

CAPRAL ASX ANNOUNCEMENT

Capral delivers first half result above expectations

Thursday, 17 August 2023

Capral Half Year 2023 Results and Outlook

Capral Limited (ASX: CAA) ("Capral"), Australia's largest extruder and distributor of aluminium products, herewith releases its financial results for the 6 months ending 30 June 2023 (1H23).

- Volume 35,600 tonnes down 2% on prior period supported by continuing strong market conditions
- Underlying EBITDA¹ of \$31.7m (1H22:\$31.6m) and Underlying EBIT¹ of \$20.7m (1H22:\$21.0m) were on par with prior period
- Net Profit After Tax of \$16.6m (1H22:\$22.2m) with no additional income tax benefit recognised this half (1H22:\$3.5m)
- Underlying Earnings Per Share¹ at \$0.96
- Strong balance sheet with net cash of \$41.2m
- Interim dividend declared at \$0.20 per share, fully franked (1H22:\$0.20)
- Share buy-back announced on 3 August 2023
- Conditions expected to soften in second half
- FY23 earnings guidance lifted to top-end of guidance range provided on 24 February 2023, with Underlying EBITDA¹ around \$58m and Underlying NPAT¹ around \$30m

Commenting on Capral's 1H23 results and its outlook for FY23, Managing Director and CEO, Tony Dragicovich, said:

"Capral has delivered a strong result in the first half of 2023 by playing to our unmatched strengths across the construction and industrial sectors.

Capral has enhanced its diverse industry exposure, especially in transport and commercial construction. Together, with a good pipeline of work continuing in residential building, this reflected in our overall volume remaining strong.

We have the ability to more effectively partner with customers to provide bespoke and innovative intermediary solutions through the largest footprint of manufacturing sites and distribution centres in Australia. This has allowed us to create additional higher margin solutions to generate a favourable sales mix, and thereby maintain profitability at close to record levels.

Capral has invested for the long term throughout the last few years, allowing the company to be well placed in the sector to address, among other things, the forthcoming changes around energy efficiency in the National Construction Code which will affect the Australian construction sector. As Australia's only ASI certified aluminium extruder, and leading the industry on making its aluminium value chain more sustainable, Capral will keep building on its strengths and

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optimise its supply chain to meet increased demand for sustainable aluminium products due to regulation and evolving customer needs.

Although conditions are softening in the second half of 2023, Capral's FY23 earnings guidance has improved due to its exposure across several resilient sectors, and to leverage its higher-margin, value-added services such as pre-machining, semi-fabrication, and helping customers optimise and streamline their processes to create bespoke solutions that meet their advanced fabrication needs."

Capral's Half Year 2023 Report and Results Presentation are attached.

Webcast Details

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

Participants can register for the webinar by navigating to:
<https://s1.c-conf.com/diamondpass/10032225-gh83e6.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.

Corporate

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Investors

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Yours faithfully



Tertius Campbell

Company Secretary

¹ EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation, and in accordance with AASBI6, excludes rent payments. Underlying EBITDA, EBIT, NPAT 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.

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APPENDIX 4D - HALF-YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2023

Name of Entity	CAPRAL LIMITED
A.B.N	78 004 213 692
Half-Year Ended	30/06/2023
Reporting Period	1 January 2023 to 30 June 2023
Previous Period	1 January 2022 to 30 June 2022

Results for announcement to the market

	30 June 2023 \$'000	30 June 2022 \$'000	Change \$'000	Change %
2.1 Revenues from ordinary activities	329,637	349,035	(19,398)	(5.6)
2.2 Profit from ordinary activities after tax attributable to members	16,604	22,196	(5,592)	(25.2)
2.3 Net profit for the period attributable to members	16,604	22,196	(5,592)	(25.2)
2.4 Dividend Information	30 June 2023		30 June 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
Special dividend	-	-	-	-

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

25 August 2023

2.6 Explanation of 2.1 to 2.4

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

3.0 Net Tangible Assets per security (Post-Share Consolidation)

	30 June 2023	30 June 2022
NTA	\$9.44	\$8.54
Number of shares	18,050,723	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 22 March 2023, at 50 cents per ordinary share fully franked. Subsequent to half year end, it is declared that an interim dividend of 20 cents per ordinary share, fully franked, be paid on 15 September 2023.

6.0 Dividend or dividend reinvestment plans

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

7.0 Associates and joint venture entities

Not Applicable

8.0 Foreign Entities

Not Applicable

9.0 Audit dispute or qualification

Not Applicable

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DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Capral Limited (**Capral**) and the entities it controlled at the end of, or during, the half-year ended 30 June 2023 and the independent auditor's review report thereon.

Directors

The following persons were directors of Capral during the half-year and up to the date of this report:

Name	Period Office Held
R. L. Wood-Ward	6 November 2008 - Date of this report
G Pettigrew	18 June 2010 – 27 April 2023
A. M. Dragicevich	15 April 2013 – Date of this report
K. Ostin	17 June 2020 – Date of this report
M. White	1 September 2021 – Date of this report
B. Tisher	24 February 2022 – Date of this report

Review of operations and key results

Capral is pleased to announce its 2023 first half result which exceeded expectations. Profit after tax was \$16.6 million for the half-year ended 30 June 2023, compared with \$22.2 million for 1H22 which included a \$3.5m Income Tax Benefit. This resulted in Underlying Earnings per Share¹ of \$0.96, down from \$1.05 per share in 1H22.

Results Overview

Capral delivered Underlying EBITDA¹ of \$31.7 million up slightly on \$31.6 million in 1H22. Sales volume at 35,600 tonnes was 2% below the first half last year, and sales revenue fell 5% to \$333 million for the first half impacted by lower global aluminium prices (LME). Underlying EBIT¹ fell slightly to \$20.7 million as compared to \$21.0 million in 1H22.

Strong volume, favourable sales mix and margin combined to maintain profitability at close to record levels. Dwelling commencements have declined but the pipeline of work under construction supported demand and volume. Market share gains against imports have largely been maintained despite international supply chains returning to normal. Demand in our key industrial sectors remained strong, especially transport and industrial construction.

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

The balance sheet remains strong with net cash lifting to \$41.2 million, after a \$8.9 million dividend payment and \$5.2 million capex in 1H23.

Dividend and Share Buy-back

Capral's strong first half performance and cash position supports the payment of an interim dividend. This dividend is based upon, and will be paid out of, current period earnings. The Company has declared a fully franked interim dividend of 20 cents per ordinary share in respect of the half year ended 30 June 2023 which will be paid on 15 September 2023. The dividend will be paid to all shareholders on the register of members as at the Record Date of 25 August 2023. Capral's Dividend Reinvestment Plan (DRP) will not be active for this dividend.

Capral has also announced that it would commence an on-market share buy-back on or about 21st August 2023 of around 370,000 shares during the remainder of 2023.

Please also refer to the 2023 Half Year Results Presentation lodged with this Report.

Sustainability

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

Capral has made good progress during this half year. 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.

Capral Limited

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 competitor activity
- External IT threats such as cyber attacks
- Changes in construction methodology

Auditor's independence declaration

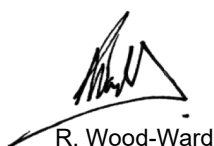
The auditors' independence declaration as required under section 307C of the Corporations Act is set out on page 3.

Rounding of amounts

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

Signed in accordance with a resolution of directors pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors



R. Wood-Ward
Chairman



A. Dragicevich
Managing Director

Sydney
17 August 2023

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.

Performance Measures	1HY23 \$ million	1HY22 \$ million
Profit After Income Tax	16.6	22.2
Income Tax Benefit	-	(3.5)
Profit Before Income Tax	16.6	18.7
Add: Finance Costs	3.5	2.6
Add: Depreciation and Amortisation	11.0	10.6
Earnings Before Income Tax, Depreciation and Amortisation (EBITDA)	31.1	31.9
Add: LME Revaluation and Unrealised FX	0.6	(0.3)
Underlying EBITDA	31.7	31.6
Less: Depreciation and Amortisation	(11.0)	(10.6)
Underlying EBIT	20.7	21.0
Profit After Income Tax	16.6	22.2
Add: Income Tax Expense/(Benefit)	-	(3.5)
Add: LME Revaluation and Unrealised FX	0.6	(0.3)
Underlying Net Profit After Income Tax	17.2	18.4
Weighted average number of ordinary shares on issue (Basic)	17.9	17.5
Underlying EPS	\$0.96	\$1.05

17 August 2023

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

Dear Board Members

Auditor's Independence Declaration to Capral Limited

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

As lead audit partner for the review of the half year financial report of Capral Limited for the half year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delaney
X Delaney
Partner
Chartered Accountants

Capral Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2023

	Note	Consolidated Half-year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Revenue		329,637	349,035
Other income	5	1,995	1,662
Raw materials and consumables used		(214,348)	(237,585)
Employee benefits expense		(53,752)	(50,989)
Depreciation and amortisation expense		(10,997)	(10,557)
Finance costs		(3,560)	(2,661)
Freight expenses		(8,182)	(8,013)
Occupancy costs		(2,787)	(2,381)
Repairs and maintenance expense		(4,048)	(3,295)
Electricity and gases expense		(5,433)	(4,479)
Other expenses		(11,921)	(12,076)
Profit before income tax		16,604	18,661
Income tax benefit	2	-	3,535
Profit for the period		16,604	22,196
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the period		16,604	22,196
		2023	2022
Earnings per share		Cents per share	Cents per share
Basic (cents per share)		92.51	126.62
Diluted (cents per share)		90.90	124.12

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 17,948,931 (2022: 17,530,041) and the earnings used in the same calculation was \$16,604,000 (2022: \$22,196,000).

The weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share was 18,266,904 (2022: 17,883,174) and the earnings used in the same calculation was \$16,604,000 (2022: \$22,196,000).

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Note	Consolidated	
		30 June	31 December
		2023	2022
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	41,235	48,988
Trade and other receivables		103,222	91,326
Inventories		138,189	154,877
Other financial assets		535	11
Prepayments		2,536	848
Total current assets		285,717	296,050
Non-current assets			
Deferred tax assets	6	23,700	23,700
Property, plant and equipment		58,109	56,644
Right-of-use assets		60,438	66,651
Goodwill		3,070	3,070
Other intangible assets		563	649
Total non-current assets		145,880	150,714
Total assets		431,597	446,764
LIABILITIES			
Current liabilities			
Trade and other payables		123,034	112,735
Lease liabilities		16,159	16,158
Borrowings	12	-	24,083
Other financial liabilities		-	828
Current provisions		16,164	17,901
Deferred income		136	153
Total current liabilities		155,493	171,858
Non-current liabilities			
Lease liabilities		70,861	77,874
Non-current provisions		7,569	7,306
Total non-current liabilities		78,430	85,180
Total liabilities		233,923	257,038
Net assets		197,674	189,726
EQUITY			
Issued capital		433,476	433,433
Reserves		99,184	91,279
Accumulated losses		(334,986)	(334,986)
Total equity		197,674	189,726

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 30 June 2023

	Note	Consolidated Half-year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Receipts from customers		352,544	362,117
Payments to suppliers and employees		(312,279)	(358,266)
Interest and other finance costs paid		(3,204)	(2,875)
Net cash flows provided by operating activities		37,061	976
Cash flows from investing activities			
Payments for property, plant and equipment		(5,205)	(4,642)
Payments for intangible assets		-	(21)
Interest received		323	-
Net cash flows used in investing activities		(4,882)	(4,663)
Cash flows from financing activities			
Dividends paid		(8,884)	(8,613)
Proceeds from dividend reimbursement plan		-	2,604
Proceeds in relation to employee share scheme		92	428
Payments for share purchase – employee share scheme		(362)	-
Proceeds from borrowings		-	20,453
Repayment of borrowings		(24,083)	-
Repayment of principal of lease liabilities		(7,700)	(7,364)
Net cash flows (used in)/provided by financing activities		(40,937)	7,508
Net (decrease)/increase in cash and cash equivalents		(8,758)	3,821
Cash and cash equivalents at the beginning of the half-year period		48,988	50,132
Effect of foreign exchange rate changes		1,005	1,414
Cash and cash equivalents at end of the half-year period	11	41,235	55,367

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

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Capral Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2023

Consolidated	Note	Issued capital \$'000	Equity- settled compensatio n reserve \$'000	Employee Share Reserve \$'000	Asset revaluation reserve \$'000	Dividend Reserve* \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 January 2022		430,588	11,909	(225)	4,088	54,116	(343,351)	157,125
Profit for the period		-	-	-	-	18,661	3,535 [^]	22,196
Total comprehensive profit for the period		-	-	-	-	18,661	3,535 [^]	22,196
Share-based payment expense		-	467	-	-	-	-	467
Shares issued – dividend reinvestment plan	7	2,604	-	-	-	-	-	2,604
Shares issued – employee escrow shares		241	-	-	-	-	-	241
Proceeds from employee escrow shares		-	-	187	-	-	-	187
Dividends paid		-	-	-	-	(8,613)	-	(8,613)
Balance as at 30 June 2022		433,433	12,376	(38)	4,088	64,164	(339,816)	174,207
Balance as at 1 January 2023		433,433	12,891	(38)	4,088	74,338	(334,986)	189,726
Profit for the period		-	-	-	-	16,604	- [^]	16,604
Total comprehensive profit for the period		-	-	-	-	16,604	- [^]	16,604
Share-based payment expense		-	498	-	-	-	-	498
Shares issued – employee escrow shares		43	-	-	-	-	-	43
Proceeds from employee escrow shares		-	-	49	-	-	-	49
Employees shares on-market purchase		-	-	(362)	-	-	-	(362)
Dividends paid		-	-	-	-	(8,884)	-	(8,884)
Balance as at 30 June 2023		433,476	13,389	(351)	4,088	82,058	(334,986)	197,674

*Dividend reserve represents undistributed profits since the financial year 2010. Current period profit has been transferred to a dividend reserve account. An interim dividend is declared and is sourced from current period profit.

[^]Income tax benefit (2023: nil; 2022: \$3.535 million) in relation to deferred tax assets on tax losses are excluded from dividend reserve.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2023

1 Significant accounting policies

Capral Limited (**Capral**) is a company domiciled in Australia. The consolidated half-year financial report of Capral for the half-year period ended 30 June 2023 comprises Capral and its subsidiary (**consolidated entity**).

(a) Statement of compliance

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

This half-year financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the most recent annual financial report for the year ended 31 December 2022 and any public announcements made by Capral during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(b) Basis of preparation

Capral is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 6 September 2022, and in accordance with this, amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in Capral's annual report for the financial year ended 31 December 2022, except as noted in Note 1(d) below.

(c) Significant accounting judgements, estimates and assumptions

In the application of Capral's accounting policies, Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(d) Application of new and revised standards

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2023

1 Significant accounting policies (cont'd)

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

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

If there is an indication of impairment, the recoverable amount of property, plant & equipment, goodwill and intangible assets will be determined by reference to a value in use discounted cash flow valuation of the Group, utilising financial forecasts and projections.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Cash flows that may result from prior period tax losses are not taken into account. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

As a result of the non-current assets recoverable amount assessment performed, Capral has determined that no impairment write-down of non-current assets as at 30 June 2023 was necessary. The recoverable amount of the CGU estimated by management exceeded the carrying amount of assets.

The key assumptions used in preparing the value in use cash flow valuation as at 30 June 2023 are as follows:

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

	Input to the model	Breakeven input
WACC (Post-tax)	10.70%	10.85%
Average volumes increase 2024-25 p.a.	-2.09%	-2.29%
Average volumes increase 2026-27 p.a.	1.00%	0.88%
Long-term growth rate	1.00%	0.65%

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 69,300 tonnes at the end of the 5-year period.

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. A 0.15% underperformance in forecasted margin, in isolation, would reduce the headroom to nil but would not result in an impairment charge.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2023

Consolidated Half-year ended	
30 June 2023 \$'000	30 June 2022 \$'000

2 Income tax

Current tax

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

Profit from continuing operations before income tax expense	<u>16,604</u>	<u>18,661</u>
Income tax expense calculated at 30%	4,981	5,598
Tax effect of non-assessable / non-deductible items:		
Effect of expenses that are not deductible or taxable in determining taxable profit	212	216
Tax effect of utilisation of tax losses and temporary differences not previously recognised	<u>(5,193)</u>	<u>(5,814)</u>
Current income tax expense	<u>-</u>	<u>-</u>
Deferred tax		
Previously unrecognised and unused tax losses now recognised as deferred tax assets	<u>-</u>	<u>3,535</u>
Income tax benefit recognised in profit or loss	<u>-</u>	<u>3,535</u>

At 30 June 2023, the Group has unused tax losses of \$198,872,032 (30 June 2022: \$222,503,603) available to offset against future profits. A deferred tax asset has been recognised in respect of \$79,000,000 (30 June 2022: \$62,900,000) of such losses. No deferred tax asset has been recognised in respect of the remaining \$119,872,000 (30 June 2022: \$159,603,000) as future taxable profits cannot be estimated reliably at this stage.

3 Dividends

Consolidated Half-year ended	
30 June 2023 Cents per share	30 June 2022 Cents per share

Fully paid ordinary shares

Interim dividend declared – fully franked	20	20
Final dividend paid - fully franked	<u>50</u>	<u>50</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2023

4 Segment information

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

Major Products and Services

The Group produces a wide range of extruded aluminium products and systems. It distributes those manufactured products in addition to a small number of bought-in products through two distribution channels.

The Group supplies to three market segments through each of its distribution channels:

- Residential - supply of aluminium and other components for windows and doors, showers and wardrobes and security products,
- Commercial - supply of aluminium and other components for windows and doors, internal fit outs and other commercial building related products, and
- Industrial - supply of aluminium extrusions and rolled products for industrial uses.

Management does not report on the revenues from external customers for each of the market segments.

Geographic Information

The Group operates in one geographical area, Australia.

Information About Major Customers

There are no individual major customers who contributed more than 10% of the Group's revenue in either the half year ended 2023 or in 2022.

5 Other income

	Consolidated Half-year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Sub-lease rental income	1,672	1,662
Bank interest income	323	-
	<u>1,995</u>	<u>1,662</u>

6 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	<u>23,700</u>	<u>23,700</u>
Benefit recognised in the profit	-	-
Balance at end of the financial period	<u>23,700</u>	<u>23,700</u>

The Group has recognised deferred tax assets with respect to tax losses carry forward and deductible temporary differences of \$23,700,000 (31 December 2022: \$23,700,000). Based upon the forecasted operational performance, the recovery of these prior year losses in the short term is probable. The forecasted operational performance is based on recent performances.

The group has recognised deferred taxes amounting to \$10,310,000 in respect of deductible temporary differences and no deferred tax asset is recognised on the balance temporary differences of \$41,898,000 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 \$13,390,000 and no deferred tax asset recognised on balance of the available tax losses amounting to \$154,240,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2023

7 Issuance of equity securities

Performance Rights - Managing Director

During the half-year, 44,400 performance rights were issued to Mr Dragicevich under the Long-Term Incentive Plan (LTIP) pursuant to shareholder approval at Capral's AGM in April 2023. These rights were issued subject to the achievement of performance conditions and have been independently valued as follows:

- EPS – 22,200 rights at \$5.94 per right
- TSR – 22,200 rights at \$4.25 per right

During the half-year, 102,670 performance rights granted as part of the 2020 LTIP award vested and converted on a 1 for 1 basis to Capral ordinary shares in March 2023.

The total number of performance rights outstanding to Mr Dragicevich as at 30 June 2023 is 179,700 (31 December 2022: 237,970).

Performance Rights – Key Management Personnel – Chief Financial Officer

During the half-year, 16,600 performance rights were issued to Mr Campbell under the LTIP. The new rights were issued subject to the achievement of performance conditions.

These rights have been independently valued as follows:

- EPS – 8,300 rights at \$6.16 per right
- TSR – 8,300 rights at \$4.73 per right

During the half-year, 30,670 performance rights granted as part of the 2020 LTIP award vested and converted on a 1 for 1 basis to Capral ordinary shares in March 2023.

The total number of performance rights outstanding to Mr Campbell as at 30 June 2023 is 59,800 (31 December 2022: 73,870).

Performance Rights - Executive and Senior Management

During the half-year, 124,500 performance rights were issued under the LTIP. The new rights were issued subject to the achievement of performance conditions.

These rights have been independently valued as follows:

Grant Date 6 March 2023:

- EPS – 47,750 rights at \$6.50 per right
- TSR – 47,750 rights at \$5.09 per right

Grant Date 24 March 2023:

- EPS – 10,000 rights at \$6.16 per right
- TSR – 10,000 rights at \$4.73 per right

Grant Date 22 May 2023:

- EPS – 4,500 rights at \$5.85 per right
- TSR – 4,500 rights at \$4.01 per right

During the half-year, 144,980 performance rights granted as part of the 2020 LTIP award vested and converted on a 1 for 1 basis to Capral ordinary shares in March 2023.

During the half-year 23,500 performance rights were forfeited due to the departure of two senior managers.

The total number of performance rights outstanding to Executive and Senior Management as at 30 June 2023 is 366,500 (31 December 2022: 410,480).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2023

7 Issuance of equity securities (cont'd)

Ordinary Shares

During the half-year, Capral issued 278,320 new ordinary shares to Capral's managing director, executives and senior management to satisfy the obligation to deliver shares resulting from the conversion of vested performance rights as mentioned above.

During the half-year, Capral issued 5,131 new ordinary shares to some of Capral's executives and senior management who purchased Capral's shares by using the above target component (stretch) of their after-tax Short Term Incentives Plan (STIP). These shares are held in escrow by Capral's share registry for a period of 3 years.

8 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 finalised and no longer seen as contingent.

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

Capral's bankers have issued guarantees in respect of rental obligations on lease commitments, use of utilities infrastructure and international trade facilities. At 30 June 2023, these guarantees totalled \$4,370,502 (31 December 2022: \$4,370,502).

Capral's bankers have issued letters of credit in respect of Capral's purchases internationally. At 30 June 2023, these open letters of credit totalled \$8,661,758 (31 December 2022: \$6,814,372).

Consolidated	
30 June	31 December
2023	2022
\$'000	\$'000

9 Capital commitments

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

Not longer than 1 year	2,909	1,880
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10 Related parties

Refer to Note 7 above in relation to equity securities granted, lapsed and converted to Capral ordinary shares during the half year under the LTIP that include rights granted to Capral's Managing Director, and rights granted and shares issued to the Chief Financial Officer (who are key management personnel). Other than the information detailed in Note 7, there have been no material related party transactions during the half year ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2023

Consolidated Half-year ended	
30 June 2023 \$'000	30 June 2022 \$'000

11 Cash and cash equivalents

Reconciliation of cash and cash equivalents

For the purposes of the Condensed Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank and short term deposits at call net of bank overdrafts, ANZ Multi-option facility balance. Cash as at the end of the half year as shown in the Condensed Consolidated Statement of Cash Flows is reconciled to the related items in the Condensed Consolidated Statement of Financial Position as follows:

Cash at bank and on hand	41,235	55,367
Cash and cash equivalents at end of the half-year period	41,235	55,367

12 Stand by arrangement and credit facilities

Consolidated Half-year ended	
30 June 2023 \$'000	31 December 2022 \$'000

As at 30 June 2023, the following facilities were in place:

Secured facilities	80,000	95,000
Total secured facilities	80,000	95,000
Facilities utilised:		
Trade loan	-	24,083
Bank guarantees	4,371	4,371
Trade finance – drawn letters of credit	17,650	18,743
Trade finance – open letters of credit	8,662	6,814
Total facilities utilised	30,683	54,011
Total available facilities	49,317	40,989

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

The existing ANZ facilities with an expiry date of 30 April 2024, consist of:

Secured:

- \$70 million Multi-option Facility which includes a Trade Finance Loan Facility, Trade Instruments and Trade Finance;
- \$5 million 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;
- \$1.3 million Asset Finance Facility.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2023

12 Stand by arrangement and credit facilities (Cont'd)

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

13 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the 2022 annual financial report. In addition, refer to Notes 7 and 10 in relation to changes during the half year; performance rights granted, expired and conversion to ordinary shares to Capral's Managing Director, executive and senior management, under the LTIP.

14 Subsequent events

No other matter or circumstance has arisen since the end of the half-year that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

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Capral Limited

DIRECTORS' DECLARATION


The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that Capral will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

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

On behalf of the directors



R. Wood-Ward
Chairman



A. Dragicevich
Managing Director

Sydney
17 August 2023

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Capral Limited (the "Company") and its subsidiary (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2023, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 4 to 16.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-year Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors' Responsibilities for the Half-year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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Partner

Chartered Accountants

Parramatta, 17 August 2023

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