pipeline in detached housing will impact volume and we expect the overall market to fall modestly in 2024.

Absent any unforeseen events, FY24 Underlying EBITDA[1] should range between $50m and $54m, and Underlying NPAT between $23m and $27m. Capral will undertake an on-market share buy-back of up to 10% of its issued shares in 2024."

Investor and analyst conference call

Capral's Managing Director and CEO, Tony Dragicevich, and Chief Financial Officer, Tertius Campbell will host an Investor Webinar at 11:00 am (AEDT) today.

Participants can register for the webinar by navigating to:

https://s1.c-conf.com/diamondpass/10036579-8bmv9d.html

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

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

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[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)

FORWARD-LOOKING STATEMENTS

This announcement and presentation may contain forward looking statements which may be identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may", and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Capral or its Directors and management, and could cause Capral's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Capral Limited

THE PRELIMINARY REPORT GIVEN TO ASX UNDER LISTING RULE 4.3A

Appendix 4E - Preliminary Final Report

Name of Entity	**CAPRAL LIMITED**
A.B.N	**78 004 213 692**
Year Ended	**31/12/2023**
Reporting Period	**1 January 2023 to 31 December 2023**
Previous Period	1 January 2022 to 31 December 2022

Results for announcement to the market

		31 December 2023 $'000	31 December 2022 $'000	Change $'000	Change %
2.1	**Revenues from ordinary activities**	**656,859**	692,506	(35,647)	(5.15)
2.2	**Profit from ordinary activities after tax attributable to members**	**31,839**	40,753	(8,914)	(21.9)
2.3	**Net profit for the period attributable to members**	**31,839**	40,753	(8,914)	(21.9)

2.4 **Dividends**	**31 December 2023**		31 December 2022	
	Amount per security	Imputed amount per security	Amount per security	Imputed amount per security
Interim Dividend	**20 cents**	**20 cents**	20 cents	20 cents
Final Dividend	**35 cents**	**35 cents**	50 cents	50 cents

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

1 March 2024

2.6 Explanation of 2.1 to 2.4

Please refer to the Managing Director's Operations and Financial Review (included with this Report) for explanation of the results.

3.0 Net Tangible Assets per security (Post-share consolidation)

	31 December 2023	31 December 2022
NTA ($ per share)	**10.03**	9.14
Number of shares	**17,687,010**	17,767,272

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 2022 was paid on 24 March 2023, at 50 cent per ordinary share fully franked. A fully franked interim dividend of 20 cent per ordinary share was paid on 15 September 2023 in respect of the financial year that ended 31 December 2023. The Board declared that a final dividend of 35 cents per ordinary share, fully franked, be paid on 22 March 2024.

6.0 Dividend or dividend reinvestment plans

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

7.0 Associates and joint venture entities

Not Applicable

8.0 Basis of Preparation of Preliminary Final Report

This Report has been prepared in accordance with ASX Listing Rule 4.3A and has been audited.

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CHAIRMAN'S REPORT

Annual Review

I am pleased to announce that Capral delivered earnings per share of $1.77 for the year ended 31 December 2023, compared to prior year of $2.31 which included 47cents of income tax benefit per share. Underlying earnings per share for 2023 of $1.83 compares to $1.96 in 2022.

Revenues of $657 million in 2023 dropped by 5% from the $693 million recorded in 2022 on 1% lower volume than 2022. The lower sales revenue was primarily due to a 12% reduction in average metal costs as a result of lower global aluminium prices (LME).

Capral delivered Underlying EBITDA[1] of $62.5 million, up slightly on the $62.2 million in the prior year and ahead of guidance, Underlying EBIT[1] fell 3% to $39.5 million as compared to $40.8 million in 2022. Reported Net Profit After Tax (NPAT) of $31.8 million compares to $40.8 in 2022 which included $8.4 million arising from recognition of deferred tax assets brought to account.

Underpinned by the benefits from the operational restructure completed in 2019, Capral continued to leverage the capacity utilisation of its extrusion plants. This high productivity and operational leverage combined with favourable sales mix contributed to near record profitability. Demand in our key industrial sectors, especially transport and industrial, remain robust whilst we continue to retain some of the share gains previously won against imports. As previously foreshadowed residential construction, particularly in the detached dwelling segment, weakened in the second half and is expected to decline further in 2024.

Also pleasing was the reduction in working capital during the year which contributed to the increase of $35 million in Net Cash[2] to $59 million at 31 December 2023. The company’s balance sheet is strong, allowing us to continue to balance our utilisation of free cash between funding both external and internal growth as well as returning cash to our shareholders through share buy-backs and dividends.

Capital Allocation

The Capral board is committed to ensuring that capital allocation priorities are balanced between investment opportunities for growth through acquisitions, capital expenditure and working capital funding; efficiency improvement and maintenance through sustaining capital expenditure; and distributions to investors through capital returns via share buy-backs and cash dividends.

Having prioritised the return of franking credits to shareholders, the payment of the fully franked final dividend of 35 cents per share for the year ended 2023 will exhaust all remaining franking credits. As Capral has substantial tax losses to carry forward, any dividends which may be paid in the foreseeable future will therefore be unfranked.

Dividend and Buy-Back

The Company has declared a fully franked final dividend of 35 cents per ordinary share (2022: 50 cents) to be paid on 22 March 2024 in respect of the financial year ended 31 December 2023. The dividend will be paid to all shareholders on the register of members as at the Record Date of 1 March 2024. The Dividend Reinvestment Plan will not be active for this dividend.

Including the final dividend of 35 cents Capral will have returned 72.5 cents relating to the 2023 year, consisting of 55 cents in cash dividends and 17.5 cents by way of share buy-backs completed during the 2023 year.

Capral will commence another on-market share buy-back of up to 10% of its issued shares on or about 11th March 2024. Capral’s board will continue to ensure that distributions to shareholders remains a key component of Capral’s capital allocation policy. It is anticipated that share buy-backs will form a major portion of value returned to our shareholders.

Safety and Sustainability

Capral is committed to pursuing excellence in its delivery of effective safety for all employees and sustainability across all parts of its business. Following up on the excellent safety results achieved in 2023, the Capral team has maintained that performance in the year under review and continues to better the comparative results of our listed peers.

The environment is a key priority for Capral. From an Environmental, Social and Governance perspective, we have committed to Net Zero by 2050 (Scope 1 and 2 emissions), by driving sustainability best practice throughout business.

Capral achieved Aluminium Stewardship Initiative (ASI) certification in performance standard and chain of custody. Emission reduction targets are on track and diversity targets have been established. New waste management system trials are underway and environmental, social and governance plans rolled out to all major Capral facilities.

I urge stakeholders to read the Sustainability Report in the annual report, which details the many well advanced initiatives in progress.

Looking Ahead

Whilst we expect the detached housing sector to decline further, the non-residential and industrial segments of our business should remain relatively firm. Capral is facing some headwinds and challenges in the year ahead including ongoing cost inflation and margin maintenance in a softer market, which we anticipate will impact on earnings in 2024. Despite this softer market and lower earnings outlook, Capral is committed to investing in growth and returning capital to shareholders going forward.

Please refer to the Outlook section of the Managing Director's Report for details of our earnings guidance for 2024

Shareholders are directed to the Results Presentation released to the market today.

Board Changes

Having served as an independent non-executive director since November 2008, I will be retiring from the board at the conclusion the AGM on 8 May 2024 and will therefore not be standing for re-election. The board is in the process of considering a potential replacement as chair of Capral and an announcement will be made regarding this once the board has agreed and formalised the appointment.

Capral has appointed three independent non-executive directors since 2020, replacing three long-serving board members and my retirement will complete Capral's commitment to board renewal.

On behalf of the board I wish to thank all of the Capral team and our other stakeholders for their strong support during 2023. Thank you to my co-directors for their contributions throughout the past year.

Rex Wood-Ward
Chairman

[1] 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.

[2.] Net Cash is cash and cash equivalents ($59.5 million) less short-term borrowings (nil).

Performance Measures	**2023 $ million**	**2022 $ million**
Profit After Income Tax	31.8	40.8
Income Tax Benefit	-	(8.4)
Profit Before Income Tax	31.8	32.4
Add: Finance Costs	6.7	6.3
Add: Depreciation and Amortisation	23.0	21.3
Earnings Before Income Tax, Depreciation and Amortisation (EBITDA)	61.5	60.0
Add: LME Revaluation and Unrealised FX	1.1	2.2
Underlying EBITDA	**62.5**	**62.2**
Less: Depreciation and Amortisation	(23.0)	(21.3)
Underlying EBIT	**39.5**	**40.8**
Profit After Income Tax	31.8	40.8
Add: Income Tax Benefit	-	(8.4)
Add: LME Revaluation and Unrealised FX	1.1	2.2
Net Profit After Income Tax for Underlying EPS	**32.9**	**34.6**
Weighted Average Number of Ordinary Shares on Issue (Basic)	17.9	17.7
Underlying EPS	**$1.83**	**$1.96**

MANAGING DIRECTOR'S OPERATIONS AND FINANCIAL REVIEW

MANAGING DIRECTOR'S OPERATIONS AND FINANCIAL REVIEW

Highlights

- Strong earnings result for the third consecutive year, and above latest guidance
- Sales revenue $657 million, down 5% on last year, due to lower international aluminium prices
- Volume at 71,100 tonnes was 1% down on last year
- Market conditions softened in the second half
- Underlying EBITDA[1] $62.5 million, up $0.3m on last year
- Underlying EBIT[1] $39.5 million, down $1.3m on last year
- Underlying Net Profit After Tax[1] $32.9 million, down $1.7m on last year, and $2.9m above guidance
- Underlying earnings per share[1] at $1.83, down $0.13 on last year
- Balance sheet strong with net cash[1] of $59.5 million
- Fully franked final dividend of 35 cps declared, total FY22 dividend of 55 cps
- Total distributions to shareholders 72.5 cps, included share buy-back equivalent to 17.5 cps
- Exceptional safety performance maintained with TRIFR at 4.4, well below our listed peers

Financial Review

Market conditions were strong in the first half of 2023, with volumes assisted by a healthy pipeline of work in the residential housing sector. Conditions softened in the second half as the market slowed and import supply chains normalised. Volume however remained solid which allowed Capral's manufacturing plants to run at high levels of efficiency.

As interest rates lifted the residential housing market slowed from its highs which were driven by post-COVID government housing stimulus programmes. Housing starts are tracking to 173,000[2] starts in 2022, the lowest levels since 2013, 5% down on last year and down around 25% from the highs of 2021. Commercial construction activity also slowed during the year. However, our key industrial markets remained relatively strong, underpinned by robust levels of economic activity and infrastructure spend.

The international LME price of aluminium eased during the year from the elevated highs of 2022 which were impacted by global supply factors. Capral's average LME cost for 2023 was 12% below last year. This flowed through to lower selling prices and working capital levels in 2023.

Capral delivered another strong profit result in 2023 with underlying EBITDA[1] of $62.5 million (2022: $62.2m) on slightly lower volume and 5% lower sales revenue. Underlying EBIT[1] of $39.5 million (2022: $40.8m) and an underlying net profit after tax of $31.8 million (2022: $32.4m). An excellent result, demonstrating how far Capral has progressed over the last five years in being able to deliver strong sustainable earnings.

Capral ended 2023 with a Net Cash[1] balance of $59.5 million. Debtor collection performance remained good, inventory levels fell, and LME prices were lower resulting in lower working capital levels and a $35 million higher net cash position.

Capral will pay a fully franked final dividend of 35 cents per share and, together with the interim dividend of 20 cents per share, resulted in total FY23 dividends of 55 cents per share (FY22: 70 cps). Capral undertook an on-market share buy-back during the second half of the year equivalent to 17.5 cps, taking total 2023 distributions to shareholders to 72.5 cps (FY22: 70 cps). In addition, Capral will undertake an on-market share buy-back program during 2024 under the 12-10 rule. Capral has now exhausted its franking credit balance and any shareholder distributions for the foreseeable future will be unfranked dividends and/or share buy-backs.

Key Initiatives and Strategies

Key high-level strategies remain consistent with prior years

- Build on our strengths - product offer, scale, capability, and our people
- Optimise what we do – continuous improvement in all aspects of our business
- Grow for the future - develop innovative products, enhance our capability, expand our footprint

In 2024 we will continue to focus on our Smithfield and Penrith extrusion plants and the new paint line at our Huntingwood distribution centre in Sydney. Smithfield will continue to focus on lifting productivity through debottlenecking product flow and upgrading equipment to improve plant reliability and up-time. During 2023 we successfully completed the first stage of the Penrith extrusion plant upgrade, a major undertaking replacing the press line, hydraulics, and control systems. The second stage involves the replacement of the billet furnace and saw which will take place later in 2024. These assets provide Capral an enhanced manufacturing presence in NSW delivering freight savings and improved service to customers.

We will continue to grow Capral's aluminium distribution business with the objective of increasing the volume and profitability of Capral's direct channel. Over the past 18 months we have added two Aluminium Centres to the Capral distribution footprint with acquisitions of existing businesses in North Brisbane and Wollongong, expanding our geographical presence. We continue to seek other opportunities to expand our footprint.

Fair Trade

Capral continues to lead the local industry in the pursuit of fair trade, recent activity includes:

- Measures on Chinese imports are in place until 2025, and a review of duty levels in 2023 resulted in increased floor prices
- We successfully appealed the withdrawal of measures against Malaysian and Vietnamese imports and measures were re-instated late in 2023

Both decisions are being challenged by overseas exporters, in conjunction with their import partners in Australia.

Market share gains have been made against imports over the last few years, however imports continue to represent over 30% of the total Australian extrusion market. As supply chains normalise, we will continue the fight to retain a fair share for the local extrusion industry which contributes over 2000 direct jobs to the Australian economy.

Safety

Safety First is the most important of Capral's five key values. We continue our focus on risk assessment, training, systems, and our safety culture. Capral's safety performance was exceptional again this year, recording a total reportable injury frequency rate (TRIFR) of 4.4 (2021: 4.3), well below the peer average for listed building products manufacturers.

Sustainability and ESG

Capral's journey to net zero emissions by 2050, and a 20% reduction target by 2030, is progressing well. During the 2022/23 year Capral's scope 1 & 2 emissions per tonne of aluminium produced fell by 6.1% as a result of operational energy efficiencies, and a transition to renewable energy sources.

Capral achieved Aluminium Stewardship Initiative (ASI) certification during the year making us the only extruder in the region to secure this globally recognised certification. This has enabled Capral to offer certified lower carbon aluminium options to the Australian market through our trademark brands, LocAl® Green and Super Green.

Capral has considered the overall impact of current ESG issues and has not discovered any resulting material impact on our financial statements at this point. Full details are disclosed in the Company's Sustainability Report.

Key Operating Risks

Capral has a robust risk assessment process and active risk mitigation programme, key risks include:

- Significant slow-down in economic activity, particularly the new housing market
- Increased level of imported aluminium extrusion and increased local competition
- External IT threats such as cyber attacks
- Changes in construction methodology to meet more stringent sustainable building codes

Outlook

Forecasts for the residential market show detached housing slowing. Total residential starts in 2024 are forecast[2] to be similar to 2023 but the pipeline of work that sustained volumes in 2023 has fallen away. The non-residential market is forecast to be firm in 2024 as are our key industrial markets.

LME is volatile and subject to international influences. Based on external forecasts, we expect LME to moderate slightly throughout the coming year on the back of lower global demand as economies slow under the weight of higher interest rates.

The overall market for Capral's aluminium extrusion and rolled product is forecast to fall modestly in 2024. We expect to retain a good proportion of the market share gained from imports post COVID. Underlying EBITDA[1] is forecast, absent any unforeseen events, to be between \$50 million and \$54 million with underlying Net Profit After Tax between \$23 million and \$27 million. On that basis, Capral would be in a position to continue to return capital to shareholders by way of unfranked dividends and/or share buy-backs.

The focus in the year ahead will be to deliver benefits from our recent capital investments in NSW, increase productivity in our extrusion operations, and grow our distribution business through both acquisition and organic growth. We plan to enhance our range, service, and capability to help grow our customer base and deliver strong ongoing profitability.

I wish to thank the Capral team for their tremendous contribution to the outstanding 2023 result. Capral remains in a strong position to capitalise on its extensive capabilities, take opportunities as they present, and develop the business for the future.

Tony Dragicevich
Managing Director
23 February 2024

[1] Refer to Underlying EBITDA, EBIT, Earnings per Share (EPS) and Net Cash explanation in footnotes to Chairman's Report on Page 2
[2] HIA November 2023

BOARD OF DIRECTORS

Directors in office during the financial year and up to the date of this report (unless otherwise stated):

REX WOOD-WARD
Chairman of Board (Independent)
Appointed 6 November 2008

Chairman of the Board
Member of the Audit & Risk Committee
Member of the Remuneration & Nomination Committee

Mr Wood-Ward has 50 years of experience in general management, mergers and acquisitions, corporate strategy, and structuring, including in manufacturing and distribution. Over his career he has been a director of over 10 publicly listed companies in Australia, the United Kingdom, and South Africa.

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

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TONY DRAGICEVICH B. Comm A.C.A
Managing Director (Non-independent)
Appointed 15 April 2013

Mr Dragicevich joined Capral in January 2013 and became the Managing Director and Chief Executive Officer on 15 April 2013. Mr Dragicevich is an experienced CEO and business leader who has been involved in the improvement of several businesses, having previously served as Managing Director of the Wattyl Group, and as Chief Executive of GWA Bathroom and Fittings, Managing Director of the Red Paper Group and General Manager of Tasman Insulation.

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

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GRAEME PETTIGREW FIPA, FAIM, FAICD
Non-executive director (Independent)
Appointed 18 June 2010
Retired 27 April 2023

Chairman of the Remuneration & Nomination Committee
Member of the Audit & Risk Committee

Mr Pettigrew has held chief executive roles at CSR Building Products Pty Ltd and Chubb Australia Ltd and he retired as a non-executive director of Adelaide Brighton Ltd. He has relevant experience in the construction and building materials industry, as well as manufacturing and distribution businesses.

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

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KATHERINE OSTIN B. Comm, GAICD, F FIN, CA
Non-executive director (Independent)
Appointed 17 June 2020

Chairman of the Audit & Risk Committee.
Member of the Remuneration & Nomination Committee

Ms Ostin is a Chartered Accountant and an experienced Company Director with significant experience in finance and accounting, audit, risk, governance, strategy and business development. She is currently a non-executive director of a diverse portfolio of both listed and non-listed companies and is Chair of the respective Audit & Risk Committees. She has also previously served as a non-executive director of several not-for-profit entities. Ms Ostin was a senior Partner in Audit Assurance & Risk Consulting with KPMG, holding various leadership roles over her 12 years as a Partner from 2005 to 2017. In her 24 years with KPMG she has worked across a broad number of sectors in Australia, Asia, the US and the UK.

Directorships of other listed companies held in last 3 years before end of the Financial Year:

- Non-executive director of Swift Media Ltd: 1 October 2019 to 19 November 2021.
- Non-executive director of Dusk Group Ltd (ASX: DSK): 16 September 2020 to date of this report.
- Non-executive director of 3P Learning Ltd (ASX: 3PL): 6 August 2021 to date of this report.
- Non-executive director of Next Science Limited (ASX: NXS): 24 October 2023 to date of this report.
- Non-executive director of Elanor Investor Group Limited (ASX: ENN): 1 January 2024 to date of this report
- Non-executive director of Elanor Commercial Property Fund (ASX: ECF): 1 January 2024 to date of this report

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MARK WHITE B. Comm, M. Comm, CA, GAICD
Non-executive director (Independent)
Appointed 1 September 2021

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

Mr White has extensive experience in the aluminium and building materials sectors. He is currently the General Manager of Gove Aluminium Finance Limited. He also has more than 12 years' experience as an Executive Director on the Board of Tomago aluminium smelter and has held a number of senior positions in CSR Limited's building products businesses and has over 20 years of experience across a number of manufacturing industries.

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

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BRYAN TISHER B. Eng, MBA
Non-executive director (Independent)
Appointed 24 February 2022

Chairman of the Remuneration & Nomination Committee from 27 April 2023
Member of the Audit & Risk Committee.

Mr Tisher has extensive experience in the resources, building materials and electrical products sectors. He is currently the Chief Executive Officer of Legend Corporation, an Australian leader in industrial and electrical products and previously held senior positions at Orica, Boral, and Rio Tinto.

Mr Tisher was the Managing Director of Orica Asia responsible for manufacturing and distribution operations covering 14 countries, and the Divisional Managing Director of Boral Building Products responsible for the Plasterboard Australia, Timber, Bricks, Roofing, Masonry and Windows business units. He has had extensive board experience as an Executive Chairman for six joint ventures in Asia and the Boral Carter Holt Harvey Softwood Manufacturing Joint Venture at Oberon, and, as a Non-executive Director at Sustainable Timber Tasmania and Cape York Enterprises.

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

ESG AND SUSTAINABILITY REPORT

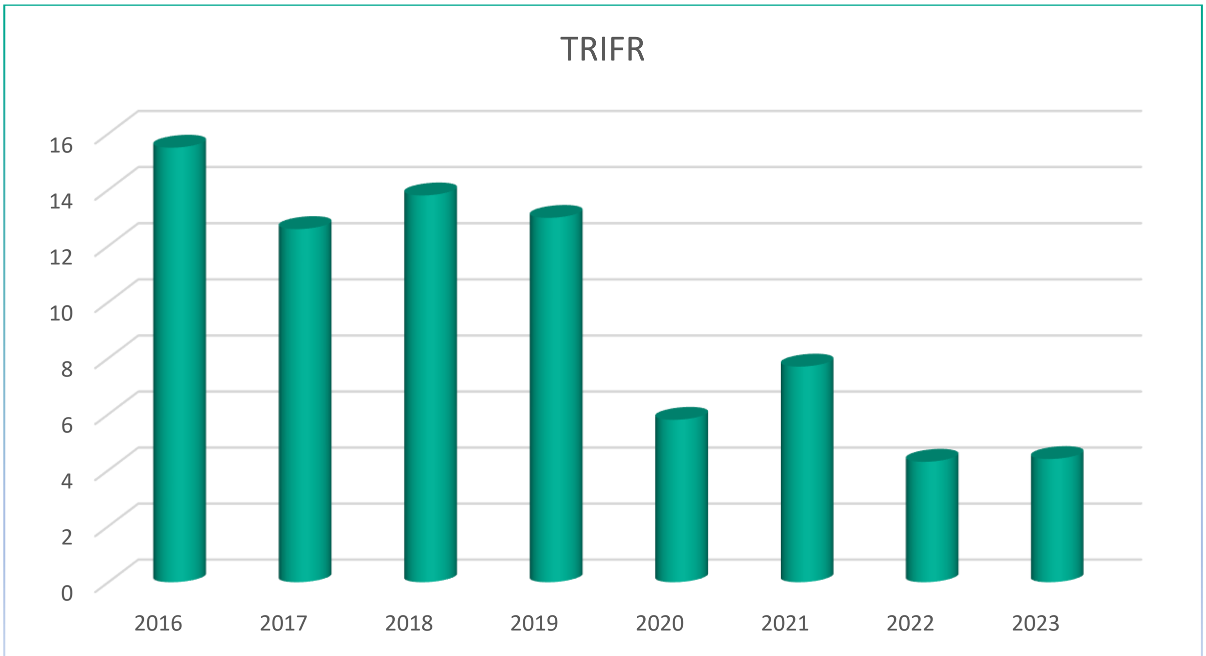
With a commitment to ESG excellence, Capral enhanced its approach over the past year to align with key industry standards; Safety Management ISO:45001, Environmental Management ISO:14001, Aluminium Stewardship Initiative (ASI) Performance Standard, and Global Reporting Initiative (GRI) standards. We continued to develop our Integrated Management System (IMS) which has been designed to systematise ESG considerations and refine the accuracy of our performance metrics. Central to this initiative is implementing a learning and development program to enhance our employee's comprehension of risk factors and controls to mitigate risks. Through governance and certification reviews, the integrity of our site IMS assurance processes are continually validated, enabling a culture of proactive behaviour and the swift identification of any workplace anomalies across the business.

Capral's approach to sustainability is comprehensive and dynamic. Integration of digital technology with our ESG initiatives is an important component. Our actions and strategies reflect our commitment to being at the forefront of sustainable industry practices and corporate responsibility.

Safety

A significant aspect of our safety strategy involves equipping operational leaders with comprehensive knowledge of fitness for work management, ensuring team members execute their duties safely and without incident. We promote an open communication culture and encourage active engagement. This approach has been instrumental in reducing the frequency of reportable safety incidents, diminishing the severity of injuries, and enhancing recovery outcomes. Consequently, we have observed a marked decrease in high-potential incidents.

The following graph shows a reduction in our Total Reportable Injury Frequency Rate (TRIFR) over the past eight years. Capral's 2023 TRIFR 2023 at 4.4 is well below the average of listed building product manufacturers at 7.9. Our approach continues to develop improvements in safety, assists employee well-being, prolongs working lifespans, and supports our ESG initiatives.



Sustainability

Capral's commitment to reducing our environmental impact is part our corporate responsibility. Our Sustainability Roadmap is founded on the United Nations Sustainable Development Goals. As we increase our efforts, Capral will focus on all three pillars of ESG: Environmental, Social and Governance. This will emerge as we align with the development of International Financial Reporting Standards and GRI disclosure obligations.

In 2021 we embarked on a journey to lower greenhouse gas emissions across Capral's operations. This plan set targets to decrease CO_2e emissions through well-orchestrated initiatives. Our progress in emissions reduction is measured by detailed reporting on electricity, and gas usage. Our systems are designed for transparency and accountability, allowing us to accurately measure our performance against set goals. Our achievements stem from investments in energy-efficient technologies and a gradual transition towards a lower carbon economy with increasing renewable energy sources.

In November 2022, we released the first lower-carbon aluminium offer to the Australian market under Capral's trademark brand, LocAl. This tapped into industry interests in reducing the embodied carbon content in the built environment. This initiative, together with our attainment of ASI accreditation, positioned Capral at the forefront of sustainable aluminium extrusion production in Australia.

The progression of our emission reduction plan shows a year-on-year decrease, with 2023 results indicating we are on track to achieve our targets. Capral remains committed to our sustainability agenda, contributing to the global climate change goals. We are confident that our ongoing efforts will enable us to meet our emission reduction goals, thereby enhancing our corporate value.

Aluminium Stewardship Initiative (ASI) Accreditation

Capral's achievement in securing ASI accreditation demonstrates our commitment to sustainable aluminium production and stewardship.

ASI is a globally recognised, non-profit organisation that sets comprehensive standards for responsible practices in the aluminium industry covering environmental, social, and governance aspects. This accreditation places Capral among an elite group of companies that adhere to the highest international standards across the aluminium value chain.

Capral underwent a rigorous third-party audit to achieve ASI accreditation. This process assessed our governance, environmental impact, and social practices against ASI's stringent Performance Standard V3, addressing crucial issues such as biodiversity, human and indigenous rights, greenhouse gas emissions, material stewardship from cradle to end-of-life, and material recovery and re-use.

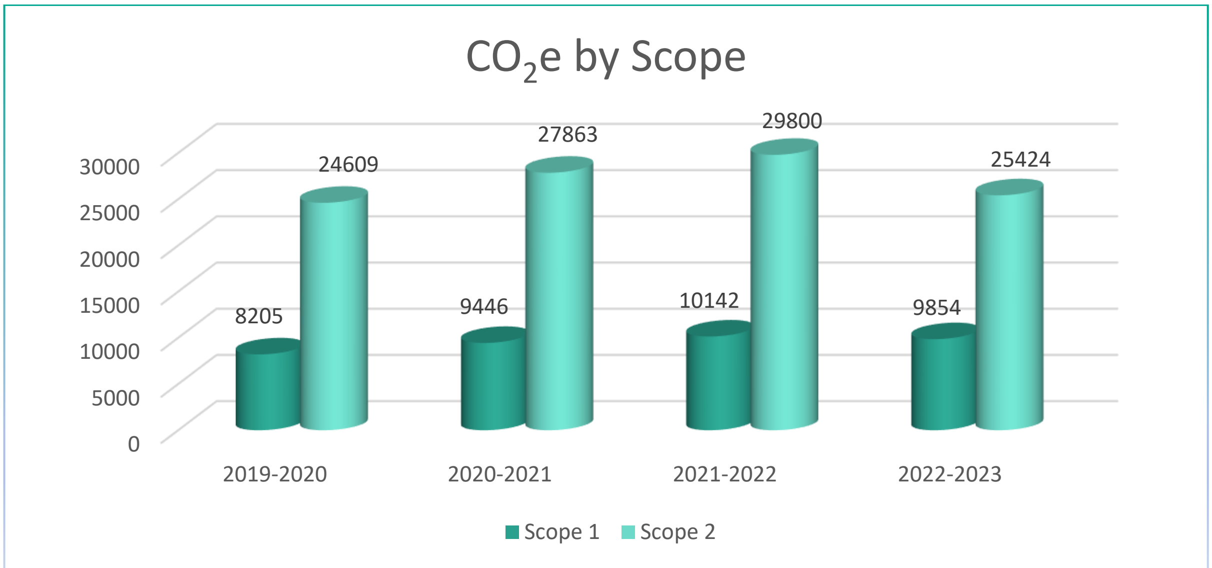
ASI certification validates our efforts and guides our future initiatives, ensuring sustainability is ingrained in our decision-making, aligning with international best practices, and reinforcing our position as an industry leader.

Capral's ASI certification and making lower-carbon aluminium available, supports our sustainability strategy. This highlights our responsibility towards reducing the environmental impact of our products and processes and our commitment to influencing sustainable practices across the industry.

As Capral continues its sustainability journey, introducing our LocAl brand represents a key milestone to reduce the environmental impact of the aluminium industry and contribute positively to global sustainability efforts.

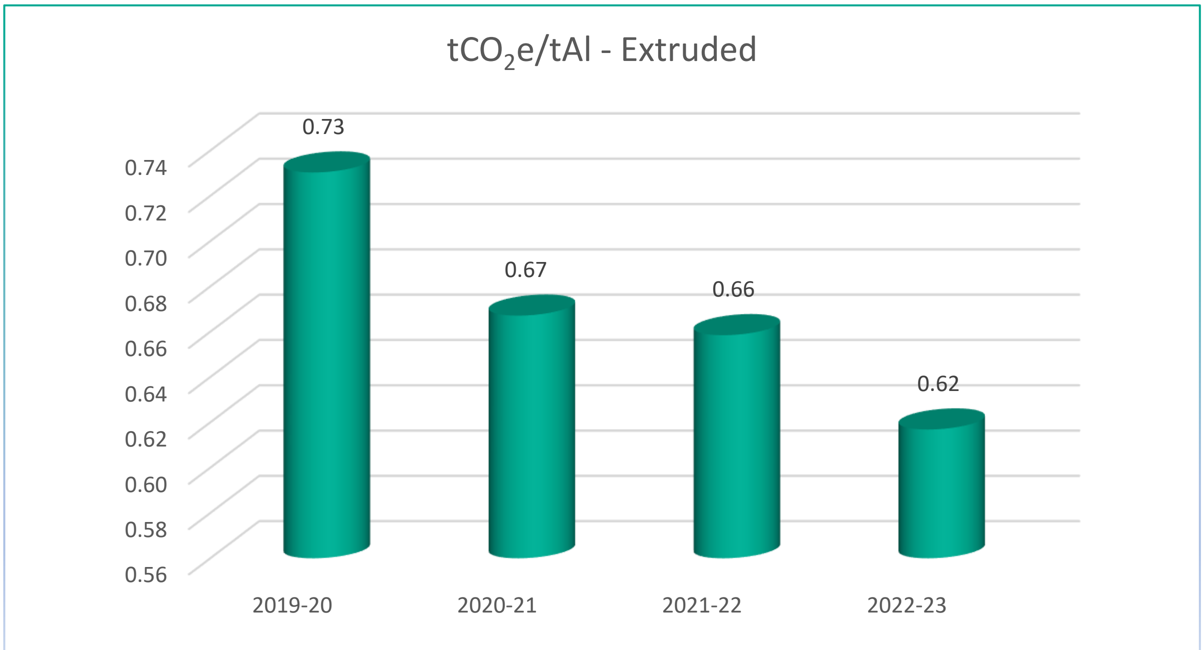
Carbon Emissions (CO_2e) - Scope 1 & 2

The following graph shows the annual greenhouse gas emissions from Capral’s operations, segmented by Scope 1 (gas) and 2 (electricity). A decline in emissions related to electricity, our primary contributor, can be observed in the current year. This reflects the impact of our switch to renewable energy sources and process efficiencies.



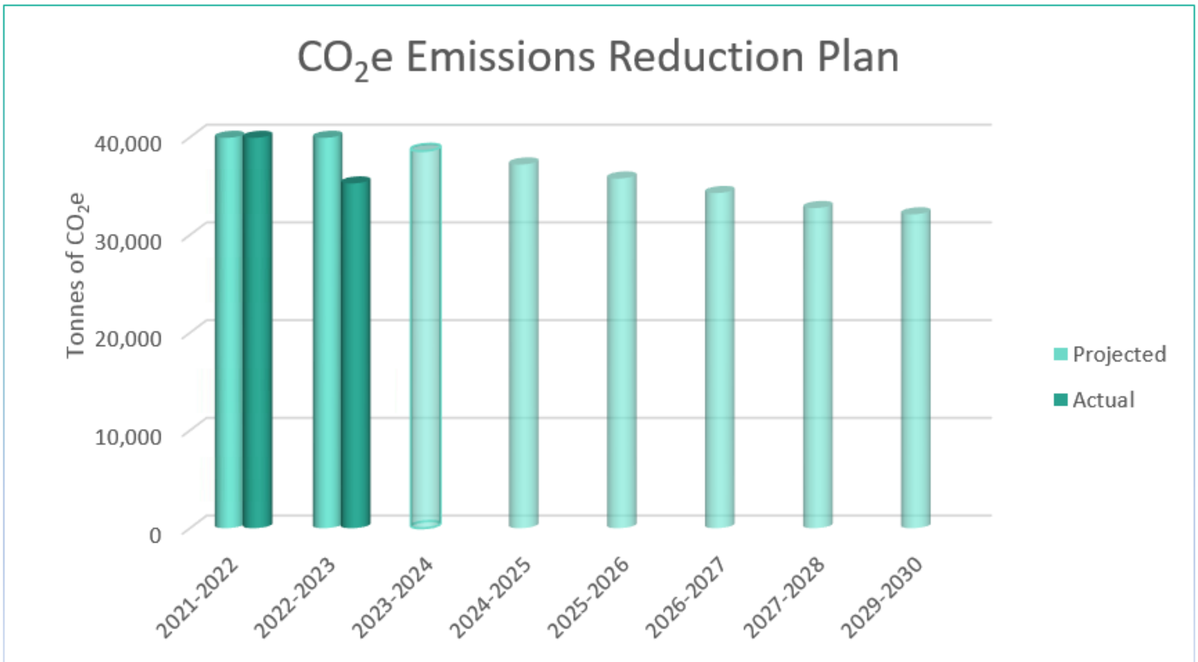
Carbon Emissions (CO_2e) per Aluminium Volume Produced

The following graph illustrates Capral's CO_2e emissions per tonne of extruded aluminium. It shows a downward trend in emissions intensity, demonstrating progress in reducing our environmental footprint. This reflects improvements in Capral's production efficiency and the adoption of cleaner energy technologies.



Carbon Emissions (CO_2e) Reduction Plan

This graph reflects Capral's commitment to reducing our carbon footprint. Capral is committed to net zero by 2050. Our intermediate goal is to reduce emissions 20% by 2029-30.



Modern Slavery and Ethical Sourcing

Capral undertakes a due diligence process each year, assessing suppliers for potential risks within our supply chain associated with modern slavery and ethical sourcing. This involves a consolidated risk assessment of suppliers. 25 international suppliers were deemed moderate risk mainly due to transparency issues, while Australian vendors were considered low risk. Importantly, no high-risk suppliers were identified.

Capral's proactive measures, including a Supplier Code of Conduct, lay-out our expectations for our suppliers ESG practices aligning with our legislative, ASI certification and ethical commitments. We have expanded our Whistle Blower program to cover procurement, allowing for confidential reporting of compliance-related concerns. Capral is increasing its lifecycle and data analytics use to enhance supply chain mapping opportunities. Our commitment and ASI certification reinforces responsible sourcing and continuous improvement within our supply chain. Through periodic reviews, on-site assessments, and alignment with our Supplier Code of Conduct we remain vigilant in combatting modern slavery and ensuring ethically sourcing.

Circular Economy and Waste Management

Capral's commitment to circularity and waste management is important to our environmental sustainability efforts. We have enhanced our data capture capabilities and recognised the role of efficient waste management in our sustainability objectives. Integral to our strategy is providing deeper insights into our waste streams to facilitate more informed decision-making.

Capral initiated a waste management trial in our Western Australia operating facility. This trial involved detailed waste data tracking and analysis, providing an understanding of our waste stream's types, quantities, and post-production paths. Comprehensive data collection is pivotal in identifying inefficiencies and potential areas for improvement in our waste management processes.

In 2024, we aim to establish a company-wide system that reduces waste and embraces a closed-loop, circular economy. In this system materials will be utilised to their fullest potential, reducing our environmental footprint. This system will integrate the best practices from our trial learnings to ensure they are adapted to suit the unique requirements of each local context within our national operations.

Freight Management and Packaging Initiatives

These initiatives focus on enhancing logistics sustainability and transforming packaging processes, with a view to reducing our ecological impact.

We are collaborating with freight partners in logistics to innovate and optimise operations. Key strategies include optimising route management for reduced travel distances, transitioning towards lower-emission transport vehicles, and consolidating freight to enhance load efficiency. These initiatives aim to lower fuel consumption and emissions, enhancing sustainable supply chain practices.

We are reviewing our packaging systems with an objective to reduce plastic and timber usage. This involves investigating alternative sustainable packaging materials, reducing reliance on plastics, and ensuring timber is sourced from certified sustainable origins. These changes will lessen our environmental impact and align with the growing eco-consciousness of our customers.

Diversity, Employee Development and Social Responsibility

Capral employs approximately 1,100 individuals across Australia, with around half of our team engaged through Enterprise Agreements. Our commitment to diversity is evidence of our belief that varied perspectives enhance decision-making and reflect the multifaceted community we serve.

Our employees are guided by Capral's comprehensive Code of Conduct and Vision and Values programme. Capral's inclusive approach draws strength from diversity by encompassing gender, ethnicity, age, nationality, sexual orientation, cultural backgrounds, and a breadth of educational and professional experiences. Our goal is to cultivate a workplace where equity prevails, diversity is celebrated, inclusivity is the norm, and a sense of belonging resonates. Together, we aspire to craft a brighter, more sustainable future.

Capral recognises that our employees are key to our success. We have partnered with training organisations to provide upskilling opportunities, ensuring our team grows with the business. This initiative enables personal and professional development and aligns our workforce with the evolving demands of a sustainable business landscape.

Capral's commitment to supporting societal well-being through various community organisations reflects our corporate social responsibility culture. Capral continues initiatives to raise awareness on key issues including; mental health, domestic violence, and men's health. These campaigns have garnered widespread support and employee engagement. Capral provides support to charity and social organisations, including:

Allison Baden-Clay – Strive to be Kind
Beyond Blue
Cancer Research
Children's Hospital
Dandelions WA
Disability Sports Victoria
Festival of Magic
Fiona Wood Foundation
Leaps and Bounds Disability Services
Lions Australia
Movember
Rotary Down Under
Westmead Hospital Foundation
Starlight Foundation
Foodbank
Goodna Street Life

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Capral Limited (**Capral**) and the entities it controlled at the end of, or during, the financial year ended 31 December 2023 (**Financial Year**).

Directors

The following persons were directors of Capral except as indicated below:

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
K. Ostin	17 June 2020 - Date of this report
G. F. Pettigrew	18 June 2010 – 27 April 2023
M. White	1 September 2021 - Date of this report
B. Tisher	24 February 2022 – Date of this report

Details of directors, their qualifications, experience, special responsibilities (including committee memberships) and directorships of other listed companies held in the last three years before end of the Financial Year are set out on pages 5 and 6.

Principal activities

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

Dividends and Buy-Backs

The Directors recommend that a final dividend of 35 cents per ordinary share (fully franked) be declared. The record date for the final ordinary dividend will be 1 March 2024, with payment being made on 22 March 2024. Capral's Dividend Reinvestment Plan (DRP) will not be active for this dividend. A final dividend of 50 cents per ordinary share (fully franked) was paid in March 2023 in respect of the 2022 financial year and an interim dividend of 20 cents per ordinary share (fully franked) was paid on 15 September 2023 in respect of the 2023 financial year, no other dividends have been paid during the Financial Year. During 2023, 363,713 shares were bought back on-market at a cost of $3,145,187, and subsequently cancelled.

Review of operations and financial position

A review of operations and financial position of the consolidated entity are referred to in the Managing Director's Operations and Financial Review on pages 3 to 4.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

Matters subsequent to the end of the Financial Year

No matter or circumstance other than those disclosed in Note 34 has arisen since the end of the Financial Year that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

Likely developments, business strategies, prospects and risks

Information on likely developments, business strategies, prospects and risks are detailed in the Managing Director's Operations and Financial Review on pages 3 to 4 and the Sustainability Report on pages 7 and 10. Whilst Capral continues to meet its continuous disclosure obligations, this report omits information where it would be likely to result in unreasonable prejudice to Capral. This includes information that is commercially sensitive, is confidential or could provide a third party with a commercial advantage (such as internal budgets and forecasts).

Other information for members to make an informed assessment

Other than information set out in this report, there is no information that members would reasonably require to make an informed assessment of the operations, financial position, business strategies and prospects for future financial years of the consolidated entity.

Company Secretary

Ms K Bradley-Ware - Joint Company Secretary, B Comm, CPA, LLB
Ms Bradley-Ware has over 20 years of experience as a Company Secretary and CFO. Ms Bradley-Ware is an employee of Company Matters Pty Ltd, a company secretarial service provider. Prior to joining Company Matters, Ms Bradley-Ware was a Company Secretary and Chief Financial Officer at ASX listed Pan Pacific Petroleum Limited (ASX: PPP) and prior to that, held various roles in accounting across a variety of different industries including credit reporting, telecommunications and media.
Ms Bradley-Ware has provided support to a large number of ASX companies including Elixinol Global Limited (ASX: EXL), Energy Action Limited (ASX: EAX), People Infrastructure Ltd (ASX: PPE), as well as various Infrastructure Joint Ventures and Private Companies.
Ms Bradley-Ware resigned as Company Secretary on 19 April 2023.

Ms L Osbich - Joint Company Secretary, BA (Hons), LLB, GradDip Legal Practice
Ms Osbich is an employee of Company Matters Pty Ltd, a company secretarial service provider. Prior to joining Company Matters, Ms Osbich was employed by ASX as a Listings Compliance Advisor and prior to that, worked predominantly in the online legal publishing space with over 15 years' experience extending to senior roles with a technical legal research focus. Ms Osbich has also worked as a Legal and Compliance Research Consultant focusing on putting together practical content in relation to governance, risk and compliance programs, particularly focused on the financial services and banking sectors.
Ms Osbich was appointed as Company Secretary on 19 April 2023.

Mr T Campbell – Chief Financial Officer and Company Secretary, B.Com (Hons), CA
Mr Campbell was appointed Chief Financial Officer on 1 June 2011 and is a member of the Australia and New Zealand Institute of Chartered Accountants.
Prior to joining Capral, Mr Campbell held various executive positions at UXC, Macsteel and The South African Breweries.
Mr Campbell was appointed as Company Secretary on 8 March 2019.

Directors' meetings

The numbers of directors' meetings (including meetings of committees) held, and the number of meetings attended, by each director during the Financial Year, are as follows:

Director	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
R.L. Wood-Ward	7	7	4	4	3	3
A.M. Dragicevich[1]	7	7	4	4	3	3
K. Ostin	7	7	4	4	3	3
G.F. Pettigrew[2]	2	2	1	1	1	1
M. White	7	7	4	4	3	3
B. Tisher	7	7	4	4	3	3

[1] Attended meeting(s) in an ex-officio capacity
[2] Meetings up to retirement on 27 April 2023

Directors' interests and benefits

Ordinary Shares

Details of holdings of ordinary shares in Capral for the directors (including former directors who held office during the Financial Year) at the beginning and end of the Financial Year and at the date of this report are as follows:

Name	Position	Ordinary shares fully paid in the Company		
		Balance at 1.1.2023	Balance at 31.12.2023	Balance at date of this report
R.L .Wood-Ward	Director and Chairman of the Board	-	-	-
A.M. Dragicevich	Managing Director	546,041	566,794[1]	566,794
K. Ostin	Director	-	-	-
G.F. Pettigrew	Director	-	-	-
M. White	Director	-	-	-
B. Tisher	Director	-	-	-

[1] Acquired 3,338 as part of 2022 STI programme on 28 April 2023. Allotted 102,670 as vesting of 2020 LTI rights on 22 March 2023, sold 85,255 to cover taxation obligations.

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

Mr A. M. Dragicevich

Nature of other interests	Balance at 1.1.2023[1]	Balance at 31.12.2023	Balance at date of this report
Performance rights	237,970	179,700[2]	179,700

[1] Shown as post 3 November 2020 share consolidation quantity.
[2] Nil performance rights lapsed on 1 March 2023; 102,670 performance rights vested on 1 March 2023 and 44,400 performance rights were issued on 27 April 2023

Unissued shares or interests under option

At the date of this report, there are 606,000 (2022: 722,320) unissued shares or interests under option. Refer to sections 1 to 3 of the Remuneration Report and Note 37.

REMUNERATION REPORT (AUDITED)

This report sets out Capral's remuneration of its directors and executives. It also details the actual remuneration of its key management personnel (including the directors) during the Financial Year.

Section 1: The Remuneration Framework

(a) Key Principles

Capral's remuneration framework and practices are based on the principles that remuneration is performance driven, aligns with shareholder interests, provides market competitive remuneration that attracts qualified and experienced candidates, and retains and motivates employees.

The variable components of remuneration (short and long term) are driven by challenging targets focused on both external and internal measures of financial and non-financial performance. Details of performances measures are set out in sections 1(g) and 1(h) below. Executive remuneration is aligned with shareholder interests via an emphasis on variable (incentive) remuneration, the award of which is linked to performance benchmarks that support business strategies and future success. A significant proportion of executive remuneration is at-risk. Details of the link between performance and remuneration is set out in section 4.

(b) Role of Remuneration & Nomination Committee

The Remuneration & Nomination Committee is responsible for reviewing and making recommendations to the Board of Directors (**the Board**) on remuneration policies for Capral including, in particular, those governing the directors (including the Managing Director) and executive managers. The Committee operates in accordance with its Charter.

Remuneration of the Managing Director and certain executive managers is reviewed at least annually by the Remuneration & Nomination Committee and recommendations are put to the Board for its approval. Short- and long-term incentives are linked to performance criteria. The Board can exercise its discretion in relation to approving bonuses and incentives. Changes must be justified by reference to measurable performance criteria and having regard to Capral's overall financial performance and other special circumstances.

The Remuneration & Nomination Committee may seek independent advice as appropriate in setting the structure and levels of remuneration based on the principle that the elements of remuneration should be set at an appropriate level having regard to market practice for roles of similar scope and skill. Godfrey Remuneration Group Pty Ltd (GRG), independent remuneration consultants, was engaged during December 2021 to provide guidance regarding structure and level of remuneration of Non-Executive Directors and Key Executives.

(c) Performance Planning and Review

Capral has a Performance Planning and Review (**PPR**) process to evaluate and discuss performance and development plans at least annually with salaried employees. This PPR process covers:

- An agreement of objectives for the year ahead and the setting of key performance measures against which the achievement of those objectives will be assessed. These are set by reference to financial targets and key business strategies.
- A review of performance against the previously agreed objectives for the period under review.
- Employee comment and feedback.
- Short- and long-term training and development needs and career aspirations.

The PPR process ensures that there is better understanding of Capral's objectives thereby increasing the likelihood of their achievement. It also enables managers to evaluate and develop employee skills and performance and identify future development needs.

(d) Non-executive Directors

The structure of Capral's non-executive director remuneration is distinct from that applicable to the Managing Director and other senior executives.

Remuneration of non-executive directors is established at a level that enables Capral to attract and retain high quality directors at a reasonable cost. Remuneration of non-executive directors and their terms of office are governed by Capral's constitution and not by contract.

Remuneration of non-executive directors is allocated out of the pool of funds, the limit of which is approved by shareholders in general meeting; the fee pool limit is currently $650,000 per annum. Each non-executive director is entitled to the payment of an annual fee in cash and superannuation contributions for their services. Additional fees are not paid for sitting on Board committees; however, the extra responsibility of the Chairman of the Board and committees is recognised by the payment of a higher fee. The fees for the non-executive directors were reviewed by GRG as detailed above and adjusted during FY22 to be in line to those paid at comparable listed companies. Non-executive directors do not receive any shares, options or other securities as part of their remuneration however they are eligible to participate in Capral's equity incentive plans, although none currently participate. There are no schemes for retirement benefits (other than statutory superannuation payments).

(e) Senior Management Remuneration

The remuneration policy for the Managing Director and executives seeks to attract and retain people with the required capabilities to lead Capral in the achievement of business objectives and focus on delivering financial and non-financial measures.

Remuneration is reviewed annually, and approved changes applied from 1 March.

The Remuneration & Nomination Committee reviews the remuneration arrangements of the Managing Director, his direct reports and certain other executive managers. The Managing Director reviews the remuneration arrangements of the other members of senior management, based on the recommendations of his direct reports.

For the Managing Director and other senior management, remuneration consists of a fixed annual salary and superannuation (refer to section 1(f) below) plus at-risk components comprised of a short-term incentive plan (**STIP**) (refer to section 1(g) below) and a long-term incentive plan (**LTIP**) (refer to section 1(h) below).

The proportions of fixed and at-risk remuneration are established for the Managing Director and other senior management relative to their position in Capral. As a general guide, at-risk remuneration is 50% for the Managing

Director, 25 – 30% for executive management and 10%-20% for other senior managers, for the achievement of 'target' goals.

(f) Fixed remuneration

The level of the total employment cost (being base salary plus superannuation) (**TEC**) is determined having regard to job responsibilities, skills, experience, and performance. Salaries are reviewed annually, with any changes applied from 1 March. Fixed remuneration of executives is generally targeted at market median.

The fixed remuneration of the Managing Director is determined by the Board having regard to other ASX listed companies in building product related industries, his particular skills and previous remuneration, experience and capability to lead Capral in delivering financial targets and executing key business strategies. It forms part of his executive employment contract and is subject to annual review.

The Board has reviewed generally available market information regarding fixed remuneration of the key management personnel with comparable revenues and market capitalisation. The fixed remuneration of Capral's key management personnel is generally in line with this group.

(g) Short Term Incentives

Capral's short-term incentive schemes are designed to encourage participants to assist Capral in achieving continuous improvement by aligning their interests with those of Capral and its stakeholders and rewarding them when key performance measures are achieved.

For the Financial Year, there were 3 short term incentive programmes:
(1) Short Term Incentive Plan (**STIP**): The Managing Director and senior employees have the opportunity to earn a cash and deferred equity incentive, based on a specified percentage of TEC dependent on each individual's level of responsibility. The actual incentive earned is based on the achievement of financial and non-financial objectives.
(2) Bonus scheme: other salaried employees can earn fixed payments, as approved by the Managing Director, for achieving key performance measures set by their managers and outlined in the employee's individual PPR.
(3) Sales incentives: Sales employees participate in quarterly sales incentive programmes in relation to revenue, gross margin, and debtor days targets.

STIP is weighted 70% to financial objectives and 30% safety and other non-financial objectives. A summary of STIP is set out in the table below:

Frequency	Awards determined annually with payment made in the March following the end of the performance year.
Financial Measures	- Trading EBITDA for Capral and (for relevant General/Divisional Managers) Business Units (30%). Key financial threshold measure as reflects underlying earnings after excluding the impact of external economic factors such as the volatility of global aluminium prices and the unrealised impact of foreign exchange rate fluctuations. - Net Profit After Tax for Capral (15%). Aligned to ability to pay dividends. - Free Cash Flow for Capral (15%). Selected to ensure effectiveness of cash management. - % Working Capital to Annualised Sales for Capral and (for relevant General/ Divisional Managers) Business Units (10%). Selected to ensure effectiveness of capital management.
Safety and other Non-financial Measures	Specific individual objectives are set to reflect measurable and numeric (where possible) strategic initiatives and profit and safety improvement objectives. The key individual objectives include performance to customers, sales targets/growth, productivity and operational improvements, key projects, and cost improvements. The weightings are generally 5% however may be higher or lower depending on importance to company performance.
Assessment of performance against measures	Performance against financial measures is assessed after the end of each financial year based on Capral's financial results. The performance against non-financial measures is assessed as part of the PPR process. The Managing Director, in consultation with senior managers, is responsible for recommending to the Board the amount of STIP, if any, to be paid. Payments are subject to the achievement of applicable Capral, Divisional or Regional minimum annual Trading EBITDA targets. Stretch payments are not made where target financial metrics are not met.
Discretionary override	The Board retains absolute discretion regarding payments having regard to Capral's overall financial position and other special circumstances that have arisen during the year (ie normalisation or clawback). The intent however is to minimise the exercise of discretionary adjustments to the planned outcomes set at the start of the year. Material adjustments would be disclosed.
Service condition	The Managing Director is eligible to receive a pro-rata payment where his employment is terminated other than for cause. Other employees who leave Capral part way through a performance period are not eligible for a payment for that period.
Clawback of awards	In the event of fraud, misstatement or misrepresentation of the financials, the Board may exercise its discretion to withhold some or all of a payment before it is made or recover some or all of payments already made.

Deferral	Any 'Stretch' STIP payments (after tax) to the Managing Director and Executive Team is satisfied by Capral Shares and held in escrow for 3 years. These shares can be issued or acquired on-market (priced at the 12-month Volume Weighted Average Price (VWAP) as at the end of the performance period) as determined by the Board. There is no deferred cash / equity component for other STIP participants. The Board introduced deferred equity in 2018 to further strengthen alignment of Capral's executive managers with shareholders.
Plan review	The STIP design is reviewed at least annually by the Remuneration & Nomination Committee and approved by the Board. The Managing Director, in consultation with senior managers, is responsible for recommending to the Board the STIP financial targets. The non-financial objectives are approved by the Managing Director. The Managing Director's non-financial targets are established and approved by the Board.

The Managing Director and key management personnel are eligible for the following awards of STIP relative to TEC:

Position	**% of TEC**		
	Minimum	Target	Stretch
Managing Director	25%	50%	100%
Chief Financial Officer	15%	30%	60%

Where objectives can be financially measured, 'Minimum' is generally set around 15% below Board approved Budget. 'Target' is generally set around Board approved Budget and 'Stretch' is generally set 30% above Budget.

The Board periodically review external independent remuneration benchmarking reports (latest Dec 2021) regarding short term incentive schemes of the key management personnel (including the Managing Director) for listed companies with comparable revenues and market capitalisation. The Board considers that Capral's short-term incentive scheme is generally in line with this group.

(h) Long Term Incentives

Capral's long-term incentive plan (**LTIP**) was designed to strengthen the alignment of the interests of senior managers with shareholders and support a culture of share ownership and shareholder wealth. It also aims to provide competitive remuneration for the retention of specifically targeted members of senior management.

The Managing Director, Mr Dragicevich, was granted 86,300 performance rights following shareholder approval in April 2021 and 49,000 performance rights following shareholder approval in April 2022. During the Financial Year, an additional 44,400 performance rights were granted to Mr Dragicevich following shareholder approval in April 2023.

On the recommendation of the Managing Director to the Remuneration & Nomination Committee, selected senior executives participate in LTIP.

A summary of LTIP for the Managing Director and other senior executives is set out below:

Frequency	Awards determined annually.
Type of award	Performance rights subject to service requirements and vesting criteria. If the conditions are met, shares will be issued or allocated around the vesting date.
Amount of award	The Managing Director is eligible to receive additional annual issues of up to 50% of the value of TEC, subject to shareholder approval. The value of individual awards for all other participating senior executives is generally less than 30% of TEC. As a matter of practice, the aggregate amount of each annual award to all Executives is about 1.5% of issued capital and the number of rights awarded is based on the 12-month Volume Weighted Average Price (VWAP) as at the start of the performance period.
Performance period & vesting dates	3 years with 31 December testing dates. 2021 award: vesting date of 1 March 2024. 2022 award: vesting date of 1 March 2025. 2023 award: vesting date of 1 March 2026.
Performance conditions	Performance rights granted under LTIP are subject to the participant remaining employed by Capral at the vesting date and the achievement of the following performance conditions: - 50% of rights are subject to an EPS performance condition. The actual EPS performance is measured over a 3-year period, must meet, in aggregate, the 3 annual targets combined. The EPS condition is calculated each year as follows: Net Profit After Tax Target as specified by the Board for that year (adjusted for any extraordinary items approved by the Board) divided by weighted average number of securities on issue during the year. The Net Profit After Tax Target used for this condition is set at least at minimum Budget level. The Board may adjust EPS to normalise results and exclude the effects of material business acquisitions/ divestments and certain one-off costs; any material adjustments would be disclosed. The number of rights that may vest is set out in Table B below. - 50% of rights are subject to a TSR performance condition as against the entities with ordinary shares and units (as the case may be) included in the S&P/ASX All Ordinaries Index as at 1 January in the year of grant but excluding

	those companies who are classified in the Global Industry Classification Standard sector number 40. The number of rights which may vest is set out in Table A below. Refer to the explanation above (LTIP) regarding the setting of the EPS condition and the use of EPS and TSR tests.
Assessment of performance against measures	Performance against the EPS and TSR conditions are assessed at the end of the 3-year period (31 December testing date). There is no re-testing of EPS or TSR conditions. Vested rights convert on the relevant vesting date a one-for-one basis to ordinary shares. Unvested rights lapse.
Treatment of awards on cessation of employment	If employment ceases all unvested rights will immediately lapse. However, if the cessation relates to the redundancy or permanent disability / death of the employee or other reason determined by the Board then the Board has absolute discretion to determine that the rights remain in play on a pro rata basis.
Treatment of awards on change of control	The Board has discretion to allow awards to vest on a change of control. In exercising this discretion, the Board is not bound to award all shares.
Dividend/ participation rights	There is no entitlement to dividends on performance rights during the vesting period or to participate in respect of issues of shares to shareholders.
Clawback of awards	In the event of fraud, misstatement or misrepresentation of the financials, the Board may exercise its discretion to forfeit some or all of the award prior to the issue of shares or recover some or all of the award already made.
Plan review	The LTIP design is reviewed at least annually by the Remuneration & Nomination Committee and approved by the Board. The Managing Director makes recommendations to the Remuneration & Nomination Committee regarding the proposed LTIP award participants and the amount of the entitlements.

Vesting of rights subject to the TSR and EPS performance conditions at each testing date is determined in accordance with Tables A and B respectively below:

Table A

Percentile of TSR	**% Rights Vesting**
< 50th	None
50th	50
> 50th and < 75th	Between 50 and 100 (pro rata)
> 75th	100

Table B

EPS Target	**% Rights Vesting**
> 5% below target	None
5% below target	50
< 5% below target to 10% above target	Between 50 and 100 (pro rata)
> 10% above target	100

The Board has reviewed the guidance provided through the GRG remuneration benchmarking report regarding long term incentive schemes of the key management personnel (including the Managing Director) for listed companies with comparable revenues and market capitalisation. The Board considers that Capral's long-term incentive scheme is generally in line with this group.

(i) Anti-Hedging Policy

Capral's personnel are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any Capral equity-based remuneration scheme currently in operation or which will be offered by Capral in the future. As part of Capral's due diligence undertaken at the time of the financial results, participants in any Capral equity plan are required to confirm that they have not entered into any such prohibited transactions.

Section 2: Actual Remuneration of key management personnel

During the Financial Year there were a number of remuneration outcomes. The expensed remuneration is set out in detail in the remuneration table below however in summary the key outcomes were as follows:

(a) Remuneration
General pay increases were implemented for executives. Total expensed remuneration for the management personnel (including the directors) increased on average by 3% as compared to the prior year.

(b) STIP
STIP accruals in respect of the 2023 year are higher than the prior year actual payout.

(c) LTIP
44,400 performance rights were granted to the Managing Director in April 2023 following shareholder approval (2022: 49,000) and 141,100 rights were granted under the 2023 LTIP award to executives in March 2023 (2022: 139,000).

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

For the financial year ending 31 December 2024, Capral intends to:

- increase the fixed remuneration of the Managing Director and executives by an average of 3%; and
- grant further performance rights under the LTIP to the Managing Director (subject to shareholder approval) and selected senior managers.

(d) Remuneration Table - key management personnel

The following table sets out the remuneration of the key management personnel (including the directors) during the Financial Year and the 2022 financial year.

The key management personnel of the consolidated entity are the non-executive directors, Managing Director and Chief Financial Officer/Company Secretary. These people have the authority and responsibility for planning, directing and controlling the day-to-day activities of Capral.

			Short-term employee benefits			Post - employment benefits	Other long-term benefits	Termination benefits[2]	Share-based payments		Total	Total performance related
Name	Year	Title	Salary and fees	Bonus[1]	Non - monetary benefits	Super-Annuation[4]			Deferred Equity[1]	Performance Rights[3]		
			$	$	$	$	$	$	$	$	$	%
Directors												
A.M. Dragicevich	**2023**	**Managing Director**	**702,310**	**373,750**	**-**	**27,500**	**-**	**-**	**88,450**	**351,756**	**1,543,766**	**53**
	2022	Managing Director	700,428	364,650	-	27,102	-	-	53,050	323,079	1,468,309	50
R.L. Wood-Ward	**2023**	**Chairman**	**124,545**	**-**	**-**	**13,392**	**-**	**-**	**-**	**-**	**137,937**	**-**
	2022	Chairman	123,821	-	-	12,697	-	-	-	-	136,518	-
P.J. Jobe	**2023**	**Non-executive director**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2022	Non-executive director	23,664	-	-	2,858	-	-	-	-	26,522	-
K. Ostin	**2023**	**Non-executive director**	**83,636**	**-**	**-**	**8,993**	**-**	**-**	**-**	**-**	**92,629**	**-**
	2022	Non-executive director	81,463	-	-	8,358	-	-	-	-	89,821	-
G.F. Pettigrew	**2023**	**Non-executive director[5]**	**26,653**	**-**	**-**	**2,799**	**-**	**-**	**-**	**-**	**29,452**	**-**
	2022	Non-executive director	81,463	-	-	8,358	-	-	-	-	89,821	-
M. White	**2023**	**Non-executive director**	**73,636**	**-**	**-**	**7,917**	**-**	**-**	**-**	**-**	**81,553**	**-**
	2022	Non-executive director	71,464	-	-	7,332	-	-	-	-	78,796	-
B. Tisher	**2023**	**Non-executive director**	**83,217**	**-**	**-**	**8,950**	**-**	**-**	**-**	**-**	**92,167**	**-**
	2022	Non-executive director[6]	62,712	-	-	6,458	-	-	-	-	69,170	-

Name	Year	Title	Short-term employee benefits: Salary and fees[1]	Bonus[1]	Non - monetary benefits	Post - employment benefits: Super-Annuation[4]	Other long-term benefits	Termination benefits[2]	Share-based payments: Deferred Equity[1]	Performance Rights[3]	Total	Total performance related
			$	$	$	$	$	$	$	$	$	%
Executives												
T. Campbell *	**2023**	**CFO/ Co. Sec.**	**430,832**	**139,500**	**-**	**27,482**	**-**	**-**	**31,900**	**103,626**	**733,340**	**38**
	2022	CFO/Co. Sec.	405,218	108,375	-	27,482	-	-	14,625	97,966	653,666	34
		Total 2023	**1,524,829**	**513,250**	**-**	**97,033**	**-**	**-**	**120,350**	**455,382**	**2,710,844**	
		Total 2022	1,550,233	473,025	-	100,645	-	-	67,675	421,045	2,612,623	

1 All salaries, fees and bonus amounts are on an accrual basis.
2 Termination benefits include leave accrued and payments made in lieu of notice at the end of employment with Capral.
3 All LTIP performance rights listed are securities that have not yet vested. In relation to the performance rights of the key management personnel refer to Note 38 of the financial statements.
4 Superannuation guarantee percentage has been changed from 10.5% to 11% from 1 July 2023.
5 Mr Pettigrew retired as director on 27 April 2023.
6 Mr Tisher was appointed as a director on 24 February 2022.

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

Section 3: Performance rights, Options and bonuses provided as compensation

Performance rights - Managing Director

During the Financial Year and the financial year ended 31 December 2022, performance rights were granted as equity compensation benefits under the LTIP, to the Managing Director as disclosed as at balance date below. The performance rights were granted at no cost to him.

44,400 performance rights were granted to the Managing Director in April 2023 following shareholder approval. These rights have a vesting date of March 2026.

49,000 performance rights were granted to the Managing Director in April 2022 following shareholder approval. These rights have a vesting date of March 2025.

86,300 performance rights were granted to the Managing Director in April 2021 following shareholder approval. These rights have a vesting date of March 2023. The EPS condition (43,150 rights) was tested as at 31 December 2023. Capral achieved the EPS condition and consequently 43,150 rights will vest in March 2024. The TSR condition (43,150 rights) was also tested as at 31 December 2023. Capral's relative TSR performance over the period from January 2021 to December 2023 at 121.4% (2022: 161.4%) was in the 91st percentile (2022: 92nd) and thus 100% of the rights subject to the TSR condition will vest in March 2024. Consequently, a total of 86,300 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2024.

102,670 performance rights were granted to the Managing Director in April 2020 following shareholder approval. None of 102,670 rights lapsed and a total of 102,670 rights vested and converted into Capral shares on a 1 for 1 basis, as at 1 March 2023.

	Tranche	Grant No.	Grant date	Fair value per right at grant date ($)	Test date	Lapsed No.	Vested No.
2023 Offer							
A. Dragicevich			27/04/2023				
	EPS 50%	22,200		$5.94	31/12/2025	-	-
	TSR 50%	22,200		$4.25	31/12/2025	-	-
Total 2023 Offer		**44,400**				**-**	**-**
2022 Offer							
A. Dragicevich			27/04/2022				
	EPS 50%	24,500		$7.77	31/12/2024	-	-
	TSR 50%	24,500		$5.82	31/12/2024	-	-
Total 2022 Offer		**49,000**				**-**	**-**
2021 Offer							
A. Dragicevich			28/04/2021				
	EPS 50%	43,150		$6.43	31/12/2023	-	-
	TSR 50%	43,150		$5.17	31/12/2023	-	-
Total 2021 Offer		**86,300**				**-**	**-**
2020 Offer							
A. Dragicevich			29/04/2020				
	EPS 50%	51,335		$1.56	31/12/2022	-	51,335
	TSR 50%	51,335		$2.04	31/12/2022	-	51,335
Total 2020 Offer		**102,670**				**-**	**102,670**

Performance rights – other key management personnel and executives

During the Financial Year and the financial year ended 31 December 2022, performance rights were granted as equity compensation benefits under the LTIP, to certain executives including key management personnel as disclosed as at balance date below. The performance rights were granted at no cost to the participants.

141,100 performance rights were granted under the 2023 LTIP award to executives in March 2023. These rights have a vesting date of March 2026.

139,000 performance rights were granted under the 2022 LTIP award to executives in March 2022. 13,500 of these performance rights have been forfeited. These rights have a vesting date of March 2025.

164,700 performance rights were granted under the 2021 LTIP award to executives in March 2021. These rights have a vesting date of March 2024. 5,000 of these performance rights have been forfeited. The EPS condition (79,850 rights) was tested as at 31 December 2023. Capral achieved the EPS condition and consequently 79,850 of these rights will vest in March 2024. The TSR condition (79,850 rights) was also tested as at 31 December 2023. Capral's relative TSR performance over the period from January 2021 to December 2023 at 121.4% (2022: 161.4%) was in the 91st percentile (2022: 92nd) and thus 100% of the rights subject to the TSR condition will vest in March 2024. Consequently, a total of 79,850 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2024.

180,650 performance rights were granted under the 2020 LTIP award to executives in March 2020. 5,000 of these performance rights have been forfeited. None of 175,650 rights lapsed and a total of 175,650 rights vested and converted into Capral shares on a 1 for 1 basis, as at 1 March 2023.

Other KMP/Offer	Tranche	Grant No.	Grant date	Fair value per right at grant date ($)	Test date	Lapsed No.	Vested No.
2023 Offer							
T. Campbell		**16,600**	06/03/2023			-	-
	EPS 50%	8,300		$6.16	31/12/2025	-	-
	TSR 50%	8,300		$4.73	31/12/2025	-	-
Total 2023		**16,600**				-	-
2022 Offer							
T. Campbell		**17,500**	08/03/2022			-	-
	EPS 50%	8,750		$6.78	31/12/2024	-	-
	TSR 50%	8,750		$4.91	31/12/2024	-	-
Total 2022		**17,500**				-	-
2021 Offer							
T. Campbell		**25,700**	03/03/2021			-	-
	EPS 50%	12,850		$5.49	31/12/2023	-	-
	TSR 50%	12,850		$4.18	31/12/2023	-	-
Total 2021		**25,700**				-	-
2020 Offer							
T. Campbell		**30,670**	03/03/2020			-	-
	EPS 50%	15,335		$2.82	31/12/2022	-	15,335
	TSR 50%	15,335		$2.10	31/12/2022	-	15,335
Total 2020		**30,670**				-	**30,670**

Options

No options were issued under the LTIP during the Financial Year and the financial year ended 31 December 2022.

Equity grants during the Financial Year

Details of the performance rights granted, as well as the movement during the Financial Year in rights previously granted, to Key Management Personnel are as follows:

2023 - Performance share rights	Held at start of year	Granted as compensation	Lapsed	Vested	Other Changes	Held at end of year
A Dragicevich	237,970	44,400	-	(102,670)	-	179,700
T Campbell	73,870	16,600	-	(30,670)	-	59,800
	311,840	61,000	-	(133,340)	-	239,500

The non-executive directors hold no performance rights.

Bonuses

During the Financial Year and the financial year ended 31 December 2022, STIP bonus payments were made to the Managing Director and key management personnel. The Managing Director's STIP payments for 2023 and 2022 equated to 53% and 50% (respectively) of his TEC (above the Capral Trading EBITDA[2] 'target' level detailed in section 1 above) and the Board considers it appropriate having regard to the achievement of certain key financial measures as well as critical non-financial measures regarding customers, capital projects, anti-dumping activities and other strategic plans. The other key management personnel's STIP payments were 38% and 34% of TEC for 2023 and 2022 respectively (above the Capral Trading EBITDA[2] 'target' level detailed in section 1 above).

The percentages of bonus accrued and forfeited (as a result of not meeting the performance criteria at 'target' level) during the Financial Year and the financial year ended 31 December 2022 are disclosed below:

2023	% of bonus accrued	% of bonus forfeited	% of compensation for the year consisting of STIP bonus[1]
Executives			
A. Dragicevich	124	-	39
T. Campbell	123	-	27

2022	% of bonus accrued	% of bonus forfeited	% of compensation for the year consisting of STIP bonus[1]
Executives			
A. Dragicevich	115	-	36
T. Campbell	114	-	22

Note:

1 Total compensation used for calculating % purposes excludes equity compensation benefits under the LTIP and termination benefits.

2 Trading EBITDA (non-IFRS measure) is EBITDA adjusted for items assessed as unrelated to the underlying performance of the business and allows for a more relevant comparison between financial periods.

3 Bonuses relating to a financial year are payable in the following financial year.

Shareholdings of Key Management Personnel - fully paid ordinary shares of the Company

Details of the holdings of Capral's ordinary shares of key management personnel during the Financial Year are as follows:

2023	Held at start of year	Granted as compensation	Received on vesting of performance rights/ exercise of options	Other changes during the year	Held at end of year
Directors					
R.L. Wood-Ward	-	-	-	-	-
A.M. Dragicevich	546,041	3,338[1]	102,670[2]	(85,255)[3]	566,794
K. Ostin	-	-	-	-	-
G.F. Pettigrew	-	-	-	-	-
M. White	-	-	-	-	-
Executives					
T. Campbell	59,970	920[1]	30,670[2]	(20,000)[3]	71,560
	606,011	4,258	**133,340**	**(105,255)**	**638,354**

1 Deferred equity acquisition as part of 2022 STIP plan.
2 Acquired on vesting of performance rights in March 2023.
3 Acquired through DRP and selling.

Section 4: Relationship between remuneration and company performance

There is a link between company performance and executive reward. For the Financial Year and the previous 4 financial years, Capral has made STIP payments based upon the achievement of performance (financial and non-financial) measures.

Whilst continuing to ensure that Capral attracts and retains qualified, experienced, and motivated employees in accordance with the remuneration policy by remunerating employees at a competitive level, Capral has placed more emphasis on at-risk remuneration in order to align remuneration of the employees to the performance of Capral and encourage shareholder wealth.

During the Financial Year and the previous 4 financial years (2019-2022), Capral's financial performance objectives were as follows, with the minimum targets (M) that were set for the 2023 STIP financial measures also shown:

Year Ended 31 Dec	2023 (A)	2023 (M)	2022 (A)	2021 (A)	2020 (A)	2019 (A)
Trading EBITDA $'000[1]	42,299	32,700	43,305	38,157	19,668	11,021
Free Cash Flow $'000[1]	52,431	38,200	(16,376)	17,229	20,752[4]	475[5]
Net (Loss)/Profit $'000	31,839	25,400	32,387[2]	33,313[3]	11,464[4]	3,105[5]
% Working Capital to Annualised Sales	15.8	16.0	13.1	10.7	13.2	14.7
Underlying earnings / (loss) - cents per share	183.43	141.59	195.90[2]	179.70[3]	69.51[4]	19.26[5]

Note:
Any JobKeeper related benefit received in 2020 have been excluded in full
[1] Trading EBITDA (non-IFRS measure as explained in footnote to Chairman's Report on Page 2) is Statutory EBITDA adjusted for items assessed as unrelated to the underlying performance of the business and allows for a more relevant comparison between financial periods. Free Cash Flow is Net cash provided by operating activities reduced by net cash flows used in investing activities and lease liability payments.
[2] Net Profit and Underlying Earnings per share adjusted to exclude Deferred Tax Benefit of $8.365 million.
[3] Net Profit and Underlying Earnings per share adjusted to exclude Deferred Tax Benefit of $9.430 million, property revaluation $3.074 million.
[4] Free Cash Flow, Net Profit and Basic Earnings per share adjusted to exclude Deferred Tax Benefit of $3.048 million and other one-off items of $0.499 million.
[5] Free Cash Flow, Net Profit and Basic Earnings per share adjusted to exclude Restructuring Cost and other one-off items of $7.345 million.

In the Financial Year, Capral's Trading EBITDA and Net Profit after tax was lower than 2022. The minimum targets were surpassed in all instances. As a result, proportional STIP will be payable to Capral key management and other senior personnel. Discretionary Bonuses will also be payable to other qualifying employees. At a Divisional and Regional level minimum Trading EBITDA measures were achieved in all business units, and there were mixed results relating to Working Capital and sales volume measures.

Section 4: Relationship between remuneration and company performance (Cont'd)

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

Performance Area	Measure	Outcome
Safety	Reduction in total reportable injury frequency rate	Rate improved significantly and Group stretch targets were almost met
	Hours lost & return to work hours lost from injuries	Minimum target was not achieved.
Customers	Volume retention/ growth	Sales areas met some of the specific growth and revenue targets as well as margin measures. Performance varied by region/ division
Production	Operational efficiency	Manufacturing plants met some of their operational efficiency/ improvement targets. Performance varied by plant.
Supply Chain	Supply chain and inventory reduction programmes	Initiatives were generally achieved
People	AL & LSL excess balance reduction	Overall excess leave balance reduction initiatives were achieved. Performance varied by region/ division
Anti-dumping	Pursue anti-dumping campaign	Overall, the outcomes were successful.
Costs	Cost reduction initiatives	Many of the specific cost and expense reduction initiatives were achieved. Performance varied by region/ division

STIP accruals in respect of the 2023 year are higher than the prior year actual payout, aligned to financial performance. There is a clear link between financial performance and the level of STIP awarded.

LTIP is linked to Capral's performance as the value of the performance rights awarded depends on Capral's share price and dividend payments, and whether the awards vest relate to earnings growth and Capral's relative TSR performance. There is a link between Capral's performance and the vesting of rights under LTIP awards. In this regard:

- In 2023:
  - Capral's relative TSR performance over the period from January 2021 to December 2023 achieved the 91st percentile, above the maximum 75th percentile. Consequently, 100% or 123,000 of the rights subject to the TSR condition that were awarded in 2021 to executives will vest and convert to Capral shares.
  - Given earnings in, 2021, 2022 and 2023, the aggregate EPS result for the 3-year period to 2023 was 557.4 cents per share against an aggregate target of 362.4 cents per share and therefore the EPS condition of the 2021 award was achieved. Consequently, 100% or 123,000 of the rights subject to the EPS condition of the 2021 award will vest and convert into Capral shares.

- In 2022:
  - Capral's relative TSR performance over the period from January 2020 to December 2022 achieved the 93rd percentile, above the maximum 75th percentile. Consequently, 100% or 141,660 of the rights subject to the TSR condition that were awarded in 2020 to executives will vest and convert to Capral shares.
  - Given earnings in, 2020, 2021 and 2022, the aggregate EPS result for the 3-year period to 2022 was 449.5 cents per share against an aggregate target of 263.4 cents per share and therefore the EPS condition of the 2020 award was achieved. Consequently, 100% or 141,660 of the rights subject to the EPS condition of the 2020 award will vest and convert into Capral shares.

Section 5: Summary of Key Employment Contracts

Details of the key contract terms for the Managing Director and other key management personnel as at the end of the Financial Year are as follows:

Contract Details	A. Dragicevich	T. Campbell
Expiry date	No fixed end date	No fixed end date
Notice of termination by Capral	6 months	6 months
Notice of termination by employee	6 months	6 months
Termination payments (in lieu of notice)	6 months salary plus accrued but unpaid STIP (pro rata for incomplete financial year). In addition, on retirement or if employment is terminated by Capral other than for cause, unvested LTIP rights may remain in play on a pro rata basis. 6 weeks annual leave per annum.	6 months salary. STIP entitlement for incomplete financial years is subject to Board discretion. In addition, on retirement or if employment is terminated by Capral other than for cause, unvested LTIP rights may remain in play on a pro rata basis.

Environmental regulations

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

Directors' and officers' indemnities and insurance

Under Capral's constitution, Capral is required to indemnify, to the extent permitted by law, each director and secretary of Capral against any liability incurred by that person as an officer of Capral. The directors listed on pages 5 to 6 and the secretary listed on page 12 have the benefit of this indemnity. During the Financial Year, Capral paid a premium for directors' and officers' liability insurance policies which cover current and former directors, company secretaries and officers of the consolidated entity. Details of the nature of the liabilities covered and the amount of the premium paid in respect of the directors' and officers' insurance policies are not disclosed, as such disclosure is prohibited under the terms of the contracts.

Indemnities to auditors

In respect of non-audit services provided in relation to tax consulting and tax compliance advice during the Financial Year, Deloitte Touche Tohmatsu, Capral's auditor, has the benefit of an indemnity (including in respect of legal costs) for any third party claim in connection with the use, distribution or reliance on their work (except to the extent caused by the wilful misconduct or fraud of Deloitte Touche Tohmatsu, or where it has agreed that the third party may rely on the work or it may be used in a public document).

Proceedings on behalf of Capral

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of Capral, or to intervene in any proceedings to which Capral is party, for the purpose of taking responsibility on behalf of Capral for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of Capral with leave of the Court under section 237 of the Corporations Act.

Non-audit services

Capral may decide to employ the auditor on assignments additional to their statutory audit services where the auditor's expertise and experience with the consolidated entity are important.

The Board has considered this position and in accordance with the advice received from the Audit & Risk Committee, it is satisfied that the provision of these services during the Financial Year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the Corporations Act for the following reasons:

(1) the non-audit services provided do not involve reviewing or auditing the auditor's own work and have not involved partners or staff acting in a management or decision-making capacity for Capral or in the processing or originating of transactions;

(2) all non-audit services and the related fees have been reviewed by the Audit & Risk Committee to ensure complete transparency and that they do not affect the integrity and objectivity of Deloitte Touche Tohmatsu; and

(3) the declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from Deloitte Touche Tohmatsu.

Details of the amounts paid or payable to Capral's auditor (Deloitte Touche Tohmatsu) for audit and non-audit services provided during the Financial Year are set out in Note 33 of the financial statements.

Auditor's independence declaration

The auditors' independence declaration as required under section 307C of the Corporations Act is set out on page 27.

Rounding of amounts

Capral is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that ASIC Corporations Instrument amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the directors

R. L. Wood-Ward Chairman	A. M. Dragicevich Managing Director

Sydney
23 February 2024

Deloitte.

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Australia

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

23 February 2024

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 audit of the financial report of Capral Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, the only contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delaney
X Delaney
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2023

Continuing operations	**Note**	**2023** $'000	**2022** $'000
Sales revenue		614,844	643,284
Scrap and other revenue		42,015	49,222
Revenue	3	656,859	692,506
Other income	3	4,333	3,446
Raw materials and consumables used		(423,216)	(468,730)
Employee benefits expense	2	(109,066)	(103,922)
Depreciation and amortisation expense	2	(23,009)	(21,318)
Finance costs	2	(6,682)	(6,319)
Freight expense		(17,065)	(16,296)
Occupancy costs	2	(5,966)	(4,969)
Repairs and maintenance expense		(7,894)	(7,076)
Other expenses	2	(36,455)	(34,934)
Profit before tax		31,839	32,388
Income tax benefit	4	-	8,365
Profit for the year		31,839	40,753
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of properties		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		31,839	40,753
Earnings per share		($ per share)	($ per share)
Basic earnings per share	26	1.77	2.31
Diluted earnings per share	26	1.71	2.22

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	59,457	48,988
Trade and other receivables	8	89,313	91,326
Inventories	9	126,150	154,877
Other financial assets	31 (c)	11	11
Prepayments	10	2,711	848
Total current assets		277,642	296,050
Non-current assets			
Deferred tax assets	11	23,700	23,700
Property, plant and equipment	14	57,518	56,644
Right-of-use assets	17	62,710	66,651
Other intangible assets	15	560	649
Goodwill	16	3,070	3,070
Total non-current assets		147,558	150,714
Total assets		425,200	446,764
LIABILITIES			
Current liabilities			
Trade and other payables	19	106,973	112,735
Lease liabilities	20	15,558	16,158
Provisions	21	14,920	17,901
Borrowings	27 (b)	-	24,083
Other financial liabilities	31 (c)	2,016	828
Deferred income	22	162	153
Total current liabilities		139,629	171,858
Non-current liabilities			
Lease liabilities	20	73,255	77,874
Provisions	21	7,584	7,306
Total non-current liabilities		80,839	85,180
Total liabilities		220,468	257,038
Net assets		204,732	189,726
EQUITY			
Issued capital	23	424,771	433,433
Reserves	24	114,947	91,279
Accumulated losses	24 (b)	(334,986)	(334,986)
Total equity		204,732	189,726

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		728,436	770,509
Payments to suppliers and employees		(646,970)	(757,098)
		81,466	13,411
Interest and other costs of finance paid		(6,425)	(6,349)
Net cash provided by operating activities	35(ii)	75,041	7,062
Cash flows from investing activities			
Payments for property, plant and equipment		(8,684)	(9,790)
Payments for intangible assets		(86)	(170)
Interest received		805	125
Net cash flows used in investing activities		(7,965)	(9,835)
Cash flows from financing activities			
Payments of dividends	25	(12,494)	(12,166)
Proceeds from dividend reinvestment plan		-	2,604
Payments for share purchase – employee share plan	24	(2,332)	-
Payments for on-market share buy-back		(3,145)	-
Proceeds in relation to employee share plan		92	428
Proceeds from borrowings (Trade loans)		36,563	80,820
Repayment of borrowings (Trade loans)		(60,646)	(56,737)
Payment of lease liabilities excluding financing component	35(iv)	(15,817)	(14,548)
Net cash flows (used in)/provided by financing activities		(57,779)	401
Net increase/(decrease) in cash and cash equivalents		9,297	(2,372)
Cash and cash equivalents at the beginning of the financial year		48,988	50,132
Effect of foreign exchange rate changes		1,172	1,228
Cash and cash equivalents at the end of the financial year	35(i)	59,457	48,988

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Note	Fully paid ordinary shares	Equity-settled compensation reserve	Employee share reserve	Asset revaluation reserve	Dividend reserve*	Share buy-back reserve#	Accumulated losses	Total
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 January 2022		430,588	11,909	(225)	4,088	54,116	-	(343,351)	157,125
Profit for the year		-	-	-	-	32,388	-	8,365^	40,753
Total comprehensive profit for the year		-	-	-	-	32,388	-	8,365^	40,753
Share-based payments expense		-	982	-	-	-	-	-	982
Shares issued - dividend reinvestment plan		2,604	-	-	-	-	-	-	2,604
Shares issued – employee escrow shares		241	-	-	-	-	-	-	241
Employees escrow shares utilised		-	-	187	-	-	-	-	187
Dividends paid	25	-	-	-	-	(12,166)	-	-	(12,166)
Balance as at 31 December 2022		**433,433**	**12,891**	**(38)**	**4,088**	**74,338**	**-**	**(334,986)**	**189,726**
Balance as at 1 January 2023		433,433	12,891	(38)	4,088	74,338	-	(334,986)	189,726
Profit for the year		-	-	-	-	31,839	-	-^	31,839
Total comprehensive profit for the year		-	-	-	-	31,839	-	-^	31,839
Share-based payments expense		-	1,045	-	-	-	-	-	1,045
Shares cancelled – on-market buy-back	23, 24	(8,705)	-	-	-	-	5,560	-	(3,145)
Shares issued - employee escrow shares		43	-	-	-	-	-	-	43
Employees shares on-market purchase	24	-	-	(1,970)	-	-	-	-	(1,970)
Employees shares off-market purchase	24	-	-	(312)	-	-	-	-	(312)
Dividends paid	25	-	-	-	-	(12,494)		-	(12,494)
Balance as at 31 December 2023		**424,771**	**13,936**	**(2,320)**	**4,088**	**93,683**	**5,560**	**(334,986)**	**204,732**

**Dividend reserve represents undistributed profits since the financial year 2010. Current period profit has been transferred to a dividend reserve account. Interim and final dividends are declared and sourced from current year profits.*
^Income tax benefit (2023: $nil; 2022: $8.365 million) in relation to deferred tax assets on tax losses and temporary differences are excluded from dividend reserve.
The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
#Refer to Notes 23 and 24.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

1a. General Information

Capral Limited (**the Company**) is a public listed company incorporated and operating in Australia. The Company's shares are quoted on the Australian Securities Exchange (ASX Code: CAA).

The Company's registered office and its principal place of business is as follows:

Registered office & principal place of business

71 Ashburn Road
Bundamba
QLD 4304
Tel: (07) 3816 7000

The principal continuing activities of the consolidated entity consist of the manufacturing, marketing and distribution of fabricated and semi-fabricated aluminium related products.

1b. Adoption of new and revised Accounting Standards

The Group 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 an accounting period that begins on or after 1 January 2023.

Accounting Standard in issue but not yet effective:
Certain Australian Accounting Standards and amendments to standards have been published that are not mandatory for reporting period commencing 1 January 2023 and not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1c. Significant accounting policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the financial statements of the Company and the financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 23 February 2024.

Basis of Preparation

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

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that ASIC Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar as indicated.

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

(a) Basis of Consolidation

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

Control is based on whether an investor has:

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the returns.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

1c. Significant accounting policies (cont'd)

(d) Cash and Cash Equivalents

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

(e) Derivative Financial Instruments

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

Further details of derivative financial instruments are disclosed in Note 31 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

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

Embedded Derivatives

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of AASB 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(f) Employee Benefits

(i) Salaries, wages and leave benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, including non-monetary benefits, annual leave and long service leave, when it is probable that settlement will be required, and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(ii) Share-based payments

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date.

The fair value of the performance rights is estimated at grant date using a Monte-Carlo Simulation analysis taking into account the terms and conditions upon which the securities are granted.

The fair value of the options is estimated at grant date using a binomial tree model taking into account the terms and conditions upon which the securities are granted.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Further details on how the fair value of equity-settled share-based transactions have been determined can be found in Note 37.

(iii) Defined contribution plan

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial Assets

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

<u>Effective interest method</u>

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

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

1c. Significant accounting policies (cont'd)

(g) Financial Assets (cont'd)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in profit or loss on the financial assets is included in the other income or other expenses. Fair value is determined in the manner described in Note 31.

Trade and other receivables

Trade and other receivables that were measured at amortised cost under AASB 139 continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows. Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Impairment of financial assets is based on an expected credit loss ("ECL") model under AASB 9 rather than incurred loss model. ECLs are a probability-weighted estimate of credit losses. The group calculated ECLs based on consideration of customer-specific factors and actual credit loss experience over the past 3 years. As a percentage of revenue, the Group's actual credit loss experience has not been material.

In accordance with AASB 9 paragraph 7.2.20 the group will recognise a loss allowance at an amount equal to lifetime expected credit losses at each reporting date. The group calculated ECLs based on consideration of customer-specific factors and actual credit loss experience over the past 3 years. The credit loss includes consideration for the COVID 19 impact.

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

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

Derecognition of financial assets

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

(h) Financial Instruments Issued by the Group

Debt and equity instruments

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

Compound instruments

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

This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Financial guarantee contract liabilities

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 31.

1c. Significant accounting policies (cont'd)

(h) Financial Instruments Issued by the Group (cont'd)

Other financial liabilities

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

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

(i) Foreign Currency

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

(j) Government Grant

Grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Income Tax

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

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

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

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

1c. Significant accounting policies (cont'd)

(m) Intangible Assets

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

SaaS arrangements

Configuration and customisation costs incurred in implementing SaaS arrangements are recognised in profit or loss as the customisation and configuration services are performed, or, in certain circumstances, over the SaaS contract term when access to the cloud application software is provided.

Patents, trademarks and licences

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

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

Software

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

(n) Inventories

Inventories representing aluminium log, other supplies and finished goods are valued at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Aluminium log is valued at moving average of direct purchase cost. Cost of rolled product has been determined principally on moving average of direct purchase costs. Costs for finished and partly finished includes moving average metal cost, direct labour, and appropriate proportion of fixed and variable factory overhead.

(o) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as copiers). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentivevess received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The depreciation starts at the commencement date of the lease.

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

1c. Significant accounting policies (cont'd)

(o) Leases (cont'd)

Operating lease payments are recognised as an expense on a straight-line basis over the lease team, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(p) Property, Plant and Equipment

Land and buildings are measured at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value is determined on the basis of a periodic, independent valuation by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate.

Periodic reviews are conducted every three to five years. The fair values are recognised in the financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values. Any revaluation increase arising on revaluation of land and buildings are credited to the asset revaluation reserve except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of revalued property, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

Plant and equipment, and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

(q) Provisions

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

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

Onerous contracts

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

Restructuring

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

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

Provision for restoration and rehabilitation (provision for make good on leased assets)

A provision for restoration and rehabilitation (provision for make good on leased assets) is recognised when there is a present obligation as a result of production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affecting areas.

(r) Revenue Recognition

Revenue is recognised when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customers.

The Group recognises revenue from the sale of products and the sale of scrap and when it transfers control of a product to a customer, which is the point in time that the customer obtains control of the goods being on acceptance of the goods by the customer.

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

<u>Royalties</u>

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

Royalties are recognised on the subsequent sale or usage, and the performance obligation to which the royalty has been allocated has been satisfied.

<u>Rental income</u>

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

<u>Interest income</u>

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

(s) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**) except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1d. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

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

<u>Inventories</u>

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

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

The Group also records impairment allowance on slow, non-moving and obsolete inventories. The key assumptions include future sales forecast, forecast LME price and selection of specific inventory based on the past consumption patterns vis-à-vis the inventory on hand.

1d. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Impairment of non-current assets inclusive of right of use assets and goodwill

Goodwill and indefinite life intangible assets are tested for impairment at each reporting period or more frequently if events or changes in circumstances indicate that goodwill or other intangibles might be impaired. This is performed through a value-in-use discounted cash flow model.

There is a degree of estimation uncertainty in the estimates and judgements used in the preparation of value-in-use models including in assessing whether there is any indication that property, plant and equipment and right of use assets may be impaired, or whether a reversal of previous impairment losses should be recognised. The key assumptions applied includes aluminium prices which impact margins to the extent the price variations are passed onto customers or not (i.e. price & margin), volumes impacted by the cyclical nature of both residential and commercial building activity, working capital, capital expenditure, discount rate, economic factors and prior period tax losses.

Note 14 and Note 17 sets out the categories of property, plant and equipment held and right of use assets.

The key assumptions required the use of management judgement and are reviewed biannually. If there are indicators of impairment or reversal of impairment, a value-in-use discounted cash flow model is prepared to assess the extent of impairment or reversal of impairment.

Employee benefits

Key assumptions used in the calculation of leave benefit provisions at balance date:

(i) future on-cost rates,
(ii) experience of employee departures and period of service, and
(iii) future increase in wages and salaries.

Provision for customer claims

Provision for customer claims are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of the financial position date based on claims assessors report.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that there were no revisions to the useful lives of property, plant and equipment.

Lease renewal

The Group reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- is within the control of the Group; and
- affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

Incremental borrowing rate (AASB 16)

The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Deferred taxation

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted and unrecognised tax losses utilised. To determine the future taxable profits, reference is made to the latest available profit forecasts. Relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Recognition of deferred tax assets therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised together with availability of such losses.

1e. Comparative information

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current period disclosures. However, there are none during the year.

2 Profit for the year

	Note	Consolidated 2023 $'000	2022 $'000
(a) Other expenses			
Profit before tax includes the following specific net expenses:			
Inventory:			
Write-down of inventory to net realisable value	9	917	2,929
Reversal of write-down of inventory		(427)	(25)
		490	2,904
Amortisation of intangibles assets		175	212
Total amortisation		175	212
Depreciation – owned assets			
Buildings		292	311
Leasehold improvements		610	537
Plant and equipment		7,230	6,473
Total depreciation – owned assets		8,132	7,321
Depreciation – right of use assets			
Buildings		12,345	12,067
Plant and equipment		2,357	1,718
Total depreciation – right of use assets		14,702	13,785
Total depreciation and amortisation		23,009	21,318
Occupancy costs			
Site costs		5,966	4,969
		5,966	4,969
Expense relating to leases of low value assets		85	80
Other charges against assets			
Increase/(decrease) in impairment of trade receivables		74	(183)
Employee benefit expense			
Post-employment benefits:			
- defined contribution plans		8,505	7,687
Equity-settled share-based payments		1,045	982
Termination benefits		86	59
Other employee benefits		99,430	95,194
		109,066	103,922
Finance costs			
Interest and finance charges paid/payable			
- third party financier		6,425	6,350
Net finance costs are comprised of:			
Interest and fees on bank overdrafts and loans		1,995	2,000
Interest component of lease liabilities		4,430	4,350
Impact of discounting on long-term provisions		257	(31)
Total interest expense		6,682	6,319
Other expenses			
Other labour cost		11,516	11,087
Utilities		10,520	9,441
Insurance		3,464	3,104
Other		10,955	11,302
Total other expenses		36,455	34,934

(b) Gains and Losses

		2023	2022
Net gain on foreign exchange		1,122	1,349

	Consolidated 2023 $'000	2022 $'000
3 Revenue and other income		
Revenue from continuing operations		
Sales revenue - sale of goods (i)	614,844	643,284
Other revenue		
Scrap revenue (i)	42,015	49,222
Total other revenue	42,015	49,222
Other income		
Sub-lease rental income	3,526	3,319
Other miscellaneous income	2	2
Interest income	805	125
	4,333	3,446

(i) Recognised at a point in time.

4 Income tax

	2023 $'000	2022 $'000
Current tax:		
Current year	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	8,365
Carry forward tax losses		
Income tax benefit	-	8,365
The benefit for the year can be reconciled to profit before tax as follows:		
Profit before income tax benefit	31,839	32,388
Income tax calculated @ 30% (2022:30%)	9,552	9,716
Tax effect of non-assessable / non-deductible items:		
Effect of expenses that are not deductible or taxable in determining taxable profit	580	455
Tax effect of costs deductible upon purchase of shares on-market for future issuance to employees	(685)	-
Tax effect of utilisation of tax losses and temporary differences not previously recognised	(9,447)	(10,171)
Previously unrecognised and unused tax losses and temporary differences now recognised as deferred tax assets	-	8,365
Income tax benefit recognised in profit or loss	-	8,365

5 Changes in accounting estimates

There were no significant changes in accounting estimates.

6 Segment information

The information reported to the Managing Director, as the Group's chief operating decision maker, for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2022 and 2023, the Group operated in one reportable segment under AASB 8 *Operating Segment*.

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 Financial Year or in 2022.

	Consolidated 2023 $'000	2022 $'000
7 Current assets - cash and cash equivalents		
Cash at bank and cash in hand	59,457	48,988

	Consolidated 2023 $'000	2022 $'000
8 Current assets - trade and other receivables		
Trade receivables - at amortised cost	83,153	90,443
Loss allowance (i)	(316)	(242)
	82,837	90,201
Other receivables	6,476	1,125
	89,313	91,326
Disclosed in the financial statements as:		
Current trade and other receivables	89,313	91,326
Non-current other receivables	-	-
	89,313	91,326

The average credit period on sales of goods is approximately 42 days (2022: 43 days). No interest is charged on trade receivables.

	Consolidated 2023 $'000	2022 $'000
(i) Movement in the loss allowance.		
Balance at beginning of the financial year	(242)	(425)
Amounts written off during the financial year	254	243
Increase in allowance recognised in profit or loss	(328)	(60)
Balance at end of the financial year	(316)	(242)

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Allowances are made for known doubtful debts at the time of appointment of administrators, liquidators, or other formal insolvency events.

Included in the Group's trade receivables are debtors with balances in 61 days and over of $667,000 (2022: $594,000), refer to note 31(h). The Group has not provided for all of these balances as the Group believes that these past due balances are still recoverable. In relation to some of the balances the Group holds personal property securities registrations and/or personal guarantees and/or trade indemnity insurance for 80% of the amount outstanding (after applying the deductible). The average age of these receivables is 88 days (2022: 79 days).

Trade receivables risk profile (excluding individually impaired):

	Consolidated 2023 $'000	2022 $'000
Current	62,513	70,226
1-30 days past due	18,636	17,744
31- 60 days past due	1,337	1,879
61+ days past due	413	396
Total	82,899	90,245

Included in the loss allowance is the expected credit loss for individually impaired trade receivables with a balance of $254,000 (2022: $198,000). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

8 Current assets - trade and other receivables (Cont'd)

	Consolidated	
	2023 $'000	2022 $'000
Current	-	-
1-30 days past due	-	-
31- 60 days past due	-	-
61+ days past due	254	198
Total	254	198

Major concentrations of credit risk are in the construction, transport, consumer durable and electrical industries in Australia. Furthermore, the Company has credit insurance cover which requires ongoing management of credit accounts with monthly reports provided to the Insurer. Accordingly, there is no further credit provision required in excess of the loss allowance. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

	Consolidated	
	2023 $'000	2022 $'000
9 Current assets - inventories		
Raw materials and stores	27,302	25,617
Work in progress	3,204	3,631
Finished goods	95,644	125,629
	126,150	154,877

All inventories are net of allowance for obsolescence and are expected to be recovered within 12 months. Included in the inventories balance is inventories in transit of $23.483 million (2022: $29.760 million).

	Consolidated	
	2023 $'000	2022 $'000
10 Current assets - prepayments		
Prepayments	2,711	848

11 Deferred tax assets

The following is a reconciliation of the deferred tax assets recognised by the Group and movements during the current and prior reporting period

	Tax losses and temporary differences $'000	Total $'000
Balance at 1 January 2022	15,335	15,335
Benefit recognised in the profit	8,365	8,365
Balance at 1 January 2023	23,700	23,700
Benefit recognised in the profit	-	-
Balance at end of the financial year	23,700	23,700

At the reporting date, the Group has unused tax losses of $188,483,071 (2022: $208,596,113) available to offset against future taxable profits and $72,159,745 (2022: $82,058,874) deductible temporary differences which would reverse in the future.

The Group has recognised a deferred tax asset of $23,700,000 (2022: $23,700,000) representing both carry forward tax losses and deductible temporary differences. These tax losses may be carried forward indefinitely, however subject to income tax recoupment rules in subsequent years. The recognition of the deferred tax assets is dependent on the three years to four years forecasted taxable profits. The Group has taken a view that it is probable to achieve forecasted taxable profits in the next three to four years against which this deferred tax asset recognised would be utilised.

The group has recognised deferred taxes amounting to $9,845,000 in respect of deductible temporary differences and no deferred tax asset is recognised on the balance temporary differences of $39,345,000 (tax impact of $11,803,391) based on management assessment that they will not reverse in foreseeable future.

In respect of carried forward tax losses, the group has recognised taxes amounting to $13,855,000 and no deferred tax asset recognised on balance of the available tax losses amounting to $142,298,000 (tax impact of $42,689,454).

11 Deferred tax assets (Cont'd)

The total unrecognised deferred taxes amount to $54,492,845 (2022: $63,496,496) as of reporting date.

12 Non-current assets - investments

Details of subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries:

	Equity Holding		
	2023	2022	Country of incorporation
Entity name	%	%	
Austex Dies Pty Limited	100	100	Australia

13 Related parties

Parent entities

The ultimate parent entity within the Group is Capral Limited.

Equity interests in controlled entities

Interests in controlled entities are set out in Note 12.

Transactions with key management personnel

Refer to Note 37 in relation to securities granted and forfeited during the Financial Year under the Long Term Incentive Plan that include rights granted and shares issued, to Capral's Managing Director and Chief Financial Officer (who are key management personnel).

During the Financial Year, the Company bought back 48,255 shares off market from Capral's Managing Director at a cost of $361,912.50, $7.5 per share (at prior day VWAP) to facilitate his taxation payment.

Details of the compensation of, and transactions with, each Director of the Company and key management personnel of the Group are set out in the Directors' Report and in particular, the Remuneration Report.

Transactions with other related parties

In 2023, the parent entity has settled a non-interest-bearing loan of $500,000 (2022: $1,000,000) advanced from a controlled entity, Austex Dies Pty Limited. The loan was payable on demand.

The Company has entered into the following transactions with controlled entities:

- Purchase of dies of $4,700,821 (2022: $4,845,482) – Austex Dies Pty Limited

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

During the Financial Year, the Company received a dividend of $500,000 (2022: $1,000,000) from Austex Dies Pty Limited.

	Consolidated	
	2023 $'000	2022 $'000

14 Property, plant and equipment

	2023 $'000	2022 $'000
Freehold land		
At valuation(i)	1,700	1,700
Accumulated depreciation	-	-
Net book amount	1,700	1,700
Buildings		
At valuation(i)	5,654	5,628
Accumulated depreciation	(1,039)	(747)
Net book amount	4,615	4,881
Leasehold improvements		
At cost	14,395	14,257
Accumulated depreciation	(9,256)	(8,646)
Accumulated impairment	(1,970)	(1,970)
Net book amount	3,169	3,641
Total land and buildings	9,484	10,222
Plant, machinery and equipment		
At cost	238,785	229,805
Accumulated depreciation	(166,678)	(159,515)
Accumulated impairment	(32,099)	(32,099)
Net book amount	40,008	38,191
Capital work in progress at cost	8,026	8,231
Net plant, machinery and equipment	48,034	46,422
Total property, plant and equipment - net book value	57,518	56,644

The following useful lives are used in the calculation of depreciation:

Buildings	20-33 Years
Leasehold improvements	5-25 Years
Plant and equipment	3-25 Years

(i) Valuations of land and building:

An independent valuation of the Group's land and buildings was performed in December 2021 using Capitalisation and Direct Comparison approaches to determine the fair value of the land and buildings. The valuations, which conform to International Valuation Standards, were determined by reference to recent market transactions on arm's length terms at the time. The fair value of the Land and Buildings is $1,700,000 and $5,000,000 respectively.

14 Property, plant and equipment (cont'd)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and prior financial year are set out below:

	Freehold land at fair value $'000	Buildings at fair value $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Capital work in progress at cost $'000	Total $'000
Consolidated						
2023						
Opening net book amount	1,700	4,881	3,641	38,191	8,231	56,644
Additions	-	6	117	5,233	3,651	9,007
Business acquisition	-	-	-	-	-	-
Disposals	-	-	-	(1)	-	(1)
Transfers	-	20	21	3,815	(3,856)	-
Revaluation	-	-	-	-	-	-
Depreciation charge (Note 2(a))	-	(292)	(610)	(7,230)	-	(8,132)
Net book amount at 31 December 2023	**1,700**	**4,615**	**3,169**	**40,008**	**8,026**	**57,518**
2022						
Opening net book amount	1,700	5,192	2,796	37,891	5,616	53,195
Additions	-	-	912	4,113	5,817	10,842
Business acquisition	-	-	-	-	-	-
Disposals	-	-	(17)	-	-	(17)
Transfers	-	-	487	2,660	(3,202)	(55)
Revaluation	-	-	-	-	-	-
Depreciation charge (Note 2(a))	-	(311)	(537)	(6,473)	-	(7,321)
Net book amount at 31 December 2022	**1,700**	**4,881**	**3,641**	**38,191**	**8,231**	**56,644**

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 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.

The result of Impairment assessment as at 31 December 2023

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 31 December 2023 was necessary. The recoverable amount of the CGU estimated by management exceeded the carrying amount of assets by $9,927,000. However, management view that no reversal of impairment is required due to the uncertainty of the performance of the construction industry and its impact on margins.

14 Property, plant and equipment (cont'd)

The key assumptions used in preparing the value in use cash flow valuation as at 31 December 2023 are as follows:

The table below shows key assumptions in the value in use calculation as at 31 December 2023 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)	10.70%	11.22%
Average volumes increase 2024-25 p.a.	-0.8%	-2.3%
Average volumes increase 2026-28 p.a.	1.00%	0.74%
Long-term growth rate	1.00%	-0.37%

The valuation is based on forecast and projected cash flows for a 5-year period commencing January 2024 with a terminal value being applied at the end of this period. The cash flow assumptions are based on management approved budgets for the period from January 2024 to December 2024. Beyond this date cash flow projections until 31 December 2028 are based on projected volume growth and expected improvements in EBITDA per tonne (refer below). Sales volumes are projected to grow at 1.0% per annum, from 2026 onwards. This growth rate corresponds with the average long-term growth rate based on external economic sources.

Price and Margins
In setting price and margin assumptions, historical performance trends and the impact of previous price increases were reviewed in assessing the timing and quantum of future price increases.

Recent history in relation to direct costs and the impact of changing volumes on manufacturing variances were assessed in setting assumptions on absorbed conversion costs.

In forecasting the margin, Management has considered the production capacity of Capral compared to current volumes and concluded that increase in production volumes to satisfy demand expected by independent market predictions can be attained by predominately increasing variable cost with very limited additional fixed cost expenditure. This is reflected in the resultant average EBITDA per tonne increase of 1.0% per annum from 2026 to 2028. A 0.05% underperformance in forecasted margin over the 5-year forecast period, in isolation, would reduce the headroom to nil but would not result in an impairment charge.

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 72,000 tonnes at the end of the 5-year period.

Working Capital and Capital Expenditure
These assumptions were set in light of strategic initiatives and approved maintenance and safety capital expenditure of an average around $5,500,000 per annum, with working capital flexed in relation to the assumed production capacity for volumes throughout the forecast period and historical performance and considering revisions to trading terms with key suppliers, customers and external market environment.

Discount rate
A discount rate of 10.7%, representing the Company's post-tax weighted average cost of capital has been applied to the cash flow projections.

Economic Factors
Assumptions including Gross Domestic Production (GDP), the Consumer Price Index (CPI), expected wage and salary increases, foreign exchange and the future impact of aluminium prices have been made with reference to third party economic forecasts and the Company's strategic plans and budgets.

Prior Period Tax Losses
Cash flows that may result from prior period tax losses are not taken into account in determining the recoverable amount of assets.

15 Other intangibles assets

	Other intellectual property $'000	Software $'000	Total $'000
Consolidated			
2023			
Cost	15,937	25,169	41,106
Accumulated amortisation	(8,373)	(22,147)	(30,520)
Accumulated impairment	(7,560)	(2,466)	(10,026)
Net book value	**4**	**556**	**560**
2022			
Cost	15,937	25,083	41,020
Accumulated amortisation	(8,368)	(21,977)	(30,345)
Accumulated impairment	(7,560)	(2,466)	(10,026)
Net book value	**9**	**640**	**649**

Impairment assessment is performed based on assumptions and estimates as disclosed in Note 14.

Reconciliations

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

	Other intellectual property $'000	Software $'000	Total $'000
Consolidated			
2023			
Opening net book amount	9	640	649
Additions	-	86	86
Disposals	-	-	-
Transfers	-	-	-
Amortisation	(5)	(170)	(175)
Net book amount at 31 December 2023	**4**	**556**	**560**
2022			
Opening net book amount	-	700	700
Additions	10	96	106
Disposals	-	-	-
Transfers	-	55	55
Amortisation	(1)	(211)	(212)
Net book amount at 31 December 2022	**9**	**640**	**649**

16 Goodwill

	Consolidated	
	2023 $'000	**2022** $'000
Cost		
At 31 December 2022	3,070	3,070
At 31 December 2023	3,070	3,070
Accumulated depreciation		
At 31 December 2022	-	-
Amortisation	-	-
At 31 December 2023	-	-

Impairment assessment is performed based on assumptions and estimates as disclosed in Note 14.

17 Right-of-use assets

	Buildings $'000	Plant & Equipment $'000	Total $'000
Consolidated			
Cost			
At 31 December 2022	105,043	10,923	115,966
Additions	194	1,727	1,921
Modifications	6,436	2,568	9,004
Terminations	(440)	-	(440)
At 31 December 2023	**111,233**	**15,218**	**126,451**
Accumulated depreciation			
At 31 December 2022	(42,339)	(6,976)	(49,315)
Terminations	276	-	276
Depreciation charge	(12,345)	(2,357)	(14,702)
At 31 December 2023	**(54,408)**	**(9,333)**	**(63,741)**
Net Book Value			
At 31 December 2023	**56,825**	**5,885**	**62,710**
At 31 December 2022	62,704	3,947	66,651

Impairment assessment is performed based on assumptions and estimates as disclosed in Note 14.

The Group leases several assets including buildings and plant and equipment, with average lease term of 4.5 years (2022: 4.5 years) and 4.3 years (2022: 3.9 years) respectively.

The Group has options to purchase certain equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessor's title to the leased assets for such leases.

The Group has renewed some of leases for buildings and equipment in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of $1.921 million and in modifications of $9.004 million in the current financial year (2022: $5.804 million).

18 Assets pledged as security

In accordance with the security arrangements of liabilities disclosed in Note 27, all assets of the Group have been pledged as security. The holder of the security does not have the right to sell or repledge the assets other than in the event of default under the principal finance agreement where the security is enforced.

19 Current liabilities – trade and other payables

	Consolidated	
	2023 $'000	2022 $'000
Trade payables (i)	89,388	92,819
Goods and services tax payable	2,168	1,728
Other payables	15,418	18,188
	106,974	112,735

(i) The average credit period on purchases is 82 days from the end of the month (2022: 85 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

20 Lease liabilities

	Consolidated 2023 $'000	2022 $'000
Current	15,558	16,158
Non-current	73,255	77,874
	88,813	94,032
Maturity analysis		
Within one year	15,558	16,158
Later than one year but not later than five years	59,353	53,837
Later than five years	13,902	24,037
	88,813	94,032

21 Provisions

	Consolidated 2023 $'000	2022 $'000
Current		
Employee benefits	13,841	13,776
Make good on leased assets[1]	254	169
Other[2]	825	3,956
	14,920	17,901
Non-current		
Employee benefits	2,365	2,332
Make good on leased assets[1]	5,219	4,974
Other	-	-
	7,584	7,306

[1] Provision for make good on leased assets comprises obligations relating to site closure and other costs associated with lease rental properties.
[2] Other current provisions include provisions for insurance claims, provisions for customer claims including metal returns net of scrap and pricing adjustments, and $2,705,912 was released from the provisions to the profit or loss during the year.

Consolidated

Movements in carrying amounts	**Employee benefits** $'000	**Make good on leased assets** $'000	**Other** $'000	**Total** $'000
Carrying value at the beginning of the financial year	16,108	5,143	3,956	25,207
Provision utilised/released in the year	(6,405)	-	(4,808)	(11,213)
Additional amounts provided	6,503	330	1,677	8,510
Carrying value at the end of the financial year	16,206	5,473	825	22,504

22 Deferred income - current

	Consolidated 2023 $'000	2022 $'000
Deferred income – other	162	153
	162	153

	2023 No. 000	2022 No. 000	2023 $'000	2022 $'000
23 Issued capital				
(a) Share capital				
Ordinary shares: fully paid	17,687	17,767	424,771	433,433

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movement in ordinary share capital

Date	Details	Number of shares	Issue Price	$'000
January 2022	Balance at the beginning of the financial year	17,193,259	-	430,588
March 2022	Shares issued - deferred STIP	32,369	$7.44	241
March 2022	Shares issued pursuant to a dividend reinvestment plan	321,654	$8.1	2,604
March 2022	Shares issued against performance rights	219,990	-	-
December 2022	Balance at the end of the financial year	17,767,272	-	433,433
March 2023	Shares issued - deferred STIP	5,131	$8.423	43
March 2023	Shares issued against performance rights	278,320	-	-
September 2023	Shares cancelled – on-market buy-back[1]	(106,074)	$23.932	(2,539)
October 2023	Shares cancelled – on-market buy-back[1]	(60,020)	$23.932	(1,436)
November 2023	Shares cancelled – on-market buy-back[1]	(76,087)	$23.932	(1,821)
December 2023	Shares cancelled – on-market buy-back[1]	(121,532)	$23.932	(2,909)
December 2023	Balance at the end of the financial year	17,687,010	-	424,771

1. *The Board approved the on-market buy-back and cancellation of up to 370,000 shares in line with ASIC/ASX regulations starting from 1 September 2023. 363,713 shares were bought back by an independent third-party broker at an average of $8.647 per share and cancelled at an average price of $23.932 per share ($431,995,567 / 18,050,723 shares, right before September 2023) during September to December 2023. A resultant gain of $5,560k has been presented under a separate reserve account, called Share Buy-Back Reserve.*

24 Reserves and accumulated losses

	Consolidated 2023 $'000	2022 $'000
Asset revaluation reserve	4,088	4,088
Equity-settled compensation reserve	13,936	12,891
Employee share reserve	(2,320)	(38)
Share buy-back reserve	5,560	-
Dividend reserve	93,683	74,338
	114,947	91,279
Accumulated losses	(334,986)	(334,986)
	(220,039)	(243,707)

	2023	2022
24 (a) Movements in reserves were:		
Equity-settled compensation reserve		
Balance at the beginning of the financial year	12,891	11,909
Expense recognised	1,045	982
Shares acquired on conversion of vested rights	-	-
Balance at the end of the financial year	13,936	12,891
Asset revaluation reserve		
Balance at the beginning of the financial year	4,088	4,088
Revaluation increase	-	-
Balance at the end of the financial year	4,088	4,088
Employee share reserve		
Balance at the beginning of the financial year	(38)	(225)
Employees shares on-market purchase[a]	(1,970)	-
Employees shares off-market purchase[b]	(361)	-
Employees escrow shares utilised[b]	49	187
Balance at the end of the financial year	(2,320)	(38)
Share buy-back reserve		
Balance at the beginning of the financial year	-	-
Net gain on cancelled shares – on-market purchase[c]	5,560	-
Balance at the end of the financial year	5,560	-
Dividend reserve		
Balance at the beginning of the financial year	74,338	54,116
Net profit attributable to members of Capral	31,839	32,388
Dividends paid	(12,494)	(12,166)
Balance at the end of the financial year	93,683	74,338
24 (b) Accumulated losses		
Balance at the beginning of the financial year	(334,986)	(343,351)
Net profit for the year (Income tax benefit)	-	8,365
Balance at the end of the financial year	(334,986)	(334,986)

a. *240,000 shares were purchased at an average price of $8.2064 per share by the Capral Employee Share Trustee on-market to allow for full allotment of 2021 LTIP shares as well as 2023 Escrow allotment in March 2024.*

b. *48,255 shares were purchased at $7.5 per share by the Capral Employee Share Trustee off-market from Capral's Managing Director to allow for full allotment of 2021 LTIP shares as well as 2023 Escrow allotment in March 2024. During the year, 5,843 shares were utilised for 2022 Escrow allotment.*

c. *Refer to Note 23.*

25 Dividends

	Consolidated 2023 $'000	2022 $'000
Ordinary shares:	12,494	12,166
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30% (2022:30%)	2,724	8,079

	Consolidated	
	2023 $	2022 $
26 Earnings per share		
Basic earnings per share	1.77	2.31
Diluted earnings per share	1.71	2.22

Net profit after tax used in the calculation of basic and diluted profit per share for 2023 was $31,839,000 (2022: $40,753,000). The weighted average numbers of ordinary shares on issue used in the calculation of basic and diluted earnings per share were 17,939,575 and 18,574,885 (2022: 17,649,632 and 18,366,893) respectively.

	Consolidated	
	2023 $'000	2022 $'000
27 Stand by arrangement and credit facilities		
27 (a) Secured facilities	80,000	90,000
Total secured facilities	80,000	90,000
Facilities used:		
Trade loan	-	24,083
Cash loan	-	-
Bank guarantees	4,941	4,371
Trade finance – drawn letters of credits	21,642	18,743
Trade finance – open letters of credits	5,947	6,814
Total facilities utilised	32,530	54,011
Total available facilities	47,470	35,989
27 (b) Borrowings		
Current:		
Trade Loan	-	24,083

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

The Multi-option Facility was reduced to $70 million on 1 January 2023. To align with Capral's ongoing requirements, this Multi-option Facility was reduced to $60 million from 1 January 2024 to closely align with Capral's working capital requirement with an expiry date of 30 April 2025.

The existing ANZ facilities consist of:

Secured:

- $70 million Multi-option Facility which includes a Trade Finance Loan Facility, Trade Instruments and Trade Finance;
- $5 million Cash Loan Facility – Floating Rate; and
- $5 million Standby Letter of Credit or Guarantee Facility.

Unsecured:

- $2.5 million Electronic Payaway Facility; and
- $0.5 million Commercial Card Facility.
- $1.272 million Asset Finance Facility

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

28 Commitments for expenditure - capital

	Consolidated	
	2023 $'000	2022 $'000
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	3,000	1,880

29 Commitments for expenditure - leases

The recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Refer to note 20 for maturity analysis of lease liabilities at 31 December 2023.

At 31 December 2023, the Group is committed to $200,827 (2022: $287,088) for low value leases and has no short- term lease commitments.

Commitments for income - leases

Lease Receivable	**Consolidated**	
	2023 $'000	**2022** $'000
Non-cancellable lease receivable		
Within one year	3,067	2,977
Later than one year but not later than five years	13,214	12,829
Later than five years	1,580	5,822
	17,861	21,628

Lease receivables relate to the sublease of office and plant premises with a lease term of 10 years, with an option to extend for a further term of 5 years.

30 Fair value measurement

Some of the Group's assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these assets and liabilities are determined (in particular, valuation technique(s) and input(s) used).

Assets / liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s)
	31/12/23 $	31/12/22 $				
Foreign currency forward contracts (see note 31(f))	Assets – nil Liabilities – 2,015,841	Assets – nil Liabilities – 828,359	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.	n/a	n/a
Land and buildings	Land – 1,700,000 Buildings – 4,615,000	Land – 1,700,000 Buildings – 4,881,000	Level 3	Capitalisation and Direct Comparison approaches. (Last assessed 2021)	Comparable to recent market transactions on arm's length terms at the time.	The higher/(lower) the comparable market net rental amount and the higher/(lower) the comparable market sales transactions, the higher the fair value.

31 Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2022.

The capital structure of the Group consists of debt, as disclosed in Note 27, cash and cash equivalents, and equity holders of the parent, comprising issued capital, reserves and accumulated losses, as disclosed in Notes 7, 23 and 24 respectively. The Directors review the capital structure on a regular basis, and at least annually. As a part of this review the Directors consider the cost of capital and the risks associated with each class of capital. Based on the determinations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

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

The Group complied with its borrowing financial covenants under its current facility detailed in Note 27 as at 31 December 2023 and 31 December 2022 as follows:

Financial covenant description	Required Value	2023 Actual Value	2022 Actual Value
EBITDA Interest Cover Ratio (A ratio of EBITDA to Interest Expense)	> 3.00:1	22.08:1	23.75:1
Minimum Tangible Net Worth (Tangible Net Worth – Total Tangible Assets Less Total Liabilities)	> AUD 100.0m	AUD 205.9m	AUD 191.5m
Borrowing Base Ratio (A ratio of Aggregate Facility Amount Owing to Eligible Debtors owing up to 90	< 0.80:1	0.34:1	0.54:1
Distributions (Any payment or distribution of money or other assets to shareholders)	Variable*	AUD 15.64m	AUD 12.17m
Inventory Cover Ratio	>0.8:1	0.87:1	0.88:1

*lower than the profit of prior year

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1(c).

31 Financial instruments (cont'd)

(c) Categories of financial instruments

	Consolidated	
	2023 $'000	**2022** $'000
Financial Assets		
Trade and other receivables	89,313	91,326
Cash and cash equivalents	59,457	48,988
Other financial assets[1]	11	11
Financial Liabilities		
Trade and other payables	106,974	112,735
Borrowings	-	24,083
Lease liabilities	88,813	94,032
Other financial liabilities[2]	2,016	828

[1] *security deposit for a site energy supply.*
[2] *foreign exchange contract mark-to-market $2,016,000 (2022: foreign exchange contract mark-to-market $828,000).*

(d) Financial risk management objectives

The Group's treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports. These risks include market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. These risks are analysed below.

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 31(f)) and interest rates (refer note 31(g)). From time to time, the Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including foreign exchange forward contracts to hedge the exchange rate risk arising on the purchase of aluminium log and rolled product from overseas in US dollars.

At a Group and Company level, market risk exposures are measured using a sensitivity analysis. There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the Financial Year.

(f) Foreign currency risk management

The Group undertakes certain transactions in foreign currencies, resulting in exposures to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. It is the policy of the Group to enter into forward foreign exchange contracts from time to time to manage any material risk associated with anticipated foreign currency sales and purchase transactions.

The carrying amount of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Consolidated	
	2023 $'000	**2022** $'000
USD (cash)	5,094	12,753
EURO (cash)	797	767
USD (trade payables)	(12,941)	(11,923)
EURO (other receivables)	1,087	113
JPY trade receivables/(other payables)	24	(22)
USD (other payables)/trade receivables	(3)	1,017

Foreign currency sensitivity

The Group is exposed to EUR, JPY and USD (2022: EUR, JPY and USD).

To mitigate foreign currency risk at reporting date, the Group entered into foreign exchange forward contracts. The Group's exposure to foreign exchange rate fluctuations was primarily limited to cash, trade payables and trade receivables outstanding at reporting date denominated in currencies other than Australian dollar (**AUD**). The total value of trade payables denominated in currencies other than the AUD at reporting date was $11,830,000 (2022: $11,831,000). The total value of trade receivables denominated in currencies other than the AUD at reporting date was -$3,000 (2022: $1,017,000).

31 Financial instruments (cont'd)

The following table details the Group's sensitivity to a 10% increase and decrease in the AUD against the relevant unhedged foreign currency. 10% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at 31 December 2023 and 31 December 2022 and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit.

	Consolidated	
	2023 $'000	**2022** $'000
Profit or loss (after tax)		
- AUD strengthens by 10% against USD	1,177	991
- AUD weakens by 10% against USD	(1,438)	(1,212)
- AUD strengthens by 10% against EUR	(99)	(10)
- AUD weakens by 10% against EUR	121	12
- AUD strengthens by 10% against JPY	(2)	2
- AUD weakens by 10% against JPY	3	(2)

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific material foreign currency payments and receipts.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting period:

Outstanding contracts	Foreign currency		Fair value	
	31/12/23	31/12/22	31/12/23	31/12/22
	FC$'000	FC$'000	$'000	$'000
			Gain/(Loss)	Gain/(Loss)
Buy EUR	816	420	(25)	5
Buy GBP	5	-	-[1]	-
Buy JPY	2,475	4,620	(1)	-[1]
Buy CNH	320	240	(2)	-[1]
Buy USD	26,074	22,336	(1,988)	(833)

[1] Fair value of the gain/(loss) was less than $1,000, hence, rounded down to nil.

(g) Interest rate risk management

The Group interest rate risk arises from borrowings, cash and derivatives.

The Group is exposed to interest rate risk as the Group borrows funds at floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles. The Group's exposure to interest rate risk at the reporting date was considered insignificant and as a result the Group did not enter into interest rate options.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed below.

Interest rate sensitivity

The sensitivity analysis below shows the effect on profit or loss after tax for the Financial Year if there is a change in interest rates with all other variables held constant. This is determined by applying the change in interest rates to both derivative and non-derivative instruments at the reporting date that have an exposure to interest rate changes. A 20-basis point (0.2%) increase and a 20-basis point (0.2%) decrease represents Management's assessment of the possible change in interest rates (2022: 110bp or 1.1% increase and 110bp or 1.1% decrease). A positive number indicates an increase in profit.

31 Financial instruments (cont'd)

	Consolidated 2023 $'000	2022 $'000
Profit or loss (after tax)		
Impact of a 20bp (2022: 110bp) increase in AUD interest rates		
- Cash and cash equivalents	83	377
Impact of a 20bp (2022: 110bp) decrease in AUD interest rates		
- Cash and cash equivalents	(83)	(377)

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has exposures to credit risk on cash and cash equivalents, receivables and derivative financial assets. The credit risk on financial assets of the Group which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any allowances for doubtful debts.

The Group does not have any significant exposure to any individual customer or counterparty. Major concentrations of credit risk are in the construction, transport, consumer durable and electrical industries in Australia. The Company has credit insurance cover which requires ongoing management of credit accounts with monthly reports provided to the Insurer. Experienced credit management and associated internal policies ensure constant monitoring of the credit risk for the Company.
There is no concentration of credit risk with respect to receivables as the Group has a large number of customers.

The aging of gross trade receivables is detailed below:

	Consolidated 2023 $'000	2022 $'000
Current	62,513	70,226
1-30 days	18,636	17,744
31-60 days	1,337	1,879
60+ days	667	594
	83,153	**90,443**

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who ensure there is an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities, complying with covenants, monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Included in Note 27 is a list of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

Financial assets are made up of cash of $59,457,000 (2022: $48,988,000) and trade and other receivables of $89,313,000 (2022: $91,326,000). Cash is liquid and trade and other receivables are expected to be realised on average within 42 days (2022: 43 days). Cash balances earn 2.76% interest per annum (2022: 2.4%). Trade and other receivables are interest-free.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is a fair representation of management's expectations of actual repayments.

31 Financial instruments (cont'd)

	Weighted average effective interest rate %	Less than 1 year $'000	1 - 5 years $'000	Greater than 5 years $'000
Consolidated				
2023				
Trade and other payables	-	106,974	-	-
Lease liabilities	-	15,558	59,353	13,902
Other financial liabilities	-	2,016	-	-
Borrowings	-	-	-	-
		108,990	-	-
2022				
Trade and other payables	-	112,735	-	-
Lease liabilities	-	16,158	53,837	24,037
Other financial liabilities	-	828	-	-
Borrowings	3.94	24,083	-	-
		137,646	-	-

(j) Fair value of financial instruments

The fair values of financial assets, financial liabilities and derivative instruments are determined as follows:

(i) the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis using prices from observable market data; and

(ii) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, the discounted cash flow analysis is employed using observable market data for non-option derivatives. For option derivatives, option pricing models are used with key inputs sourced from observable market data.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

32 Contingent liabilities

Capral’s contingent liabilities in relation to customer claims relating to the supply of non-conforming marine grade plate as disclosed in the 31 December 2022 Annual Report, has been settled and no further contingent liabilities exist in this regard.

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.

The Company's bankers have granted guarantees in respect of rental obligations on lease commitments, use of utilities infrastructure and international trade facilities. At 31 December 2023, these guarantees totalled $4,941,002 (2022: $4,370,502).

Capral's bankers have issued letters of credit in respect of Capral’s purchases internationally. At 31 December 2023, these open letters of credit totalled $5,946,935 (31 December 2022: $6,814,372).

33 Remuneration of auditors

	Consolidated 2023 $	2022 $
During the year the auditor of the Group and parent entity and its related practices earned the following remuneration:		
Auditor of the Group and parent entity		
Audit or review of financial reports of the entity or any entity in the consolidated entity	377,600	340,400
Other services:		
- tax compliance	39,454	37,250
- tax consulting	-	56,250
Total remuneration	417,054	433,900

It is the Group's policy to employ the Company's auditors, Deloitte Touche Tohmatsu, on assignments additional to their statutory duties where their expertise and experience is considered invaluable to the assignment.

34 Events after reporting date

No matter or circumstance has arisen since the end of the Financial Year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group’s state of affairs in future financial years.

35 Notes to the cash flow statement

(i) Reconciliation of cash and cash equivalents

	Consolidated 2023 $'000	2022 $'000
Reconciliation of cash and cash equivalents For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank and short term deposits at call net of bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank and on hand	59,457	48,988
	59,457	48,988

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

	2023 $'000	2022 $'000
Profit for the year	31,839	40,753
Non-cash items:		
Depreciation and amortisation - owned assets	8,307	7,533
Depreciation and amortisation – right of use assets	14,702	13,785
Loss on sale of property, plant and equipment	1	-
Income tax benefit	-	(8,365)
Share-based payments expense	1,045	982
Interest income reclassified to investing activities	(805)	(125)
Change in assets and liabilities:		
Decrease in current receivables	2,012	4,964
Increase in financial assets	-	(11)
(Decrease)/increase in inventories	28,524	(24,489)
Increase in prepayments	(1,863)	(125)
Decrease in trade and other payables	(7,096)	(27,594)
Increase in employee benefit provisions	98	2,578
Decrease in other provisions	(2,920)	(3,525)
Increase/(decrease) in deferred income	9	(60)
Increase in other financial liabilities	1,188	761
Net cash provided by operating activities	75,041	7,062

(iii) Details of finance facilities are included in note 27 to the financial statements.

(iv) Movement in financial activities

The following table details changes in the Group's liabilities arising from financial activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

	Consolidated 2023 $	2022 $
Movements in financing activities		
Lease liabilities		
Opening balance	94,032	103,540
Financing cash flows	(15,817)	(14,548)
New leases	1,921	5,804
Retired or changes to leases	8,677	(764)
Closing balance	88,813	94,032

(v) Non-cash financing activities

There were no non-cash financing activities other than above during the Financial Year or the 2022 year.

36 Parent entity disclosures

	Company 2023 $'000	2022 $'000
Financial Position		
Assets		
Current assets - third parties	277,783	296,060
Total assets	423,677	445,137
Liabilities		
Current liabilities - third parties	139,521	171,615
Total liabilities	220,223	256,658
Equity		
Issued capital	424,771	433,433
Accumulated losses	(335,250)	(335,219)
Equity-settled compensation reserve	13,936	12,891
Asset revaluation reserve	3,074	3,074
Employee share reserve	(2,320)	(38)
Share buy-back reserve	5,560	-
Dividend reserve	93,683	74,338
Total Equity	203,454	188,479
Financial Performance		
Profit for the year	31,808	40,818
Other comprehensive income	-	-
Total comprehensive profit for the year	31,808	40,818
Contingent liabilities of the parent entity		
Refer note 32		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Within one year	3,000	1,880

37 Share-based payments

Performance Share Rights

Executive and Senior Management

Refer to section 2 of the Remuneration Report for details of rights issued under the Long Term Incentive Plan.

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

Performance right series (LTIP)	Number as at 31 Dec 23	Grant date	Last Testing Date	Exercise price $	Fair value at grant date $[4]
Issued 3 March 2021[1]	79,850	3/03/2021	31/12/2023	-	4.180
Issued 3 March 2021[1]	79,850	3/03/2021	31/12/2023	-	5.490
Issued 8 March 2022[2]	62,750	8/03/2022	31/12/2024	-	4.910
Issued 8 March 2022[2]	62,750	8/03/2022	31/12/2024	-	6.780
Issued 6 March 2023[3]	47,750	6/03/2023	31/12/2025	-	5.090
Issued 6 March 2023[3]	47,750	6/03/2023	31/12/2025	-	6.500
Issued 24 March 2023[3]	18,300	24/03/2023	31/12/2025	-	4.730
Issued 24 March 2023[3]	18,300	24/03/2023	31/12/2025	-	6.160
Issued 22 May 2023[3]	4,500	22/05/2023	31/12/2025	-	4.010
Issued 22 May 2023[3]	4,500	22/05/2023	31/12/2025	-	5.850

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2021 have an average vesting date of 1 March 2024.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2022 have an average vesting date of 1 March 2025.

3 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2023 have an average vesting date of 1 March 2026.

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

	Number as at 31 Dec 22	Grant date	Last Testing Date	Exercise price $	Fair value at grant date $[4]
Issued 3 March 2020[1]	90,325	3/03/2020	31/12/2022	-	2.100
Issued 3 March 2020[1]	90,325	3/03/2020	31/12/2022	-	2.820
Issued 3 March 2021[2]	82,350	3/03/2021	31/12/2023	-	4.180
Issued 3 March 2021[2]	82,350	3/03/2021	31/12/2023	-	5.490
Issued 8 March 2022[3]	69,500	8/03/2022	31/12/2024	-	4.910
Issued 8 March 2022[3]	69,500	8/03/2022	31/12/2024	-	6.780

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2020 have an average vesting date of 1 March 2023.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2021 have an average vesting date of 1 March 2024.

3 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2022 have an average vesting date of 1 March 2025..

4 Shown as post 3 November 2020 share consolidation equivalent fair value.

	Performance Rights (LTIP)					
Inputs into the model	**22 May 2023**	**24 March 2023**	**06 March 2023**	**08 March 2022**	**03 March 2021**	**03 March 2020**
Grant date	22/05/2023	24/03/2023	6/03/2023	8/03/2022	3/03/2021	3/03/2020
Dividend yield	6.9%	7.0%	7.0%	7.9%	6.5%	9.5%
Risk free yield	3.3%	2.9%	3.5%	1.6%	0.3%	0.5%
Expected volatility	34%	35%	36%	45%	55%	47.5%
Last testing date	31/12/2025	31/12/2025	31/12/2025	31/12/2024	31/12/2023	31/12/2022
Exercise price	n.a	n.a	n.a	n.a	n.a	n.a
Share price at grant date^	$7.040	$7.500	$7.950	$8.570	$6.670	$3.750
Performance right life	3 years	3 years	3 years	3 years	3 years	3 years

^ Shown as post 3 November 2020 share consolidation equivalent share price.

37 Share-based payments (cont'd)

Managing Director

During the Financial Year, 44,400 rights were issued to Mr A. Dragicevich.

During the comparative financial year, 49,000 rights were issued to Mr A. Dragicevich.

The following rights were in existence during the current reporting period, subject to the achievement of performance conditions and have been independently valued as follows:

Share rights	Number as at 31 Dec 23	Grant date	Last Testing Date	Exercise price $	Fair value at grant date $[4]
Issued 28 April 2021[1]	43,150	28/04/2021	31/12/2023	-	$5.170
Issued 28 April 2021[1]	43,150	28/04/2021	31/12/2023	-	$6.430
Issued 27 April 2022[2]	24,500	27/04/2022	31/12/2024	-	$5.820
Issued 27 April 2022[2]	24,500	27/04/2022	31/12/2024	-	$7.770
Issued 27 April 2023[3]	22,200	27/04/2023	31/12/2025	-	$4.250
Issued 27 April 2023[3]	22,200	27/04/2023	31/12/2025	-	$5.940

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2020 have an average vesting date of 1 March 2024.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2021 have an average vesting date of 1 March 2025.

3 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2022 have an average vesting date of 1 March 2026.

4 Shown as post 3 November 2020 share consolidation equivalent fair value.

The following rights were in existence during the comparative reporting period, subject to the achievement of performance conditions and have been independently valued as follows:

Share rights	Number as at 31 Dec 22	Grant date	Last Testing Date	Exercise price $	Fair value at grant date $[4]
Issued 29 April 2020[1]	51,335	29/04/2020	31/12/2022	-	$1.560
Issued 29 April 2020[1]	51,335	29/04/2020	31/12/2022	-	$2.040
Issued 28 April 2021[2]	43,150	28/04/2021	31/12/2023	-	$5.170
Issued 28 April 2021[2]	43,150	28/04/2021	31/12/2023	-	$6.430
Issued 27 April 2022[3]	24,500	27/04/2022	31/12/2024	-	$5.820
Issued 27 April 2022[3]	24,500	27/04/2022	31/12/2024	-	$7.770

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2020 have an average vesting date of 1 March 2023.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2021 have an average vesting date of 1 March 2024.

3 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2022 have an average vesting date of 1 March 2025.

4 Shown as post 3 November 2020 share consolidation equivalent fair value.

37 Share-based payments (cont'd)

Inputs into the model	27 April 2023	27 April 2022	28 April 2021	29 April 2020
Grant date	27/4/2023	27/4/2022	28/4/2021	29/4/2020
Dividend yield	6.9%	7.1%	5.8%	12.2%
Risk free yield	3.0%	2.6%	0.3%	0.2%
Expected volatility	34%	45%	55%	47.5%
Last testing date	31/12/2025	31/12/2024	31/12/2023	31/12/2022
Share price at grant date^	$7.190	$9.510	$7.580	$2.880
Performance right life	3 years	3 years	3 years	3 years

^ Shown as post 3 November 2020 share consolidation equivalent share price.

The following table reconciles the outstanding securities granted to the Managing Director and senior management at the beginning and end of the Financial Year:

Performance rights	2023	2022
Number of share performance rights:		
Balance at the beginning of the financial year	722,320	754,310
Granted during the financial year	185,500	188,000
Forfeited during the financial year	(23,500)	-
Vested during the financial year	(278,320)	(219,990)
Lapsed during the financial year	-	-
Balance at the end of the financial year	**606,000**	**722,320**

The performance rights outstanding at the end of the Financial Year were 606,000 (2022: 722,320), with a weighted average remaining contractual life of 0.9 years.

38 Key management personnel compensation

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

	Consolidated/Company	
	2023 $	2022 $
Short-term benefits	2,038,079	2,023,258
Post-employment benefits	97,033	100,645
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	575,732	488,720
	2,710,844	2,612,623

DIRECTORS' DECLARATION

The directors declare that:

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

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

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

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

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

On behalf of the directors

R.L. Wood-Ward
Chairman

A. Dragicevich
Managing Director

Sydney
23 February 2024

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Capral Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Capral Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td>Key Audit Matter</td><td>How the scope of our audit responded to the Key Audit Matter</td></tr>
<tr><td>Impairment or reversal of tangible and intangible assets

As at 31 December 2023, the Group had goodwill of $3.070m, other intangible assets of $0.560m, property, plant and equipment of $57.518m (net of previously recognised impairment losses of $34.069m) and right-of-use assets of $62.710m.

Goodwill and indefinite life intangible assets are required to be tested for impairment annually and whenever an impairment indicator exists. As a result, management completed impairment testing at 31 December 2023 to assess the recoverability of the carrying value of tangible and intangible assets, including goodwill and other intangible assets, property, plant and equipment and right-of-use assets. This is performed through a value-in-use discounted cash flow model (“impairment model”).

Note 1d outlines management’s critical judgements and estimates in relation to impairment of goodwill as well as the carrying value of the property, plant and equipment and right of use assets which requires significant judgement by management in assessing for any indicators of impairment and preparing a value-in-use discounted cash flow model, including;

• estimating future growth rates,
• discount rates, and
• the expected cash flows and capital expenditure.</td><td>Our procedures included, but were not limited to:

▪ Assessing the process undertaken and conclusions reached by management in determining indicators of impairment or reversal of impairment;
▪ Reviewing the FY24 budget, the basis on which it has been prepared, and assessing the historical accuracy of forecasting by management;
▪ Assessing reasonableness of assumptions in the impairment model including:
o discount rate;
o forecasted cash flows and capital expenditure;
o lease payments and sustaining capital expenditures on leases;
o growth rates, in particular with reference to historic growth rates and forecast macro-economic conditions impacting demand in the industry; and
o terminal growth rate.
▪ Engaging our valuation specialists to assist with evaluating the appropriateness of the discount rate adopted;
▪ Recalculating the mathematical accuracy and integrity of the impairment model;
▪ Performing sensitivity analysis on the relevant assumptions and inputs in the impairment model, to assess the extent of change in those assumptions that either individually or collectively would result in impairment or reversal of impairment; and
▪ Assessing the headroom in the impairment model and whether it is indicative of a requirement to reverse previously recorded impairment losses.

We also assessed the appropriateness of the disclosures in Notes 1c(k), 1d, 14, 15, 16 and 17 to the financial statements.</td></tr>
<tr><td>Recognition and recoverability of deferred tax asset

As disclosed in Note 11, at 31 December 2023, the Group has recognised deferred tax assets of $23.70m and unrecognised and unused tax losses and temporary differences of $42.69m and $11.80m respectively.

Deferred tax assets in respect of tax losses and temporary differences are recognised when it is probable that the Group will have future</td><td>Our procedures included, but were not limited to:

▪ Engaging our tax specialists to assist us in assessing the availability of tax losses and temporary differences to the Group;
▪ Reviewing management’s forecasts in respect of the Group’s taxable income;
▪ Assessing the key assumptions in management’s calculations including:
o Comparing the consistency of the assumptions used to the inputs and assumptions in management’s impairment model;
o Assessing whether the period used to forecast taxable profits is appropriate;</td></tr>
</table>

taxable profits against which such losses and temporary differences will be utilised. The Group's ability to recognise deferred tax assets in relation to tax losses and temporary differences is assessed by management at each reporting period. Significant judgement is required by management in their assessment of the quantum of available tax losses and deductible temporary differences, and whether it is probable that some or all of these tax losses and temporary differences can be utilised in the foreseeable future. This assessment includes estimating the Group's future shorter term taxable income and the probability of those forecasts being met.	o Assessing the likelihood of the Group achieving these forecasts. We also assessed the appropriateness of the Group's disclosure in respect of the deferred tax assets including tax losses and temporary deductible differences in the notes to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's Report, Managing Director's Operations and Financial Review, ESG and Sustainability Report and Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Members Details and Corporate Directory, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Members Details and Corporate Directory, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 25 of the Directors' Report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Capral Limited for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 23 February 2024