



# 2021

## Annual Report

CAPRAL LIMITED · ABN 78 004 213 692

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# CAPRAL'S VISION & VALUES

**Our Vision is to be Australia's first choice supplier of aluminium products and solutions.**

We are committed to our values



### **SAFETY FIRST**

Everyone is responsible  
Injuries can be prevented  
All jobs can be done safely



### **CUSTOMER SUCCESS**

Customers determine our success  
Committed to service and quality  
Be responsive to customer needs



### **PLAY FAIR**

Be honest & respectful  
Do the right thing by each other & the environment  
Work as a team



### **BETTER EVERY DAY**

Continuous improvement  
Embrace change  
Be innovative



### **OWN IT**

Be accountable  
Feel empowered  
Take pride in our work  
Act boldly

# KEY STATISTICS

	2021	2020	VARIANCE
For The Year Ended 31 December			
Sales Volume – Tonnes	76,300	61,000	15,300
	\$M	\$M	\$M
Revenue	593.5	432.0	161.5
EBITDA	59.2	47.2	12.0
Trading EBITDA <sup>1</sup>	38.2	19.7	18.5
Profit after Tax	42.7	25.9	16.8
Operating Cash Flow	41.7	52.1	(10.4)
Net Cash	50.1	49.4	0.7

<sup>1</sup> Please refer to note on page 4.



# CHAIRMAN'S REPORT

## ANNUAL REVIEW

2021 presented many challenges as well as opportunities for Capral and its stakeholders. The strong shift to local supply resulting from disruptions to import supply chains and shipping congestion seen at the end of 2020 gathered momentum throughout the year and, combined with Government assistance targeted to the residential construction market through HomeBuilder and other incentives, created unprecedented demand underpinning Capral's strong growth in volumes in 2021.

The numerous challenges which the Company faced included; gearing up production capability through recruitment to increase employee levels, adding operating shifts to meet and satisfy customer demand, and resolving supply and logistical disruptions. I was particularly impressed by management's responses to all of these challenges whilst at the same time grasping the opportunities created by the increased customer demand. Management has clearly driven these positive responses throughout the entire Capral workforce.

I direct shareholders to the Managing Director's Report and the Results Presentation released to the market today.

## FINANCIAL PERFORMANCE

Revenues of \$593 million were 37% higher than the \$432 million reported in 2020. Volume increased year on year by 25%. The increase in aluminium supply prices rose throughout the year as the LME Aluminium price rose to its highest levels in 13 years.

The revenue growth from increased volumes and higher prices (offset by higher raw material costs and operating costs) combined with the ongoing operating efficiencies flowing from Bremer Park, and the profitable contribution from the company's extrusion plants including the newly acquired Smithfield plant, added significantly to this year's profit. These benefits will continue to contribute going forward. Higher productivity and operational leverage in all parts of the business helped deliver a Trading EBITDA<sup>1</sup> of \$38.2 million, 94% higher than last year's \$19.7 million.

Reported Net Profit After Tax (NPAT) includes \$9.4 million arising from recognition of deferred tax brought to account (2020: \$3.0 million). NPAT was \$42.7 million (\$1.80 per share normalised<sup>2</sup>) compared to last year's \$25.9 million (\$0.72 per share normalised<sup>2</sup>).

Whilst the substantial increase in revenues increased working capital as a result of higher receivables and inventory and the impact of higher LME prices, strong cash flows were another feature of Capral's performance for the year. The Company increased its net cash at 31 December 2021 by \$1.0 million to \$50 million. This was despite funding increased working capital of \$13.7 million, investing \$9.5 million in fixed assets and \$10.3 million for the Smithfield plant, and \$10.9 million returned to shareholders by way of dividends. Our strong cash position enables us to continue to balance our utilisation of free cash between funding internal growth, investing in additional capacity and returning cash to our shareholders through fully franked dividends.

## DIVIDENDS

Our performance over the past two years demonstrates that our strategies are delivering value and that Capral is now better placed to succeed through the various phases of the business cycle. Accordingly, Capral paid a fully franked interim dividend of 20 cents per share during the 2021 year and the result for the year supports an increase in the final fully franked dividend for the 2021 reporting period.

The Company has declared a fully franked final dividend of 50 cents per ordinary share (2020: 45 cents) to be paid on 25 March 2022 in respect of the financial year ended 31 December 2021. The dividend will be paid to all shareholders on the register of members as at the Record Date of 4 March 2022. Our Dividend Reinvestment Plan will be active for this dividend with election to be made by 11 March 2022.

## SAFETY

Our safety performance for the year under review delivered excellent results which is especially pleasing given that all of our facilities experienced material increases in activity levels. The Company recorded 7.2 lost time injuries per 1 million hours worked in 2021, well below peer comparatives. Capral's management continues to roll out new initiatives and prioritise safety across every part of our business.

## SUSTAINABILITY

The environment is a key priority for Capral. A full report on our progress is included in the Sustainability Report.

# CHAIRMAN'S REPORT

(continued)

## LOOKING AHEAD

It is most encouraging to see that the increased level of demand enjoyed in 2021 has carried into 2022, and there are positive signs that we are retaining a significant amount of the business which we secured over the last two years. Unfortunately, COVID continues to impact our daily activities. Thanks to the dedication and excellent performance of our employees across Australia, we are now stronger than ever and well positioned to again deliver strong earnings for our shareholders. I direct you to the Outlook section of the Managing Director's Report for details of our earnings guidance for 2022.

## BOARD CHANGES

Capral continued its commitment to board renewal with the appointment of Mark White as an Independent Non-Executive Director during the year. In addition, on 24 February 2022 we announced Bryan Tisher's appointment to the board, as well as the forthcoming retirement of Phil Jobe at the conclusion of the AGM on 27 April 2022 after 13 years of executive and non-executive service and contribution to Capral's success.

We welcome both Mark and Bryan to Capral and their combined extensive business experience will make a significant contribution to the Board. At the same time, we thank Phil for his dedication and support during his tenure. His contributions and insights have been invaluable to the Board.

On behalf of the board I wish to thank all of Capral's stakeholders for their tremendous support during 2021. We look forward to delivering strong results in 2022. Thank you to all of my Capral colleagues for their tireless efforts throughout a record-breaking year.



**Rex Wood-Ward**  
Chairman

- 1 *Trading EBITDA is the Statutory EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. These items are LME and Premium revaluation, and one-off costs relating to restructuring that are non-recurring in nature. Trading EBITDA is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011*
- 2 *Normalised Earnings Per Share is Basic Earnings Per Share adjusted for Income Tax Benefit (\$9.4 million) and LME Revaluation Gain (\$2.8 million) on the same basis as Note 1 above*





We are committed to  
investing in our community

In 2021 we continued our support of programs to  
nurture and foster future leaders of our industry





# MANAGING DIRECTOR'S Operations and Financial Review

## HIGHLIGHTS

- » Record earnings result
- » Volume at 76,300 tonnes was 25% above last year
- » Market conditions and demand were strong throughout the year
- » Trading EBITDA<sup>1</sup> \$38.2 million, up \$18.5 million on last year
- » EBITDA \$59.2 million, up \$12.0 million on last year
- » Net Profit Before Tax \$33.3 million, up \$10.4 million on last year
- » Net Profit After Tax \$42.7 million including \$9.4 million deferred tax benefit, up \$16.8 million on last year
- » Normalised earnings per share at \$1.80
- » Balance sheet strong with net cash of \$50.1 million
- » Fully franked final dividend of 50 cents per share declared, total FY21 dividends of 70 cents per share
- » Acquisition of Smithfield (NSW) extrusion plant in February 2021
- » Excellent safety performance with TRIFR 7.2

## FINANCIAL REVIEW

Market conditions rebounded strongly in the second half of 2020 and this continued throughout 2021. In addition, disruption to import supply chains and higher shipping costs lead to increased demand for local extrusion. In response, Capral increased its workforce and operated its manufacturing plants at full available capacity leading to higher operating leverage driving earnings to record levels.

The residential market remained buoyant on the back of government housing stimulus programs and is on track to record 233,000<sup>2</sup> starts in 2021, 25% above last year. Commercial construction was adversely impacted by COVID restrictions, but our key industrial markets (manufacturing, transport and marine) remained strong, underpinned by high levels of economic activity.

Local extrusion demand lifted by a shift to local manufacture and away from imports. This growth was driven by; import supply chain disruption, high international shipping costs, enforcement of anti-dumping measures, and a growing "Australia Made" sentiment with local supply providing customers the benefit of shorter and more reliable lead times.

The international LME price of aluminium rose rapidly from mid 2021 and was still rising at year end. Capral's average LME cost for 2021 was 30% above last year, finishing the year 40% up, having reached 13 year highs in the fourth quarter. This flowed through to higher selling prices and working capital levels which will continue into 2022.

In 2019 Capral completed a significant restructure of its largest manufacturing operation at Bremer Park in Queensland. This successfully transformed Capral's business delivering permanent cost savings and increased operational efficiencies. These benefits were evident in 2021 with Bremer Park delivering a strong profit contribution to the group.

The acquisition of the GJames extrusion plant in Smithfield was completed in February 2021. The plant has been successfully integrated into Capral's operations and moved from a one shift operation to two shifts mid year. Smithfield made a modest positive profit contribution in 2021.

Capral delivered a record profit result in 2021 with a Trading EBITDA<sup>1</sup> of \$38.2 million (2020: \$19.7 million) on 25% higher volumes. EBITDA of \$59.2 million (2020: \$47.2 million) and a net profit before tax of \$33.3 million (2020: \$22.9 million). An outstanding result.

<sup>1</sup> Refer to Trading EBITDA and Normalised EPS explanation in footnote to Chairman's Report on Page 4

# MANAGING DIRECTOR'S

## Operations and Financial Review (continued)

Capral ended 2021 with a net cash balance of \$50.1 million. Debtors collection performance remained good and inventory levels were below plan at year end due to delayed shipments. Working capital levels lifted due to the impact of the higher LME on debtors and inventory levels.

Capral will pay a fully franked final dividend of 50 cents per share and, together with the interim dividend of 20 cents per share, lifts total FY21 dividends to 70 cents per share (FY20: 45 cents per share).

### KEY INITIATIVES AND STRATEGIES

Key high-level strategies remain consistent:

- » Build on our strengths; product offer, scale, capability and our people
- » Optimise what we do; improve productivity in all aspects of our business
- » Grow for the future; develop new & innovative products, solutions and services

A key focus in 2022 will be increasing Smithfield to a three shift operation to lift Capral's available extrusion capacity. Recruiting the required numbers of operational employees in Sydney has been very challenging with the third shift now targeted in the second quarter of 2022. This strategically important acquisition gives Capral an expanded manufacturing presence in NSW, provides savings in freight costs, and improved service to customers. Smithfield continues to supply GJames with certain extrusions under a supply agreement and is also expanding its local customer base. The Smithfield plant is expected to contribute moderate earnings growth in 2022.

Capral is installing a new paint line at its new Huntingwood (NSW) distribution centre during 2022. The other major capital project will be the first stage of the Penrith extrusion plant upgrade with the rebuild of the extrusion press and hydraulics late in 2022.

During 2022 we will continue to focus on growing Capral's aluminium distribution business with the objective of increasing the volume and profitability of Capral's direct distribution channel.

### FAIR TRADE

Capral continues to lead the local industry in the pursuit of fair trade.

- » Measures on Chinese imports in place until 2025
- » Increased enforcement by Australian Border Force against anti-circumvention activities

- » Measures in place against certain Malaysian and Vietnamese suppliers

Market share gains have been made against imports over the last two years but they continue to represent a material proportion of the total extrusion market which means we must remain vigilant in the pursuit of fair trade.

### SAFETY

Safety First is the first of Capral's key values. We continue to focus on risk assessment, training, systems and our safety culture. Capral's safety performance over the last two years has been excellent with a total reportable injury frequency rate of 7.2 (2020: 5.8). This compares favourably with the peer average of 9.8 for listed building products manufacturers.

### SUSTAINABILITY

Capral advanced its commitment to its environmental obligations by forming a National Sustainability Committee last year with employee representation across Capral's operations. This has resulted in the development of Capral's sustainability four pillars and a roadmap to net zero by 2050. Refer to Capral's Sustainability Report (pages 15 to 18).

### OUTLOOK

External forecasts for the residential market remain positive, with starts expected to be 234,000<sup>1</sup> in 2022, on par with 2021, and with significant work in the pipeline. The non-residential market is forecast to lift in 2022 after a COVID disrupted last two years. The industrial markets are also expected to remain robust with customers continuing to support local supply.

LME is unpredictable and volatile, and is subject to a number of international influences. Based on external forecasts, we expect LME to come off its peaks during the first half but to remain at historically elevated levels throughout 2022.

The overall market for Capral's aluminium extrusion and rolled product is forecast to remain strong in 2022 and we expect to retain a good proportion of market share gained from imports. Trading EBITDA<sup>2</sup> is forecast, absent any unforeseen events, to be between \$34 million and \$38 million with EBITDA between \$53 million and \$57 million. On that basis Capral would be in a position to continue the payment of a franked dividend.

1 *BIS Oxford Economics December 2021 forecast*

2 *Refer to Trading EBITDA and Normalised EPS explanation in footnote to Chairman's Report on Page 4*

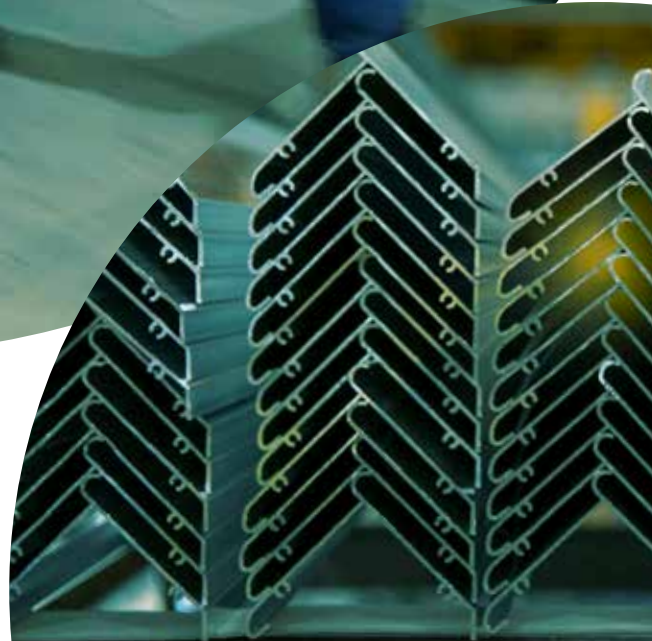
The focus in the year ahead will be to deliver benefits from the Smithfield acquisition, improve efficiencies in all our extrusion operations, and grow our distribution business. We plan to enhance our range, service and quality to help grow our customer base to deliver consistent volume and profit growth into the future.

I wish to thank the Capral team for their tremendous contribution to the outstanding 2021 result which was achieved during the challenge of COVID restrictions. Capral is in a position to capitalise on its strong foundation, maximise the opportunities in the current market, and develop the business for the long term.



**Tony Dragicevich**  
*Managing Director*  
25 February 2022





# BOARD OF DIRECTORS

Directors in office during the financial year and up to the date of this report:

## 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 45 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*

## 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 a number of 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*

## PHILIP JOBE B. COMM

### Non-executive director (Independent)

Appointed 24 April 2009

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

Mr Jobe became a non-executive director following the expiry of his term as Capral's Chief Executive Officer and Managing Director in April 2013. Before joining Capral, Mr Jobe was the Executive General Manager of Boral Limited's Cement Division, including Managing Director of Blue Circle Southern Cement Pty Limited. This also encompassed the role of Chairman of the Cement Industry Federation. He also had executive responsibility for Boral's expanding Asian construction materials businesses.

Mr Jobe was previously Managing Director of Stegbar Pty Limited from 1989 to 1994.

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

## GRAEME PETTIGREW FIPA, FAIM, FAICD

### Non-executive director (Independent)

Appointed 18 June 2010

- » 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

# BOARD OF DIRECTORS

(continued)

## **KATHERINE OSTIN B. COMM, GAICD, F FIN, CA** Non-executive director (Independent)

Appointed 17 June 2020

- » Chairman of the Audit & Risk Committee from 17 June 2020.
- » Member of the Remuneration & Nomination Committee from 17 June 2020.

Ms Ostin is a Chartered Accountant and Company Director of a number of listed and unlisted companies where she also chairs the Audit & Risk Committees. She has diverse experience in Audit & Risk management having previously been a KPMG Audit and Assurance Partner responsible for a wide range of listed and unlisted companies. Ms Ostin has also previously been non-executive director of a number of not-for-profit organisations.

*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: 16 September 2020 to date of this report.
- » Non-executive director of 3P Learning Ltd: 6 August 2021 to date of this report.

## **MARK WHITE B. COMM** Non-executive director (Independent)

Appointed 1 September 2021

- » Member of the Audit & Risk Committee from 1 September 2021
- » Member of the Remuneration & Nomination Committee from 1 September 2021.

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 10 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*

## **BRYAN TISHER B. ENG, MBA** Non-executive director (Independent)

Appointed 24 February 2022

- » Member of the Audit & Risk Committee
- » Member of the Remuneration & Nomination 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*





Photo: NH Architecture – Burwood Brickworks



Right: MacCormac Architects  
– Perth RSL Offices



# SUSTAINABILITY REPORT

## A SUSTAINABLE FUTURE

During 2019 Capral launched a new initiative establishing a Sustainability Committee to advance key sustainability strategies throughout its operations. As a result, Capral has committed to reach net zero emissions by 2050. This target will be based on achieving net zero Scope 1 and Scope 2 emissions and is underpinned by emerging and breakthrough technology options.





We recognise that in the world in which we live, Capral must act wisely to protect the environment and the broader society while working in the interests of our stakeholders and customers. Capral recognises the United Nations Sustainable Development Goals (SDGs) as a shared blueprint for peace and prosperity for people and the planet. Capral also recognises that ending poverty and other social deprivations goes hand-in-hand with strategies that improve health and education within our communities, reduce inequality, and encourage economic growth while tackling climate change.

As a major aluminium supplier our buying strategies and corporate activities will demonstrate the goal for Capral to work towards sustainability best practice underpinned by a commitment to the United Nations SDGs.

In our operations we continue to develop our position as a socially and environmentally aware organisation. We are developing our policies and disclosure, committing to openness, and generating a positive impact on our customers, employees, the environment, and our broader society. Our best practice approach will look for opportunities to integrate circularity principles within our business models. We also understand our stewardship obligations and will use our impact to enable stakeholders to invest in long-term, sustainable value creation.

We believe that our sustainability approach and ongoing dedication to launching new Capral sustainable solutions to address customer and stakeholder needs will make a positive contribution to our business growth.

The United Nations Sustainable Development Goals (SDGs) set out a shared vision to end poverty, fight inequality and injustice, and tackle climate change. We recognise the importance of all 17 interconnected SDGs. Capral is responding to the UN's call for a decade of action to deliver the global goals by setting out several specific commitments.

SDG	SDG OBJECTIVE	CAPRAL'S COMMITMENT
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	SDG 7 calls for affordable, reliable, and sustainable energy for all by 2030 to reduce the demand and depletion of the world's natural capital	We are committed to developing plans to adopt renewable energy solutions across our sites
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	SDG 12 calls for substantial reduction of waste through prevention, reduction, recycling, and reuse	We are committed to reducing waste through our manufacturing and distribution activities, including supporting a circular economy
 <p>13 CLIMATE ACTION</p>	SDG 13 calls for the integration of climate change measures into strategies and planning by 2030	We continue to take action to reduce carbon emissions from our manufacturing plants by reducing energy consumption and developing renewable energy sources
 <p>3 GOOD HEALTH AND WELL-BEING</p>	SDG 3 calls for ensuring health and well-being for all	We continue to promote and actively participate in good health and well-being activities to raise awareness of both physical and mental health issues with our employees

## OUR ROADMAP – ON A PATH TO A BETTER TOMORROW

In 2021 Capral introduced its Sustainability Roadmap embracing four pathways to a better tomorrow where Capral and its employees can contribute to a more sustainable future. Capral's Roadmap aligns with a number of the United Nations Sustainable Development Goals (SDGs).

### Energy

Identify and implement strategies and processes to minimise the use of energy and develop sources of renewal energy

### Waste

Reduce the amount of waste going to landfill by reuse, repurpose, and recycle

### Paper

Identify and introduce ways to minimise the use of paper and ensure any paper used is from sustainable sources

### Purchasing

Source from ethical suppliers providing sustainable, nontoxic, biodegradable and recycled products

## THE ENVIRONMENT

At Capral we care for the environment. We are committed to the efficient use of resources and the reduction and prevention of pollution and emissions. We believe that all environmental incidents are preventable.

We recognise that our activities, products, and services may impact on the environment and, as a responsible corporate citizen, will work towards sustainable development that embodies life cycle thinking to reduce the demand and depletion of our world's natural capital.

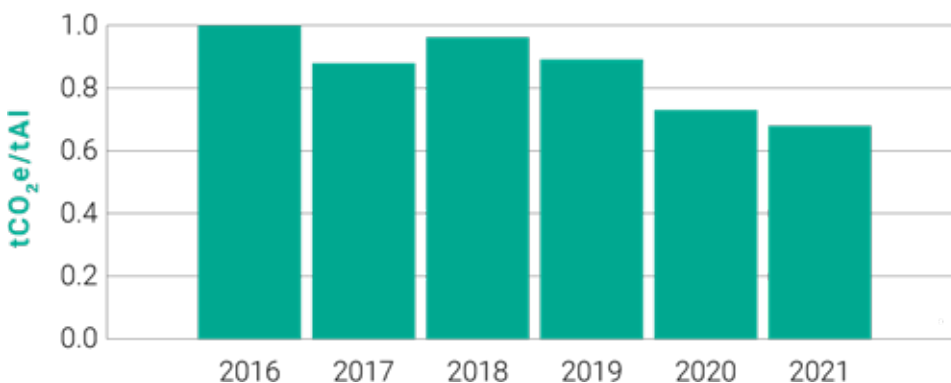
In line with this commitment we will effectively manage our waste materials with a more circular vision of reduce – reuse – repurpose, and disposal compliant with environmental standards.

Capral is committed to maintaining an Environment Management System that incorporates requirements for planning, implementation, and review based on a risk management approach. Capral manufacturing sites are certified to ISO14001 Environmental Management.

Capral acknowledges the importance of the impact of our operations on stakeholders by providing appropriate information to employees, shareholders, government agencies and local communities.

Capral's Scope 1 emissions are direct emissions primarily related to gas used in heating processes in our manufacturing operations. Capral's Scope 2 emissions is primarily electricity used in running our equipment, HVAC and lighting systems in our manufacturing and distribution sites. Capral has undertaken a number of initiatives over the last five years which has resulted in the reduction of its energy usage and emissions.

### Aluminium Extrusion Emissions Intensity



Capral makes energy efficiency a priority in its capital plant upgrade considerations by assessing the environmental implications in the design, purchase and commissioning phases. Key energy saving initiatives recently undertaken are:

- » Installation of voltage optimisation system at Campbellfield
- » Closure of energy intensive anodising line at Bremer Park
- » Introduction of variable speed drives at Smithfield adopting EU guidance by using Ultra Low Harmonic (ULH) technology
- » Renewable energy roof-top solar installation designed for installation at Campbellfield in early 2022
- » Manufacturing plants utilising cloud-based energy monitoring systems (SYMBOL) continuously assessing energy consumption at individual equipment level
- » Majority of Capral sites have switched to LED lighting and sensing technology

Capral's employees are encouraged to embrace an obligation to take due care and attention when performing their role and to comply with directions given to ensure that environmental damage does not occur. Capral's Managers, Supervisors and Team Leaders demonstrate sound environmental leadership and communicate clear environmental accountabilities and expectations to their teams in the workplace. Employees actively participate in environmental audits and assessments, corrective actions, and rehabilitation plans.

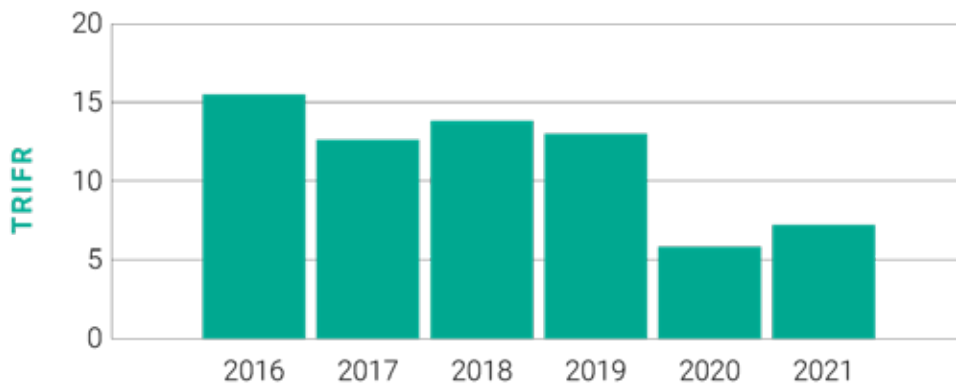
## HEALTH AND SAFETY

Capral has invested significantly in centralising and standardising its Safety systems under Capral's Integrated Management System (IMS) to ensure every level of the business understands associated risks and controls in its operations. This approach has provided a consistent application of Capral's IMS throughout all sites.

Rather than focusing on an incident itself, Capral's injury reduction philosophy is about understanding the behaviours of people and workplace activity inconsistencies before incidents occur. All operational leaders are tasked with training and development functions to ensure their team can perform tasks without incident and can freely speak up when something is wrong. This approach has led to a reduction in Capral's reportable incidents and hours lost over the last six years.

By expanding an employee's ability to access expert medical support staff to manage injury concerns, we have been able to reduce incidents, minimise injury severity and improve recovery. Capral's preventative injury management approach has reduced our total reportable injury frequency rate (TRIFR) over the last two years to below the industry average of 9.8 for listed building products manufacturers.

### Total Reportable Injury Frequency Rate



Capral's IMS compels all sites to comply with safety, health, and environmental legislation under ISO 45001. IMS also incorporates monitoring and improvement targeted at increasing employee lifespan and supporting SDG goal #3 "good health and well-being".

## PEOPLE & COMMUNITY

Capral employs around 1,000 people over 21 sites around Australia with around half of our employees covered by enterprise agreements.

Our Values underpin how our business is conducted:

- » **Safety First** – Everyone is responsible. Injuries can be prevented. All jobs can be done safely.
- » **Customer Success** – Customers determine our success. Service and quality. Be responsive.
- » **Play Fair** – Be honest and respectful. Do the right thing by each other and the environment. Work as a team.
- » **Better Every Day** – Continuous improvement. Be innovative. Embrace change.
- » **Own It** – Be accountable. Feel empowered; Take pride in your work. Act boldly.

Capral's Code of Conduct provides a set of guiding principles for our people and promotes and respects the benefits arising from workplace diversity. We strive to promote an environment conducive to the employment of well qualified people and ensure appropriate diversity in our workplace.

We understand that cultural awareness and diversity creates a cohesive workplace. Capral also successfully sponsored two employees for Australian permanent residency as skilled migrants play a pivotal role in assisting Capral to increase its depth of knowledge and skills.

Understanding the skills, knowledge and the capabilities of our people is central to our business success. Capral has partnered with the Australian Institute of Management (AIM) to develop a continuous learning and development program which adds to employee confidence and professional development. Through our AIM online training program employees are given the opportunity to expand their knowledge and receive additional support where needed.

Capral continues to work with community organisations making positive contributions across a broad spectrum of areas. Company-wide initiatives included awareness campaigns for mental health through R U Ok? Day and men's health through Tievember, our version of Movember.

Locally Capral sites also supported charity organisations including:

- » Allison Baden Clay Foundation – Strive to Be Kind
- » Goodna Street Life Kids Christmas Party
- » Disability Sport and Recreation Victoria







# 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 2021 (**Financial Year**).

## DIRECTORS

The following persons were directors of Capral during the Financial Year and up to the date of this report:

NAME	PERIOD OFFICE HELD
R. L. Wood-Ward	6 November 2008 – Date of this report
A. M. Dragicevich	15 April 2013 – Date of this report
P. J. Jobe	24 April 2009 – Date of this report
K. Ostin	17 June 2020 – Date of this report
G. F. Pettigrew	18 June 2010 – Date of this report
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 11 and 12.

## 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

The Directors recommend that a final dividend of 50 cents per ordinary share (fully franked) be declared. The record date for the final ordinary dividend will be 4 March 2022, with payment being made on 25 March 2022. Shareholders can choose to receive their dividends as cash or reinvest for an equivalent number of shares under the Dividend Reinvestment Plan (DRP). The DRP election date will be 11 March 2022. The Board has decided to issue new shares to satisfy the DRP for the

2021 final dividend. The DRP will be at a discount of 2.5% to the 5 days Volume Weighted Average Price (VWAP) calculated from 7 March 2021 to 11 March 2021, both days included. A final dividend of 45 cents per ordinary share (fully franked) was paid in March 2021 in respect of the 2020 financial year and an interim dividend of 20 cents per ordinary share (fully franked) was paid in September 2021 in respect of the 2021 financial year, no other dividends or distributions have been paid during the Financial Year.

## 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 7 and 9.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes other than the Smithfield business acquisition 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 35 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 7 and 9 and the Sustainability Report on pages 15 and 18. 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 was appointed as a Company Secretary on 11 December 2020.

#### Mr T Campbell – Chief Financial Officer and Joint Company Secretary, B.Com (Hons), CA

Mr Campbell was appointed Chief Financial Officer on 1 June 2011.

Mr Campbell 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 a 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	12	12	3	3	2	2
A.M. Dragicevich	12	12	3	3 <sup>1</sup>	2	2 <sup>1</sup>
P.J. Jobe	12	12	3	3	2	2
K. Ostin	12	12	3	3	2	2
G.F. Pettigrew	12	12	3	3	2	2
M. White	3	3	1	1	1	1

<sup>1</sup> Attended meeting(s) in an ex-officio capacity



## 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 1.1.2021	BALANCE AT 31.12.2021	BALANCE AT DATE OF THIS REPORT
R.L. Wood-Ward	Director and Chairman of the Board	–	–	–
A.M. Dragicevich	Managing Director	346,066	444,029 <sup>1</sup>	444,029
P.J. Jobe	Director	270,016	270,016	270,016
K. Ostin	Director	–	–	–
G.F. Pettigrew	Director	–	–	–
M. White	Director	–	–	–
B. Tisher	Director	–	–	–

<sup>1</sup> Acquired 39,460 as part of 2021 STI program on 5 May 2021. Acquired 24,045 as part of Dividend Reinvestment Plan on 26 March 2021. Allotted 34,458 as vesting of 2018 LTI rights on 6 May 2021.

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 1.1.2021 <sup>1</sup>	BALANCE AT 31.12.2021	BALANCE AT DATE OF THIS REPORT
Performance rights	254,330	267,300 <sup>2</sup>	267,300

<sup>1</sup> Shown as post 3 November 2020 share consolidation quantity

<sup>2</sup> 38,872 performance rights lapsed on 1 March 2021; 34,458 performance rights were vested on 1 March 2021 and 86,300 performance rights were issued on 28 April 2021

### UNISSUED SHARES OR INTERESTS UNDER OPTION

At the date of this report, there are 754,310 (2020: 700,000) unissued shares or interests under option. Refer to sections 1 to 3 of the Remuneration Report and Note 38.



# 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 performance 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. No remuneration recommendations have been made by remuneration consultants in relation to the Financial Year. Capral has reviewed generally available market information regarding remuneration, as outlined further below.

#### (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 \$500,000 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 are regularly reviewed having regard to generally available market information and are currently considered to be similar 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% 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 fixed remuneration of the Managing Director has not increased since March 2019.

The Board has reviewed generally available market information regarding fixed remuneration of the key management personnel for over 10 ASX listed companies in either building product related industries or with comparable revenues and market capitalisation. The fixed remuneration of Capral's key management personnel is generally in line with this group.

The fixed remuneration of Capral's other key management personnel has not increased since March 2019.

### (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 programs:

- (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 programs in relation to revenue, gross margin, and debtor days targets.

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

<b>Frequency</b>	Awards determined annually with payment made in the March following the end of the performance year.
<b>Financial Measures</b>	<ul style="list-style-type: none"> <li>» 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.</li> <li>» Net Profit After Tax for Capral (15%). Aligned to ability to pay dividends.</li> <li>» Free Cash Flow for Capral (15%). Selected to ensure effectiveness of cash management.</li> <li>» % Working Capital to Annualised Sales for Capral and (for relevant General/ Divisional Managers) Business Units (10%). Selected to ensure effectiveness of capital management.</li> </ul>
<b>Non-financial Measures</b>	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.
<b>Assessment of performance against measures</b>	<p>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.</p> <p>The Managing Director, in consultation with senior managers, is responsible for recommending to the Board the amount of STIP, if any, to be paid.</p> <p>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.</p>
<b>Discretionary override</b>	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.
<b>Service condition</b>	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.
<b>Clawback of awards</b>	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.
<b>Deferral</b>	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.
<b>Plan review</b>	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	12.5%	25%	50%

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 has reviewed available market information regarding short term incentive schemes of the key management personnel for over 10 ASX listed companies in either building product related industries or 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 78,330 performance rights following shareholder approval in April 2019 and 102,670 performance rights following shareholder approval in April 2020. During the Financial Year, an additional 86,300 performance rights were granted to Mr Dragicevich following shareholder approval in April 2021.

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:

<b>Frequency</b>	Awards determined annually.
<b>Type of award</b>	Performance rights subject to service requirements and vesting criteria. If the conditions are met, shares will be issued around the vesting date.
<b>Amount of award</b>	<p>The Managing Director is eligible to receive additional annual issues of up to 50% of the value of TEC, subject to shareholder approval.</p> <p>The value of individual awards for all other participating senior executives is generally less than 30% of TEC.</p> <p>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.</p>
<b>Performance period &amp; vesting dates</b>	<p>3 years with 31 December testing dates.</p> <p>2019 award: vesting date of 1 March 2022.</p> <p>2020 award: vesting date of 1 March 2023.</p> <p>2021 award: vesting date of 1 March 2024.</p>

<b>Performance conditions</b>	<p>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:</p> <ul style="list-style-type: none"> <li>» 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.</li> <li>» 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&amp;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.</li> <li>» Refer to the explanation above (LTIP) regarding the setting of the EPS condition and the use of EPS and TSR tests.</li> </ul>
<b>Assessment of performance against measures</b>	<p>Performance against the EPS and TSR conditions are assessed at the end of the 3-year period (31 December testing date).</p> <p>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.</p>
<b>Treatment of awards on cessation of employment</b>	<p>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 some or all of the rights vest.</p>
<b>Treatment of awards on change of control</b>	<p>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.</p>
<b>Dividend/ participation rights</b>	<p>There is no entitlement to dividends on performance rights during the vesting period or to participate in respect of issues of shares to shareholders.</p>
<b>Clawback of awards</b>	<p>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.</p>
<b>Plan review</b>	<p>The LTIP design is reviewed at least annually by the Remuneration &amp; Nomination Committee and approved by the Board. The Managing Director makes recommendations to the Remuneration &amp; Nomination Committee regarding the proposed LTIP award participants and the amount of the entitlements.</p>

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 generally available market information regarding long term incentive schemes of the key management personnel (including the Managing Director) for over 10 ASX listed companies in either building product related industries or 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

No general pay increases were implemented for executives. Total expensed remuneration for the key management personnel (including the directors) remained largely unchanged as compared to the prior year.

### (b) STIP

STIP payments in respect of the 2021 year are higher than the prior year.

### (c) LTIP

86,300 performance rights were granted to the Managing Director in April 2021 following shareholder approval (2020: 102,670) and 164,700 rights were granted under the 2021 LTIP award to executives in March 2021 (2020: 180,650).

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. No JobKeeper benefit had been taken into account in determining LTIP calculation.

For the financial year ending 31 December 2022, Capral intends to:

- » increase the fixed remuneration of the Managing Director and executives by an average of 2%; and
- » grant further performance rights under the LTIP to the Managing Director (subject to shareholder approval) and selected senior managers.

*Photo courtesy of DECO –  
Marsden Park using  
Decowood and Decobatten*



#### (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 2020 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.

NAME	YEAR	TITLE	SHORT-TERM EMPLOYEE BENEFITS		
			SALARY & FEES \$	BONUS <sup>1</sup> \$	NON-MONETARY BENEFITS \$
<b>DIRECTORS</b>					
A.M. Dragicevich	2021	Managing Director	690,000	357,500	–
	2020	Managing Director <sup>5</sup>	684,688	357,500	–
R.L. Wood-Ward	2021	Chairman	120,000	–	–
	2020	Chairman <sup>4</sup>	109,616	–	–
P.J. Jobe	2021	Non-executive director	60,000	–	–
	2020	Non-executive director <sup>4</sup>	54,808	–	–
K. Ostin	2021	Non-executive director	70,000	–	–
	2020	Non-executive director <sup>7</sup>	35,714	–	–
G.F. Pettigrew	2021	Non-executive director	70,000	–	–
	2020	Non-executive director <sup>4</sup>	63,942	–	–
M. White	2021	Non-executive director <sup>8</sup>	20,000	–	–
<b>EXECUTIVES</b>					
T. Campbell*	2021	CFO/ Company Secretary	401,000	106,250	–
	2020	CFO/Company Secretary <sup>9</sup>	401,000	106,250	–
<b>Total 2021</b>			<b>1,431,000</b>	<b>463,750</b>	<b>–</b>
<b>Total 2020</b>			<b>1,378,602</b>	<b>463,750</b>	<b>–</b>

1 All 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 Due to COVID-19 in 2020 pandemic crisis, Capral directors had their remuneration reduced by 25% for 9 fortnights.

5 Due to COVID-19 in 2020 pandemic crisis, Mr Dragicevich had his hours reduced by 25% via a combination of annual leave reduction and leave without pay.

6 Mr Blair resigned as director on 17 June 2020 and due to COVID-19 pandemic crisis, Mr Blair had his remuneration reduced by 25% for 9 fortnights pro-rata.

POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS <sup>2</sup>	SHARE-BASED PAYMENTS		TOTAL	TOTAL PERFORMANCE RELATED %
			DEFERRED EQUITY <sup>1</sup>	PERFORMANCE RIGHTS <sup>3</sup>		
SUPERANNUATION <sup>10</sup>						
\$	\$	\$	\$	\$	\$	%
26,650	–	–	332,400	192,535	1,599,085	55
24,808	–	–	308,100	78,209	1,453,305	51
11,703	–	–	–	–	131,703	–
10,414	–	–	–	–	120,030	–
5,852	–	–	–	–	65,852	–
5,207	–	–	–	–	60,015	–
6,827	–	–	–	–	76,827	–
3,393	–	–	–	–	39,107	–
6,827	–	–	–	–	76,827	–
6,074	–	–	–	–	70,016	–
2,000	–	–	–	–	22,000	–
24,981	–	–	98,250	65,847	665,600	39
24,000	–	–	93,450	32,836	657,536	35
84,840	–	–	430,650	258,382	2,668,622	
76,635	–	–	401,550	111,045	2,431,582	

7 Mrs Ostin was appointed as a director on 17 June 2020 and due to COVID-19 pandemic crisis, Mrs Ostin had her remuneration reduced by 25% for 9 fortnights pro-rata.

8 Mr White was appointed as a director on 1 September 2021.

9 Due to COVID-19 pandemic crisis, Mr Campbell has had his hours reduced by 20% via annual leave reduction.

10 Superannuation guarantee percentage has been changed from 9.5% to 10.0% from 1 July 2021.

\* 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 2020, 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.

86,300 performance rights were granted to the Managing Director in April 2021 following shareholder approval. These rights have a vesting date of March 2024.

102,670 performance rights were granted to the Managing Director in April 2020 following shareholder approval. These rights have a vesting date of March 2023.

78,330 performance rights were granted to the Managing Director in April 2019 following shareholder approval. These rights have a vesting date of March 2022. The EPS condition (39,165 rights) was tested as at 31 December 2021. Capral achieved the EPS condition and consequently 39,165 rights will vest in March 2022. The TSR condition (39,165 rights) was also tested as at 31 December 2021. Capral's relative TSR performance over the period from January 2019 to December 2021 was in the 89th percentile and thus 100% of the rights subject to the TSR condition will vest in March 2022. Consequently, a total of 39,165 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2022.

73,330 performance rights were granted to the Managing Director in April 2018 following shareholder approval. A total of 38,872 rights lapsed and a total of 34,458 rights vested and converted into Capral shares on a 1 for 1 basis, as at 1 March 2021.

	TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE (\$)	TEST DATE	LAPSED NO.	VESTED NO.
<b>2021 OFFER</b>							
A. Dragicevich			28/04/2021				
	EPS 50%	43,150		\$6.43	31/12/2023	–	–
	TSR 50%	43,150		\$5.17	31/12/2023	–	–
<b>Total 2021 Offer</b>		<b>86,300</b>				<b>–</b>	<b>–</b>
<b>2020 OFFER</b>							
A. Dragicevich			29/04/2020				
	EPS 50%	51,335		\$1.56	31/12/2022	–	–
	TSR 50%	51,335		\$2.04	31/12/2022	–	–
<b>Total 2020 Offer</b>		<b>102,670</b>				<b>–</b>	<b>–</b>

	TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE (\$)	TEST DATE	LAPSED NO.	VESTED NO.
<b>2019 OFFER</b>							
A. Dragicevich			16/04/2019				
	EPS 50%	39,165		\$3.00	31/12/2021	Nil	(39,165)
	TSR 50%	39,165		\$2.10	31/12/2021	Nil	(39,165)
<b>Total 2019 Offer</b>		<b>78,330</b>				<b>Nil</b>	<b>(78,330)</b>
<b>2018 OFFER</b>							
A. Dragicevich			19/4/2018				
	EPS 50%	36,665		\$3.60	31/12/2020	(36,665)	–
	TSR 50%	36,665		\$3.00	31/12/2020	(2,207)	(34,458)
<b>Total 2018 Offer</b>		<b>73,330</b>				<b>(38,872)</b>	<b>(34,458)</b>

### Performance rights – other key management personnel

During the Financial Year and the financial year ended 31 December 2020, 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.

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.

180,650 performance rights were granted under the 2020 LTIP award to executives in March 2020. These rights have a vesting date of March 2023.

141,660 performance rights were granted under the 2019 LTIP award to executives in March 2019. These rights have a vesting date of March 2022. The EPS condition (70,830 rights) was tested as at 31 December 2021. Capral achieved the EPS condition and consequently 70,830 of these rights will vest in March 2022. The TSR condition (70,830 rights) was also tested as at 31 December 2021. Capral's relative TSR performance over the period from January 2019 to December 2021 was in the 89th percentile and thus 100% of the rights subject to the TSR condition will vest in March 2022. Consequently, a total of 70,830 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2022.

123,360 performance rights were granted under the 2018 LTIP award to executives in March 2018. A total of 65,393 rights lapsed and a total of 57,967 rights vested and converted into Capral shares on a 1 for 1 basis, as at 1 March 2021.

OTHER KMP/OFFER	TRANCHE	GRANT NO.	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE (\$)	TEST DATE	LAPSED NO.	VESTED NO.
<b>2021 OFFER</b>							
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	–	–
<b>Total 2021</b>		<b>25,700</b>				<b>–</b>	<b>–</b>
<b>2020 OFFER</b>							
T. Campbell		30,670	03/03/2020			–	–
	EPS 50%	15,335		\$2.82	31/12/2022	–	–
	TSR 50%	15,335		\$2.10	31/12/2022	–	–
<b>Total 2020</b>		<b>30,670</b>				<b>–</b>	<b>–</b>
<b>2019 OFFER</b>							
T. Campbell		21,670	22/03/2019			–	–
	EPS 50%	10,835		\$3.15	31/12/2021	Nil	(10,835)
	TSR 50%	10,835		\$2.25	31/12/2021	Nil	(10,835)
<b>Total 2019</b>		<b>21,670</b>				<b>Nil</b>	<b>(21,670)</b>
<b>2018 OFFER</b>							
T. Campbell		16,670	06/03/2018			–	–
	EPS 50%	8,335		\$3.90	31/12/2020	(8,335)	–
	TSR 50%	8,335		\$3.60	31/12/2020	(502)	(7,833)
<b>Total 2018</b>		<b>16,670</b>				<b>(8,837)</b>	<b>(7,833)</b>

## Options

No options were issued under the LTIP during the Financial Year and the financial year ended 31 December 2020.

## 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:

2021 – PERFORMANCE SHARE RIGHTS	HELD AT START OF YEAR	GRANTED AS COMPENSATION	LAPSED	VESTED	OTHER CHANGES	HELD AT END OF YEAR
A Dragicevich	254,330	86,300	(38,872)	(34,458)	–	267,300
T Campbell	69,010	25,700	(8,837)	(7,833)	–	78,040
	<b>323,340</b>	<b>133,340</b>	<b>(47,709)</b>	<b>(42,291)</b>	<b>–</b>	<b>354,340</b>

The non-executive directors hold no performance rights.

## Bonuses

During the Financial Year and the financial year ended 31 December 2020, STIP bonus payments were made to the Managing Director and key management personnel. The Managing Director's STIP payments for 2021 and 2020 equated to 96% and 93% (respectively) of his TEC (above the Capral Trading EBITDA<sup>1</sup> '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 48% and 47% of TEC for 2021 and 2020 respectively (above the Capral Trading EBITDA<sup>1</sup> '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 2020 are disclosed below:

2021	% OF BONUS ACCRUED	% OF BONUS FORFEITED	% OF COMPENSATION FOR THE YEAR CONSISTING OF STIP BONUS <sup>2</sup>
<b>EXECUTIVES</b>			
A. Dragicevich	193	–	49
T. Campbell	192	–	32
2020	% OF BONUS ACCRUED	% OF BONUS FORFEITED	% OF COMPENSATION FOR THE YEAR CONSISTING OF STIP BONUS <sup>2</sup>
<b>EXECUTIVES</b>			
A. Dragicevich	186	–	48
T. Campbell	188	–	32

Note:

- 1 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. Any JobKeeper related benefit have been excluded in full and not taken into account for any financial measure.
- 2 Total compensation used for calculating % purposes excludes equity compensation benefits under the LTIP and termination benefits.
- 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:

2021	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
<b>DIRECTORS</b>					
R.L. Wood-Ward	–	–	–	–	–
A.M. Dragicevich	346,066	39,460 <sup>1</sup>	34,458 <sup>2</sup>	24,045 <sup>3</sup>	444,029
P.J. Jobe	270,016	–	–	–	270,016
K. Ostin	–	–	–	–	–
G.F. Pettigrew	–	–	–	–	–
M. White	–	–	–	–	–
<b>EXECUTIVES</b>					
T. Campbell	24,953	11,970 <sup>1</sup>	7,833 <sup>2</sup>	4,201 <sup>3</sup>	48,957
	<b>641,035</b>	<b>51,430</b>	<b>42,291</b>	<b>28,246</b>	<b>763,002</b>

1 Deferred equity acquisition as part of 2020 STIP plan.

2 Acquired on vesting of performance rights in March 2021.

3 Acquired through DRP

## 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 (2017–2020), Capral's financial performance was as follows, with the minimum targets (M) that were set for the 2021 STIP financial measures also shown:

YEAR ENDED 31 DEC	2021 (A)	2021 (M)	2020 (A)	2019 (A)	2018 (A)	2017 (A)
Trading EBITDA \$'000 <sup>1</sup>	38,157	19,200	19,668	11,021	14,268	18,409
Free Cash Flow \$'000	17,229 <sup>2</sup>	5,000	20,752 <sup>3</sup>	475 <sup>4</sup>	1,573	8,883
Net (Loss)/Profit \$'000	33,313 <sup>2</sup>	11,800	11,464 <sup>3</sup>	3,105 <sup>4</sup>	6,415	12,085
% Working Capital to Annualised Sales	10.70	13.50	13.21	14.68	13.92	13.89
Dividend – cents per share	70.0	–	45.0	15.0	45.0	37.5
Basic earnings/(loss) – cents per share	179.70 <sup>2</sup>	69.56	69.51 <sup>3</sup>	19.26 <sup>4</sup>	40.11	76.20
Share price (closing) \$	9.47	n/a	5.95	3.45	3.60	4.50

Note:

Any JobKeeper related benefit received in 2020 have been excluded in full and not taken into account

- 1 Trading EBITDA (non-IFRS measure) 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.
- 2 Free Cash Flow, Net Profit and Basic Earnings per share adjusted to exclude Deferred Tax Benefit of \$9.430 million, property revaluation \$3.074 million and LME revaluation (\$2.829 million).
- 3 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.
- 4 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 were all significantly above 2020 levels. The minimum targets were surpassed in all instances and as a result, STIP will be payable to Capral key management and other senior personnel. Discretionary Bonusses 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 (CONTINUED)

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 met
	Hours lost & return to work hours lost from injuries	Stretch performance targets met
Customers	Volume retention/ growth	Sales areas met most of the specific growth and revenue targets as well as margin measures. Performance varied by region/ division
Production	Operational efficiency	Manufacturing plants met most of their operational efficiency/ improvement targets
Supply Chain	Supply chain and inventory reduction programs	Initiatives were generally achieved
People	AL & LSL balance reduction	Overall leave balance reduction initiatives were not 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

The 2021 STIP payments are higher than those paid in 2020, 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 2021:

- » Capral's relative TSR performance over the period from January 2019 to December 2021 achieved the 89th percentile, above the minimum 50th percentile. Consequently, 100% or 109,995 of the rights subject to the TSR condition that were awarded in 2019 to executives will vest and convert into Capral shares.
- » Given earnings in, 2019, 2020 and 2021, the aggregate EPS result for the 3 year period to 2021 was 285.16 cents per share against an aggregate target of 156.04 cents per share and therefore the EPS condition of the 2019 award was achieved. Consequently, 100% or 109,995 of the rights subject to the EPS condition of the 2019 award will vest and convert into Capral shares.

In 2020:

- » Capral's relative TSR performance over the period from January 2018 to December 2020 achieved the 72nd percentile, above the minimum 50th percentile. Consequently, 93.98% or 92,425 of the rights subject to the TSR condition that were awarded in 2018 to executives vested.
- » Given earnings in, 2018, 2019 and 2020, the aggregate EPS result for the 3 year period to 2020 was 128.92 cents per share against an aggregate target of 147.13 cents per share and therefore the EPS condition of the 2018 award was not achieved. Consequently, no rights subject to the EPS condition of the 2018 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, unvested LTIP rights may vest if employment is terminated by Capral other than for cause. 6 weeks annual leave per annum.	6 months salary. STIP entitlement for incomplete financial years is subject to Board discretion

### 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 11 to 12 and the secretary listed on page 22 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 reviews of consulting and 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 43.

### 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

Sydney  
25 February 2022



**A. M. Dragicevich**  
Managing Director

# AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

Deloitte Touche Tohmatsu  
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Eclipse Tower  
60 Station Street  
Parramatta  
Sydney, NSW, 2150  
Australia

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The Board of Directors  
Capral Limited  
Level 4  
60 Philip Street  
Parramatta NSW 2150

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 2021, 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 Accountant  
Parramatta, 25 February 2022

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2021

CONTINUING OPERATIONS	NOTE	2021 \$'000	2020 \$'000
Sales revenue		550,854	406,721
Scrap and other revenue		42,607	25,288
<b>Revenue</b>	3	<b>593,461</b>	<b>432,009</b>
Other income	3	2,723	2,985
Raw materials and consumables used		(376,398)	(266,419)
Employee benefits expense	2	(96,895)	(75,402)
Depreciation and amortisation expense	2	(20,170)	(18,352)
Finance costs	2	(5,760)	(6,030)
Freight expense		(13,675)	(12,038)
Occupancy costs	2	(4,087)	(3,249)
Repairs and maintenance expense		(6,978)	(5,642)
Restructuring costs	2	–	173
Other expenses		(38,908)	(25,163)
<b>Profit before tax</b>		<b>33,313</b>	<b>22,872</b>
Income tax benefit	4	9,430	3,048
<b>Profit for the year</b>		<b>42,743</b>	<b>25,920</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Gain on revaluation of properties		3,074	–
Other comprehensive income for the year		3,074	–
<b>Total comprehensive income for the year</b>		<b>45,817</b>	<b>25,920</b>
<b>Earnings per share</b>		<b>(\$ PER SHARE)</b>	<b>(\$ PER SHARE)</b>
Basic earnings per share	26	2.52	1.57
Diluted earnings per share	26	2.42	1.51

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 2021

	NOTE	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	50,132	49,396
Trade and other receivables	8	96,290	66,250
Inventories	9	130,507	79,130
Other financial assets	31(c)	–	–
Prepayments	10	723	2,517
<b>Total current assets</b>		<b>277,652</b>	<b>197,293</b>
<b>Non-current assets</b>			
Deferred tax assets	11	15,335	5,905
Property, plant and equipment	14	53,195	38,814
Right-of-use assets	17	75,313	70,776
Other intangible assets	15	700	321
Goodwill	16	3,070	–
<b>Total non-current assets</b>		<b>147,613</b>	<b>115,816</b>
<b>Total assets</b>		<b>425,265</b>	<b>313,109</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	139,037	77,242
Lease liabilities	20	15,810	13,528
Provisions	21	18,798	14,820
Other financial liabilities	31(c)	67	1,615
Deferred income	22	213	127
<b>Total current liabilities</b>		<b>173,925</b>	<b>107,332</b>
<b>Non-current liabilities</b>			
Lease liabilities	20	87,730	82,948
Provisions	21	6,485	4,639
<b>Total non-current liabilities</b>		<b>94,215</b>	<b>87,587</b>
<b>Total liabilities</b>		<b>268,140</b>	<b>194,919</b>
<b>Net assets</b>		<b>157,125</b>	<b>118,190</b>
<b>EQUITY</b>			
Issued capital	23	430,588	426,965
Reserves	24	69,888	44,006
Accumulated losses	24(b)	(343,351)	(352,781)
<b>Total equity</b>		<b>157,125</b>	<b>118,190</b>

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 2021

	NOTE	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		622,566	471,524
Payments to suppliers and employees		(575,577)	(413,864)
		46,989	57,660
Interest and other costs of finance paid		(5,260)	(5,511)
<b>Net cash provided by operating activities</b>	36(ii)	<b>41,729</b>	<b>52,149</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(9,181)	(3,986)
Payments for intangible assets		(368)	–
Payments for purchase of a business	40	(10,302)	–
Interest received		–	2
Proceeds from sale of property, plant and equipment		131	29
<b>Net cash flows used in investing activities</b>		<b>(19,720)</b>	<b>(3,955)</b>
<b>Cash flows from financing activities</b>			
Payments of dividends	25	(10,870)	(2,422)
Proceeds from dividend reinvestment plan		3,494	1,221
Payments for share purchase – employee share plan		(273)	–
Payment of lease liabilities excluding financing component	36(iv)	(14,951)	(15,092)
<b>Net cash flows used in financing activities</b>		<b>(22,600)</b>	<b>(16,293)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(591)</b>	<b>31,901</b>
Cash and cash equivalents at the beginning of the financial year		49,396	17,938
Effect of foreign exchange rate changes		1,327	(443)
<b>Cash and cash equivalents at the end of the financial year</b>	36(i)	<b>50,132</b>	<b>49,396</b>

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 2021

	NOTE	FULLY PAID ORDINARY SHARES \$'000	EQUITY-SETTLED COMPENSATION RESERVE \$'000
Balance as at 1 January 2020		425,744	10,874
Profit for the year		–	–
Total comprehensive profit for the year		–	–
Share-based payments expense		–	445
Shares issued – dividend reinvestment plan		1,221	–
Dividends paid		–	–
<b>Balance as at 31 December 2020</b>		<b>426,965</b>	<b>11,319</b>
Balance as at 1 January 2021		426,965	11,319
Profit for the year		–	–
Total comprehensive profit for the year		–	–
Share-based payments expense		–	590
Shares issued – dividend reinvestment plan		3,494	–
Shares issued – employee escrow shares		129	–
Employees shares on-market purchase		–	–
Dividends paid	25	–	–
<b>Balance as at 31 December 2021</b>		<b>430,588</b>	<b>11,909</b>

\* Dividend reserve represents undistributed profits since the financial year 2010.

^ JobKeeper benefit (2020: \$11.907 million) and income tax benefit (2021: \$9.430 million; 2020: \$3.048 million) in relation to deferred tax assets on tax losses are excluded from dividend reserve.

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

EMPLOYEE SHARE RESERVE \$'000	ASSET REVALUATION RESERVE \$'000	DIVIDEND RESERVE* \$'000	ACCUMULATED LOSSES \$'000	TOTAL \$'000
–	1,014	23,130	(367,736)	93,026
–	–	10,965	14,955 <sup>^</sup>	25,920
–	–	10,965	14,955 <sup>^</sup>	25,920
–	–	–	–	445
–	–	–	–	1,221
–	–	(2,422)	–	(2,422)
–	<b>1,014</b>	<b>31,673</b>	<b>(352,781)</b>	<b>118,190</b>
–	1,014	31,673	(352,781)	118,190
–	–	33,313	9,430 <sup>^</sup>	42,743
–	3,074	33,313	9,430 <sup>^</sup>	45,817
–	–	–	–	590
–	–	–	–	3,494
–	–	–	–	129
(225)	–	–	–	(225)
–	–	(10,870)	–	(10,870)
<b>(225)</b>	<b>4,088</b>	<b>54,116</b>	<b>(343,351)</b>	<b>157,125</b>



Photo courtesy of  
WillPlay – Shuster Park

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2021

## 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

In the current year, the Group has applied the below amendments to AASB Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

## 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 25 February 2022.

### 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.

## 1C. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### (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

## 1C. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Derivative Financial Instruments (continued)

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 38.

#### (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.

#### Effective interest method

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'.

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.

## 1C. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial Assets (continued)

#### 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.

#### 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).



## 1C. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

The Government grants towards staff are recognised as a deduction from the related Employee benefits expenses. During financial year 2020, the Group received jobkeeper subsidies from government during COVID-19, as disclosed in Note 2 & 34.

### (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 (CONTINUED)

### (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.

## 1C. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Leases (continued)

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 incentives 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.

For comparatives, leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, 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.

## 1C. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Provisions (continued)

#### 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.

#### Royalties

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.

#### Rental income

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

#### Interest income

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.

#### Inventories

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.

#### 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. The key assumptions applied includes margin, sales tonnes, terminal growth rate and WACC.

#### Indicators of impairment and reversal of impairment

Note 14 and Note 17 sets out the categories of property, plant and equipment held and right of use assets. 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, management has used, among others, the following key assumptions:

- (i) the cyclical nature of both residential and commercial building activity,
- (ii) aluminium prices which impact margins to the extent that price variations are passed onto customers or not, and
- (iii) anti-dumping outcomes in relation to import duties imposed on overseas suppliers.

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.

## 1D. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Critical judgements in applying the Group's accounting policies (continued)

#### 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.

## 1E. COMPARATIVE INFORMATION

The sub-lease rental income of \$2,680,000 previously classified as part of Occupancy Costs has been re-classified to Other Income. This leads to a change of \$2,948,000 between receipts from customers and payments to suppliers and employees in the Consolidated Statement of Cash Flows.

Photo courtesy of Incat  
– Hull 093 – 111m  
catamaran



**2. PROFIT FOR THE YEAR**

	NOTE	CONSOLIDATED	
		2021 \$'000	2020 \$'000
<b>(A) OTHER EXPENSES</b>			
Profit before tax includes the following specific net expenses:			
Inventory:			
Write-down of inventory to net realisable value	9	1,321	1,089
Reversal of write-down of inventory		(117)	(71)
Cost of Sales		465,881	333,688
Amortisation of intangibles assets		189	131
Total amortisation		189	131
Depreciation – owned assets			
Buildings		175	175
Leasehold improvements		399	323
Plant and equipment		5,904	5,093
Total depreciation – owned assets		6,478	5,591
Depreciation – right of use assets			
Buildings		11,523	10,360
Plant and equipment		1,980	2,270
Total depreciation – right of use assets		13,503	12,630
Total depreciation and amortisation		20,170	18,352
Occupancy costs			
Site costs		4,087	3,249
		4,087	3,249
Expense relating to leases of low value assets		88	89
Other charges against assets			
(Decrease)/increase in impairment of trade receivables		280	(51)
Employee benefit expense			
Post-employment benefits:			
– defined contribution plans		6,848	6,148
Equity-settled share-based payments		590	445
Termination benefits		58	20
Other employee benefits		89,399	68,789
		96,895	75,402
Restructuring costs			
Redundancy costs		–	(173)
		–	(173)
Finance costs			
Interest and finance charges paid/payable			
– third party financier		5,262	5,512
Net finance costs are comprised of:			
Interest and fees on bank overdrafts and loans		878	908
Interest component of lease liabilities		4,382	4,604
Impact of discounting on long-term provisions		500	518
Total interest expense		5,760	6,030
<b>(B) GAINS AND LOSSES</b>			
Net (loss)/gain on foreign exchange		(159)	1,035
Net gain on disposal of property, plant and equipment		109	17

### 3. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Revenue from continuing operations</b>		
Sales revenue – sale of goods <sup>(i)</sup>	550,854	406,721
Other revenue		
Scrap revenue <sup>(i)</sup>	42,607	25,286
Interest – other	–	2
Total other revenue	42,607	25,288
<b>Other income</b>		
Royalties	–	303
Sub-lease rental income	2,721	2,680
Other miscellaneous income	2	2
	2,723	2,985

(i) Recognised at a point in time.

### 4. INCOME TAX EXPENSE

#### (A) RECONCILIATION OF INCOME TAX BENEFIT TO PRIMA FACIE TAX BENEFIT

Profit from continuing operations before income tax benefit	33,313	22,872
Income tax calculated @ 30% (2020:30%)	9,994	6,862
Tax effect of non-assessable / non-deductible items:		
Effect of items that are temporary differences for which deferred tax assets have not been previously recognised	(214)	1,064
Effect of items that are not deductible or taxable in determining taxable profit	481	154
Effect of tax losses utilised	(10,261)	(8,080)
Effect of tax losses not recognised as deferred tax assets	–	–
Previously unrecognised and unused tax losses now recognised as deferred tax assets	9,430	3,048
Income tax benefit	9,430	3,048

#### (B) TAX LOSSES

Accumulated unused gross tax losses for which no deferred tax asset has been recognised	194,261 <sup>1</sup>	259,896
Potential tax benefit @ 30% (2020:30%)	58,278	77,969

#### (C) TEMPORARY DEDUCTIBLE DIFFERENCES

Temporary deductible differences for which no deferred tax asset has been recognised	79,486	80,669
Potential tax benefit @ 30% (2020:30%)	23,846	24,201

All unused tax losses were incurred by Australian entities.

1 Subject to income tax recoupment rules in subsequent years



## 5. CHANGES IN ACCOUNTING ESTIMATES

There were no significant changes in accounting estimates other than the recovery of deferred tax assets during the Financial Year (2020: none). Deferred tax assets are recognised for deductible temporary differences and tax losses as management considers that it is probable that future taxable profits will be available in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

## 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 2020 and 2021, 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 2020.

## 7. CURRENT ASSETS—CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Cash at bank and cash in hand	50,132	49,396

## 8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Trade receivables – at amortised cost	91,151	63,815
Loss allowance <sup>(i)</sup>	(425)	(145)
	90,726	63,670
Other receivables	5,564	2,580
	96,290	66,250
Disclosed in the financial statements as:		
Current trade and other receivables	96,290	66,250
Non-current other receivables	–	–
	96,290	66,250
The average credit period on sales of goods is approximately 50 days (2020: 49 days). No interest is charged on trade receivables.		
Balance at beginning of the financial year	(145)	(311)
Amounts written off during the financial year	112	115
Decrease/(increase) in allowance recognised in profit or loss	(392)	51
Balance at end of the financial year	(425)	(145)

(i) *Movement in the loss allowance.*

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 \$530,000 (2020: \$560,000), refer to note 31(h). The Group has not provided 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 90% of the amount outstanding (after applying the deductible). The average age of these receivables is 92 days (2020: 82 days).

Trade receivables risk profile:

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Current	72,261	51,377
1–30 days past due	16,411	10,327
31–60 days past due	1,706	1,483
61+ days past due	449	548
Total	90,827	63,735

## 8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the loss allowance is the expected credit loss for individually impaired trade receivables with a balance of \$324,000 (2020: \$80,000). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Current	–	–
1–30 days past due	243	–
31–60 days past due	–	68
61+ days past due	81	12
Total	324	80

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.

## 9. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Raw materials and stores	21,659	16,010
Work in progress	3,875	2,136
Finished goods	104,973	60,984
	130,507	79,130

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 \$36.513 million (2020: \$11.231 million).

## 10. CURRENT ASSETS – PREPAYMENTS

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Prepayments	723	2,517

## 11. DEFERRED TAX ASSETS

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Balance at beginning of the financial year	5,905	2,857
Amounts recognised during the financial year	9,430	3,048
Balance at end of the financial year	15,335	5,905

The Group has recognised deferred tax assets with respect to tax losses carry forward of \$15,335,000 (2020: \$5,905,000) (the Company \$15,128,000–2020: \$5,698,000) based upon the forecasted operational performance the recovery of these prior year losses in the short term is probable. The forecasted operational performances is based on recent performances.

## 12. NON-CURRENT ASSETS – INVESTMENTS

### Details of subsidiaries

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

ENTITY NAME	EQUITY HOLDING		COUNTRY OF INCORPORATION
	2021 %	2020 %	
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 38 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).

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 2021, the parent entity has settled a non-interest-bearing loan of \$700,000 (2020: \$5,150,000) 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 \$4,891,151 (2020: \$4,097,473) – 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 \$700,000 (2020: \$5,150,000) from Austex Dies Pty Limited.

**14. PROPERTY, PLANT AND EQUIPMENT**

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Freehold land		
At valuation <sup>(i)</sup>	1,700	1,200
Accumulated depreciation	–	–
Net book amount	1,700	1,200
Buildings		
At valuation <sup>(i)</sup>	5,628	3,520
Accumulated depreciation	(436)	(727)
Net book amount	5,192	2,793
Leasehold improvements		
At cost	12,925	12,321
Accumulated depreciation	(8,159)	(7,760)
Accumulated impairment	(1,970)	(1,970)
Net book amount	2,796	2,591
Total land and buildings	9,688	6,584
Plant, machinery and equipment		
At cost	223,387	210,141
Accumulated depreciation	(153,397)	(147,641)
Accumulated impairment	(32,099)	(32,099)
Net book amount	37,891	30,401
Capital work in progress at cost	5,616	1,829
Net plant, machinery and equipment	43,507	32,230
Total property, plant and equipment – net book value	53,195	38,814
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 (CONTINUED)

### 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:

CONSOLIDATED	FREEHOLD LAND AT FAIR VALUE \$'000	BUILDINGS AT FAIR VALUE \$'000	LEASEHOLD IMPROVE- MENTS AT COST \$'000	PLANT & EQUIPMENT AT COST \$'000	CAPITAL WORK IN PROGRESS AT COST \$'000	TOTAL \$'000
<b>2021</b>						
Opening net book amount	1,200	2,793	2,591	30,401	1,829	38,814
Additions	–	–	589	7,921	5,016	13,526
Business acquisition	–	–	–	4,508	–	4,508
Disposals	–	–	–	(22)	–	(22)
Transfers	–	–	15	987	(1,229)	(227)
Revaluation	500	2,574	–	–	–	3,074
Depreciation charge (Note 2(a))	–	(175)	(399)	(5,904)	–	(6,478)
<b>Net book amount at 31 December 2021</b>	<b>1,700</b>	<b>5,192</b>	<b>2,796</b>	<b>37,891</b>	<b>5,616</b>	<b>53,195</b>
<b>2020</b>						
Opening net book amount	1,200	2,948	2,681	32,436	1,166	40,431
Additions	–	–	31	2,338	1,617	3,986
Disposals	–	–	–	(2)	(10)	(12)
Transfers	–	20	202	722	(944)	–
Depreciation charge (Note 2(a))	–	(175)	(323)	(5,093)	–	(5,591)
<b>Net book amount at 31 December 2020</b>	<b>1,200</b>	<b>2,793</b>	<b>2,591</b>	<b>30,401</b>	<b>1,829</b>	<b>38,814</b>

### 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.

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.

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

#### The result of Impairment assessment as at 31 December 2021

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 2021 was necessary. The recoverable amount of the CGU estimated by management exceeded the carrying amount of assets by \$51,216,000. This indicates reversal of impairment however management view that no reversal of impairment is required due to the uncertainty of the performances of the construction industry and its impact on margins.

The key assumptions used in preparing the value in use cash flow valuation as at 31 December 2021 are as follows:

The table below shows key assumptions in the value in use calculation as at 31 December 2021 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)	10.00%	12.33%
Average volumes increase 2022–25 p.a.	1.00%	0.06%
Long-term growth rate	1.00%	-5.31%

The valuation is based on forecast and projected cash flows for a 5-year period commencing January 2022 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 2022 to December 2022. Beyond this date cash flow projections until 31 December 2026 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. This growth rate corresponds with the average long-term growth rate based on external economic sources.

The value in use cash flow valuation is very sensitive to price and the discount rate or WACC changes.

#### 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 2023 to 2026.

#### 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 80,000 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 and customers.

#### Discount rate

A discount rate of 10.0%, representing the Company's post-tax weighted average cost of capital has been applied to the cash flow projections.

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

#### 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

CONSOLIDATED	OTHER INTELLECTUAL PROPERTY \$'000	SOFTWARE \$'000	TOTAL \$'000
<b>2021</b>			
Cost	15,927	24,932	40,859
Accumulated amortisation	(8,367)	(21,766)	(30,133)
Accumulated impairment	(7,560)	(2,466)	(10,026)
<b>Net book value</b>	<b>–</b>	<b>700</b>	<b>700</b>
<b>2020</b>			
Cost	15,927	24,364	40,291
Accumulated amortisation	(8,367)	(21,577)	(29,944)
Accumulated impairment	(7,560)	(2,466)	(10,026)
<b>Net book value</b>	<b>–</b>	<b>321</b>	<b>321</b>

#### 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:

CONSOLIDATED	OTHER INTELLECTUAL PROPERTY \$'000	SOFTWARE \$'000	TOTAL \$'000
<b>2021</b>			
Opening net book amount	–	321	321
Additions	–	341	341
Disposals	–	–	–
Transfers	–	227	227
Amortisation	–	(189)	(189)
Net book amount at 31 December 2021	–	700	700
<b>2020</b>			
Opening net book amount	11	441	452
Additions	–	–	–
Disposals	–	–	–
Transfers	–	–	–
Amortisation	(11)	(120)	(131)
Net book amount at 31 December 2020	–	321	321



**16. GOODWILL**

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>COST</b>		
At 31 December 2020	–	–
Business acquisition–Note 40	3,070	–
<b>At 31 December 2021</b>	<b>3,070</b>	<b>–</b>
<b>ACCUMULATED DEPRECIATION</b>		
At 31 December 2020	–	–
Amortisation	–	–
<b>At 31 December 2021</b>	<b>–</b>	<b>–</b>

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

**17. RIGHT-OF-USE ASSETS**

CONSOLIDATED	BUILDINGS \$'000	PLANT & EQUIPMENT \$'000	TOTAL \$'000
<b>COST</b>			
At 31 December 2020	83,592	12,705	96,297
Additions	20,213	1,848	22,061
Disposals	–	(5,000)	(5,000)
<b>At 31 December 2021</b>	<b>103,805</b>	<b>9,553</b>	<b>113,358</b>
<b>ACCUMULATED DEPRECIATION</b>			
At 31 December 2020	(21,264)	(4,257)	(25,521)
Disposals	–	979	979
Depreciation charge	(11,523)	(1,980)	(13,503)
<b>At 31 December 2020</b>	<b>(32,787)</b>	<b>(5,258)</b>	<b>(38,045)</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2021</b>	<b>71,018</b>	<b>4,295</b>	<b>75,313</b>
At 31 December 2020	62,328	8,448	70,776

The Group leases several assets including buildings and plant and equipment, with average lease term of 4.4 years (2020: 4.2 years) and 4.0 years (2020: 4.0 years) respectively.

**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	
	2021 \$'000	2020 \$'000
Trade payables <sup>(i)</sup>	119,489	63,017
Goods and services tax payable	1,996	1,500
Other payables	17,552	12,725
	139,037	77,242

(i) The average credit period on purchases is 89 days from the end of the month (2020: 74 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	
	2021 \$'000	2020 \$'000
Current	15,810	13,528
Non-current	87,730	82,948
	103,540	96,476
<b>MATURITY ANALYSIS</b>		
Within one year	15,810	13,528
Later than one year but not later than five years	50,993	43,743
Later than five years	36,737	39,205
	103,540	96,476

**21. PROVISIONS**

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>CURRENT</b>		
Employee benefits	13,241	13,609
Make good on leased assets <sup>1</sup>	809	555
Other <sup>2</sup>	4,748	656
	18,798	14,820
<b>NON-CURRENT</b>		
Employee benefits	2,254	1,580
Make good on leased assets <sup>1</sup>	4,231	3,059
Other	–	–
	6,485	4,639

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 and provisions for customer claims including metal returns net of scrap and pricing adjustments.

**21. PROVISIONS (CONTINUED)****Consolidated**

MOVEMENTS IN CARRYING AMOUNTS	MAKE GOOD ON LEASED ASSETS \$'000	OTHER \$'000	TOTAL \$'000
Carrying value at the beginning of the financial year	3,614	656	4,270
Provision utilised/released in the year	(29)	(1,691)	(1,720)
Additional amounts provided	1,455	5,783	7,238
Carrying value at the end of the financial year	5,040	4,748	9,788

**22. DEFERRED INCOME – CURRENT**

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Deferred income – other	213	127
	213	127

**23. ISSUED CAPITAL**

	2021 NO. 000	2020 NO. 000	2021 \$'000	2020 \$'000
<b>(A) SHARE CAPITAL</b>				
Ordinary shares: fully paid	17,193	16,563	430,588	426,965

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

**(B) MOVEMENT IN ORDINARY SHARE CAPITAL**

DATE	DETAILS	NO. OF SHARES	ISSUE PRICE	\$'000
January 2020	Balance at the beginning of the financial year	484,390,895	–	425,744
March 2020	Shares issued pursuant to a dividend reinvestment plan	12,468,294	\$0.0979	1,221
November 2020	Shares consolidation 30:1	(480,296,520)	–	–
December 2020	Balance at the end of the financial year	16,562,669	–	426,965
January 2021	Balance at the beginning of the financial year	16,562,669	–	426,965
March 2021	Shares issued pursuant to a dividend reinvestment plan	330,733	\$6.2854	2,079
March 2021	Shares issued against performance rights	92,427	–	–
March 2021	Shares issued–deferred STIP	31,130	\$4.14	129
September 2021	Shares issued pursuant to a dividend reinvestment plan	176,300	\$8.0251	1,415
December 2021	Balance at the end of the financial year	17,193,259	–	430,588

On 3 November 2020, Capral consolidated its shares at a ratio of 30:1. The share consolidation does not impact the value of the total issued capital and was undertaken to establish a more appropriate and effective capital structure.

**24. RESERVES AND ACCUMULATED LOSSES**

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Asset revaluation reserve	4,088	1,014
Equity-settled compensation reserve	11,909	11,319
Employee share reserve	(225)	–
Dividend reserve	54,116	31,673
	69,888	44,006
Accumulated losses	(343,351)	(352,781)
	(273,463)	(308,775)

**24A. MOVEMENTS IN RESERVES WERE:**

<b>Equity-settled compensation reserve</b>		
Balance at the beginning of the financial year	11,319	10,874
Expense recognised	590	445
Shares acquired on conversion of vested rights	–	–
Balance at the end of the financial year	11,909	11,319
<b>Asset revaluation reserve</b>		
Balance at the beginning of the financial year	1,014	1,014
Revaluation increase	3,074	–
Balance at the end of the financial year	4,088	1,014
<b>Employee share reserve</b>		
Balance at the beginning of the financial year	–	–
Funding provided	(225)	–
Balance at the end of the financial year	(225)	–
<b>Dividend reserve</b>		
Balance at the beginning of the financial year	31,673	23,130
Net profit attributable to members of Capral	33,313	10,965
Dividends paid	(10,870)	(2,422)
Balance at the end of the financial year	54,116	31,673
<b>24B. ACCUMULATED LOSSES</b>		
Balance at the beginning of the financial year	(352,781)	(367,736)
Net profit for the year	9,430	14,955
Balance at the end of the financial year	(343,351)	(352,781)

**25. DIVIDENDS**

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Ordinary shares:	10,870	2,422
<b>FRANKING CREDITS</b>		
Franking credits available for subsequent financial years based on a tax rate of 30% (2020:30%)	13,293	17,952

**26. EARNINGS PER SHARE**

	CONSOLIDATED	
	2021 \$	2020 \$
Basic earnings per share	2.52	1.57
Diluted earnings per share	2.42	1.51

Net profit after tax used in the calculation of basic and diluted profit per share for 2021 was \$42,743,000 (2020: \$25,920,000). The weighted average numbers of ordinary shares on issue used in the calculation of basic and diluted earnings per share were 16,961,049 and 17,691,815 (2020: 16,458,199 and 17,138,897) respectively.

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

**27. STAND BY ARRANGEMENT AND CREDIT FACILITIES**

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Secured facilities	60,000	41,128
Facilities used:		
Trade loan	–	–
Cash loan	–	–
Bank guarantees	4,495	3,833
Trade finance – drawn letters of credits	35,868	14,244
Trade finance – open letters of credits	15,716	9,046
Asset finance – in the form of finance lease	–	1,128
Total facilities utilised	56,079	28,251
Total available facilities	3,921	12,877

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

The original expiry of the facilities is 30 April 2022. On 29 September 2021, the facilities have been restructured to align more closely to Capral's requirements and renewed for another term to 30 April 2023.

## 27. STAND BY ARRANGEMENT AND CREDIT FACILITIES (CONTINUED)

The renewed ANZ facilities consist of:

Secured:

- » \$60 million Multi-option Facility which includes a Trade Finance Loan Facility, Bills Negotiated Not under Documentary Credit Facility and Documentary Credit Issuance/Documents Surrendered Facility; and
- » \$5 million Standby Letter of Credit or Guarantee Facility

Unsecured:

- » \$2.5 million Electronic Payaway Facility; and
- » \$0.5 million Commercial Card Facility.

The following facilities with ANZ has been cancelled:

- » \$5 million Cash Loan Facility; and
- » \$5 million reducing Asset Finance Facility.

## 28. COMMITMENTS FOR EXPENDITURE – CAPITAL

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	3,895	866

## 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 2021.

At 31 December 2021, the Group is committed to \$342,547 (2020: \$27,154) for low value leases and has no short-term lease commitments.

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Non-cancellable lease receivable</b>		
Within one year	2,862	2,778
Later than one year but not later than five years	12,331	11,972
Later than five years	9,080	12,301
	<b>24,273</b>	<b>27,051</b>

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) & KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)	RELATIONSHIP OF UNOBSERVABLE INPUT(S)
	31/12/21 \$	31/12/20 \$				
Foreign currency forward contracts (see note 31(f))	Assets: nil Liabilities: 66,807	Assets: nil Liabilities: 1,575,137	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: 5,192,000	Land: 1,200,000 Buildings: 2,793,000	Level 3	Capitalisation and Direct Comparison approaches.	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 2020.

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 2021 and 31 December 2020 as follows:

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Capital risk management (continued)

FINANCIAL COVENANT DESCRIPTION	REQUIRED VALUE	2021 ACTUAL VALUE	2020 ACTUAL VALUE
<b>EBITDA Interest Cover Ratio</b> (A ratio of EBITDA to Interest Expense)	> 3.00:1	45.61:1	33.56:1
<b>Minimum Tangible Net Worth</b> (Tangible Net Worth – Total Tangible Assets Less Total Liabilities)	2021: > AUD 100.0m 2020: > AUD 50.0m	AUD 168.4m	AUD 139.4m
<b>Borrowing Base Ratio</b> (A ratio of Aggregate Facility Amount Owing to Eligible Debtors owing up to 90 days)	2021: < 0.70:1 2020: < 0.80:1	0.62:1	0.47:1
<b>Distributions</b> (Any payment or distribution of money or other assets to shareholders)	Variable*	AUD 10.87M	AUD 1.2M
<b>Security Cover Ratio</b> (A ratio of Facility Amount Owing to Security Cover Property Value specified by the Financial Institution)	<1.00:1	Removed	0.46:1
<b>Inventory Cover Ratio</b>	>0.8:1	0.87:1	0.87:1

\* lower than the lowest of profit or free cash flow 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).

#### (c) Categories of financial instruments

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Financial Assets</b>		
Trade and other receivables	96,290	66,250
Cash and cash equivalents	50,132	49,396
Other financial assets	–	–
<b>Financial Liabilities</b>		
Trade and other payables	139,037	77,242
Lease liabilities	103,540	96,476
Other financial liabilities <sup>1</sup>	67	1,615

<sup>1</sup> Foreign exchange contract mark-to-market \$67,000 (2020: foreign exchange contract mark-to-market \$1,575,000 and capitalised borrowing costs \$40,000).



### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (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	
	2021 \$'000	2020 \$'000
USD (cash)	20,423	10,388
EURO (cash)	98	209
USD (trade payables)	(18,205)	(10,684)
EURO (trade payables)	632	355
JPY (trade payables)	(23)	(24)
USD (trade receivables)	2,292	1,182

#### Foreign currency sensitivity

The Group is exposed to EUR, JPY and USD (2020: 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 \$17,596,000 (2020: \$13,354,000).

The total value of trade receivables denominated in currencies other than the AUD at reporting date was \$2,292,000 (2020: \$1,182,000).

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (f) Foreign currency risk management (continued)

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 2021 and 31 December 2020 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	
	2021 \$'000	2020 \$'000
<b>Profit or loss (after tax)</b>		
–AUD strengthens by 10% against USD	1,447	864
–AUD weakens by 10% against USD	(1,768)	(1,056)
–AUD strengthens by 10% against EUR	(57)	(32)
–AUD weakens by 10% against EUR	70	39
–AUD strengthens by 10% against JPY	2	2
–AUD weakens by 10% against JPY	(3)	(3)

#### 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	
	31/12/21 FC\$'000	31/12/20 FC\$'000	31/12/21 \$'000 GAIN/(LOSS)	31/12/20 \$'000 GAIN/(LOSS)
Buy EUR	1,763	716	(81)	(43)
Buy JPY	4,145	3,900	–	(2)
Buy CNH	240	240	1	(3)
Buy USD	40,356	16,164	14	(1,527)

#### (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 1-basis point (0.01%) increase and a 1 basis point (0.01%) decrease represents Management's assessment of the possible change in interest rates (2020: 6bp or 0.06% increase and 6bp or 0.06% decrease). A positive number indicates an increase in profit.

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (g) Interest rate risk management (continued)

##### Interest rate sensitivity (continued)

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Profit or loss (after tax)</b>		
Impact of a 1bp (2020: 6bp) increase in AUD interest rates		
– Cash and cash equivalents	4	21
Impact of a 1bp (2020: 6bp) decrease in AUD interest rates		
– Cash and cash equivalents	(4)	(21)

#### (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 trade receivables is detailed below:

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Current	72,262	51,377
1–30 days	16,653	10,327
31–60 days	1,706	1,551
60+ days	530	560
	<b>91,151</b>	<b>63,815</b>

#### (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 \$50,132,000 (2020: \$49,396,000) and trade and other receivables of \$96,290,000 (2020: \$66,250,000). Cash is liquid and trade and other receivables are expected to be realised on average within 50 days (2020: 49 days). Cash balances earn 0.00% interest per annum (2020: 0.00%). Trade and other receivables are interest-free.

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (i) Liquidity risk management (continued)

##### Liquidity and interest risk tables (continued)

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.

CONSOLIDATED	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	LESS THAN 1 YEAR \$'000	1-3 YEARS \$'000	3-5 YEARS \$'000	GREATER THAN 5 YEARS \$'000
<b>2021</b>					
Trade and other payables	–	139,037	–	–	–
		139,037	–	–	–
<b>2020</b>					
Trade and other payables	–	77,242	–	–	–
		77,242	–	–	–

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

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

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

Based on legal advice obtained, the Directors believe that any residual liability will not materially affect the financial position of the consolidated entity.

### 32. CONTINGENT LIABILITIES (CONTINUED)

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 2021 these guarantees totalled \$4,494,942 (2020: \$3,833,087).

Capral's bankers have issued letters of credit in respect of Capral's purchases internationally. At 31 December 2021, these open letters of credit totalled \$15,715,119 (31 December 2020: \$9,046,552).

### 33. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2021 \$	2020 \$
During the year the auditor of the Group and parent entity and its related practices earned the following remuneration:		
<b>Auditor of the Group and parent entity</b>		
Audit or review of financial reports of the entity or any entity in the consolidated entity	327,100	285,400
Other services:		
– tax compliance	31,500	31,500
– tax consulting	32,550	39,945
– ATO combined assurance review	–	166,588
<b>Total remuneration</b>	<b>391,150</b>	<b>523,433</b>

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. JOBKEEPER PAYMENT SCHEME

In response to the economic impact from the COVID-19 pandemic crisis, the Australian Government introduced the JobKeeper payment scheme to assist eligible employers with payroll subsidy. As trade and travel restrictions were imposed in Australia, Capral self-assessed the eligibility criteria and enrolled in the JobKeeper payment scheme on 14 May 2020. Capral nominated around 730 eligible employees under the scheme. JobKeeper benefit of \$11.9 million was included in 2020 profit and was received by 31 December 2020. The receipts have been accounted as a reduction to the employee benefits expense in the statement of profit or loss and other comprehensive income.

### 35. EVENTS AFTER REPORTING DATE

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

No other matter or circumstance has arisen since the end of the 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.

### 36. NOTES TO THE CASH FLOW STATEMENT

#### (i) Reconciliation of cash and cash equivalents

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
<b>Reconciliation of cash and cash equivalents</b>		
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	50,132	49,396
	<b>50,132</b>	<b>49,396</b>

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

Profit for the year	42,743	25,920
<b>Non-cash items:</b>		
Depreciation and amortisation – owned assets	6,667	5,722
Depreciation and amortisation – right of use assets	13,503	12,630
Gain on sale of property, plant and equipment	(109)	(17)
Income tax benefit	(9,430)	(3,048)
Share-based payments expense	590	445
Interest income reclassified to investing activities	–	(2)
<b>Change in assets and liabilities:</b>		
Increase in current receivables	(30,040)	(3,686)
Decrease in financial assets	–	10
Increase in inventories	(48,406)	(179)
Decrease/(increase) in prepayments	1,794	(893)
Increase in trade and other payables	61,049	12,707
(Decrease)/increase in employee benefit provisions	(470)	965
Increase in other provisions	5,300	1,022
Increase in deferred income	86	24
(Decrease)/increase in other financial liabilities	(1,548)	529
<b>Net cash provided by operating activities</b>	<b>41,729</b>	<b>52,149</b>

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

**36. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)****(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.

MOVEMENTS IN FINANCING ACTIVITIES	CONSOLIDATED	
	2021 \$	2020 \$
<b>Lease liabilities</b>		
Opening balance	96,476	104,531
Financing cash flows	(14,951)	(15,092)
New leases	26,039	8,783
Retired or changes to leases	(4,024)	(1,746)
Closing balance	103,540	96,476

**(v) Non-cash financing activities**

There were no non-cash financing activities during the Financial Year or the 2020 year.

**37. PARENT ENTITY DISCLOSURES**

	COMPANY	
	2021 \$'000	2020 \$'000
<b>FINANCIAL POSITION</b>		
<b>Assets</b>		
Current assets—third parties	277,343	197,962
Total assets	423,578	312,687
<b>Liabilities</b>		
Current liabilities – third parties	174,204	107,844
Total liabilities	267,765	195,304
<b>Equity</b>		
Issued capital	430,588	426,965
Accumulated losses	(343,649)	(352,574)
Equity-settled compensation reserve	11,909	11,319
Asset revaluation reserve	3,074	–
Employee share reserve	(225)	–
Dividend reserve	54,116	31,673
Total Equity	155,813	117,383
<b>FINANCIAL PERFORMANCE</b>		
Profit for the year	42,239	30,280
Other comprehensive income	3,074	–
Total comprehensive profit for the year	45,313	30,280
<b>Contingent liabilities of the parent entity</b>		
Refer note 32		
<b>Commitments for the acquisition of property, plant and equipment by the parent entity</b>		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Within one year	3,895	866



## 38. 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 21	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$ <sup>4</sup>
Issued 22 March 2019 <sup>1</sup>	70,830	22/03/2019	31/12/2021	–	2.250
Issued 22 March 2019 <sup>1</sup>	70,830	22/03/2019	31/12/2021	–	3.150
Issued 3 March 2020 <sup>2</sup>	90,325	3/03/2020	31/12/2022	–	2.100
Issued 3 March 2020 <sup>2</sup>	90,325	3/03/2020	31/12/2022	–	2.820
Issued 3 March 2021 <sup>3</sup>	82,350	3/03/2021	31/12/2023	–	4.180
Issued 3 March 2021 <sup>3</sup>	82,350	3/03/2021	31/12/2023	–	5.490

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2019 have an average vesting date of 1 March 2022.

2 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.

3 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.

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

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

	NUMBER AS AT 31 DEC 20	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$ <sup>4</sup>
Issued 6 March 2018 <sup>1</sup>	61,680	6/03/2018	31/12/2020	–	3.600
Issued 6 March 2018 <sup>1</sup>	61,680	6/03/2018	31/12/2020	–	3.900
Issued 22 March 2019 <sup>2</sup>	70,830	22/03/2019	31/12/2021	–	2.250
Issued 22 March 2019 <sup>2</sup>	70,830	22/03/2019	31/12/2021	–	3.150
Issued 3 March 2020 <sup>3</sup>	90,325	3/03/2020	31/12/2022	–	2.100
Issued 3 March 2020 <sup>3</sup>	90,325	3/03/2020	31/12/2022	–	2.820

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2018 have an average vesting date of 1 March 2021.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the financial year ended 31 December 2019 have an average vesting date of 1 March 2022.

3 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.

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

**38. SHARE-BASED PAYMENTS (CONTINUED)****Performance Share Rights (continued)**

INPUTS INTO THE MODEL	PERFORMANCE RIGHTS (LTIP)			
	03 MARCH 2021	03 MARCH 2020	22 MARCH 2019	06 MARCH 2018
Grant date	3/03/2021	3/03/2020	22/03/2019	6/03/2018
Dividend yield	6.5%	9.5%	7.7%	6.3%
Risk free yield	0.3%	0.5%	1.4%	2.15%
Expected volatility	55%	47.5%	45%	55%
Last testing date	31/12/2023	31/12/2022	31/12/2021	31/12/2020
Exercise price	n.a	n.a	n.a	n.a
Share price at grant date <sup>^</sup>	\$6.670	\$3.750	\$3.900	\$4.800
Performance right life	3 years	3 years	3 years	3 years

<sup>^</sup> Shown as post 3 November 2020 share consolidation equivalent share price.

**Managing Director**

During the Financial Year, 86,300 rights were issued to Mr A. Dragicevich.

During the comparative financial year, 102,670 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 21	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$ <sup>4</sup>
Issued 16 April 2019 <sup>1</sup>	39,165	16/04/2019	31/12/2021	–	\$2.100
Issued 16 April 2019 <sup>1</sup>	39,165	16/04/2019	31/12/2021	–	\$3.000
Issued 29 April 2020 <sup>2</sup>	51,335	29/04/2020	31/12/2022	–	\$1.560
Issued 29 April 2020 <sup>2</sup>	51,335	29/04/2020	31/12/2022	–	\$2.040
Issued 28 April 2021 <sup>3</sup>	43,150	28/04/2021	31/12/2023	–	\$5.170
Issued 28 April 2021 <sup>3</sup>	43,150	28/04/2021	31/12/2023	–	\$6.430

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2019 have an average vesting date of 1 March 2022.

2 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.

3 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.

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

**38. SHARE-BASED PAYMENTS (CONTINUED)****Performance Share Rights (continued)****Managing Director (continued)**

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 20	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$ <sup>4</sup>
Issued 19 April 2018 <sup>1</sup>	36,665	19/04/2018	31/12/2020	–	\$3.000
Issued 19 April 2018 <sup>1</sup>	36,665	19/04/2018	31/12/2020	–	\$3.600
Issued 16 April 2019 <sup>2</sup>	39,165	16/04/2019	31/12/2021	–	\$2.100
Issued 16 April 2019 <sup>2</sup>	39,165	16/04/2019	31/12/2021	–	\$3.000
Issued 29 April 2020 <sup>3</sup>	51,335	29/04/2020	31/12/2022	–	\$1.560
Issued 29 April 2020 <sup>3</sup>	51,335	29/04/2020	31/12/2022	–	\$2.040

1 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2018 have an average vesting date of 1 March 2021.

2 In accordance with the terms of the LTIP arrangement, performance rights issued during the Financial Year ended 31 December 2019 have an average vesting date of 1 March 2022.

3 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.

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

INPUTS INTO THE MODEL	28 APRIL 2021	29 APRIL 2020	16 APRIL 2019	19 APRIL 2018
Grant date	28/4/2021	29/4/2020	16/4/2019	19/4/2018
Dividend yield	5.8%	12.2%	8.0%	6.7%
Risk free yield	0.3%	0.2%	1.5%	2.25%
Expected volatility	55%	47.5%	45%	55%
Last testing date	31/12/2023	31/12/2022	31/12/2021	31/12/2020
Share price at grant date <sup>^</sup>	\$7.580	\$2.880	\$3.750	\$4.500
Performance right life	3 years	3 years	3 years	3 years

<sup>^</sup> 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	2021	2020
Number of share performance rights:		
Balance at the beginning of the financial year	700,000	18,500,000
Granted during the financial year	251,000	8,500,000
Forfeited during the financial year	–	(350,000)
Vested during the financial year	(92,427)	–
Lapsed during the financial year	(104,263)	(5,650,000)
Share consolidation 30:1	–	(20,300,000)
<b>Balance at the end of the financial year</b>	<b>754,310</b>	<b>700,000</b>

The performance rights outstanding at the end of the Financial Year were 754,310 (2020: 700,000), with a weighted average remaining contractual life of 1.0 years.

### 39. 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	
	2021 \$	2020 \$
Short-term benefits	1,894,750	1,842,352
Post-employment benefits	84,840	76,635
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	689,032	512,595
	2,668,622	2,431,582

### 40. BUSINESS COMBINATIONS

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

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Consideration		
Cash at Completion	7,100	–
Cash post Completion	3,202	–
Total Consideration	10,302	–

Acquisition-related costs amounting to \$48,000 have been excluded from the consideration transferred. Further cost relating to the integration of the acquired business for the year was \$65,000 (2020: nil). Both these have been recognised as an expense in the period, within the 'Other expenses' line item in the Consolidated Statement of Comprehensive Income.

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

**40. BUSINESS COMBINATIONS (CONTINUED)****Fair value of assets acquired and liabilities assumed at the date of acquisition:**

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
Current assets		
Inventory	3,194	–
Non-current assets		
Fixed assets	4,508	–
Current liabilities		
Employee benefits	(470)	–
<b>Total</b>	<b>7,232</b>	<b>–</b>
<b>Goodwill:</b>		
Consideration	10,302	–
Less: fair value of identifiable net assets acquired	(7,232)	–
<b>Goodwill</b>	<b>3,070</b>	<b>–</b>
<b>Net cash outflow on purchase of a business:</b>		
Consideration paid in cash	(10,302)	–
<b>Net cash outflow on purchase of a business</b>	<b>(10,302)</b>	<b>–</b>

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

Impact of acquisition on the results of the Group

The acquired business contributed revenue of \$22,275,000 and a profit for the year of \$626,000 to the group for the period from 1st February 2021 to 31 December 2021.

Had the business combination been effected at 1st January 2021, the revenue of the Group would have been \$595,303,000 and the profit for the year would have been \$42,868,000.

# 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

Sydney  
25 February 2022



**A. M. Dragicevich**  
Managing Director

# INDEPENDENT AUDITOR'S REPORT

## to the Members of Capral Limited



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Australia

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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 2021, 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 a summary of significant accounting policies 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 2021 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Carrying value of tangible and intangible assets, including goodwill and other intangible assets, property, plant and equipment and right-of-use assets</b></p> <p>As at 31 December 2021, the Group had goodwill of \$3.070m, other intangible assets of \$0.7m, property, plant and equipment of \$53.195m (net of previously recognised impairment losses of \$34.069m) and right-of-use assets of \$75.313m.</p> <p>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 2021 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").</p> <p>Note 1d outlines the determination of the 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:</p> <ul style="list-style-type: none"> <li>• estimating future growth rates,</li> <li>• discount rates, and</li> <li>• the expected cash flows and capital expenditure.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ Assessing the process undertaken and conclusions reached by management in determining indicators of impairment or reversal of impairment;</li> <li>▪ Reviewing the FY22 budget, the basis on which it has been prepared, and assessing the historical accuracy of forecasting by management;</li> <li>▪ Assessing other key assumptions in the impairment model including: <ul style="list-style-type: none"> <li>○ discount rate;</li> <li>○ forecasted cash flows and capital expenditure;</li> <li>○ lease payments and sustaining capital expenditures on leases;</li> <li>○ growth rates, in particular with reference to historic growth rates and forecast macro-economic conditions impacting demand in the industry; and</li> <li>○ terminal growth rate.</li> </ul> </li> <li>▪ Engaging our valuation specialists to assist with evaluating the appropriateness of the discount rate adopted;</li> <li>▪ Recalculating the mathematical accuracy and integrity of the impairment model;</li> <li>▪ Performing sensitivity analysis on the key 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</li> <li>▪ Assessing the headroom in the impairment model and whether it is indicative of a requirement to reverse previously recorded impairment losses.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 1c(k), 1d, 14, 16 and 17 to the financial statements.</p>
<p><b>Recognition and recoverability of deferred tax assets</b></p> <p>As disclosed in Note 11, at 31 December 2021, the Group has recognised deferred tax assets of \$15.335m and as disclosed in Note 4, the Group has unrecognised and unused tax losses and temporary differences of \$58.278m and \$23.846m respectively.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ Engaging our tax specialists to assist us in assessing the availability of tax losses and temporary differences to the Group;</li> <li>▪ Reviewing management's forecasts in respect of the Group's taxable income;</li> <li>▪ Assessing the key assumptions in management's calculations including:</li> </ul>



## Deloitte.

<p>Deferred tax assets in respect of tax losses and temporary differences are recognised when it is probable that the Group will have future taxable profits against which such losses and temporary differences will be utilised.</p> <p>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.</p> <p>Management's assessment resulted in the recognition of an additional \$9.430m of deferred tax assets as at 31 December 2021 as disclosed in Note 11.</p>	<ul style="list-style-type: none"> <li>○ Comparing the consistency of the assumptions used to the inputs and assumptions in management's impairment model;</li> <li>○ Assessing whether the period used to forecast taxable profits is appropriate;</li> <li>○ Assessing the likelihood of the Group achieving these forecasts.</li> </ul> <p>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.</p>
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### 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, 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.

## Deloitte.

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.

## Deloitte.

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 25 to 41 of the Directors' Report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Capral Limited, for the year ended 31 December 2021, 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, 25 February 2022

# MEMBER DETAILS

## Top Holders (Grouped) as of 28 February 2021

### 1. TWENTY LARGEST HOLDERS

Details of Capral's twenty largest shareholders were as follows:

RANK	NAME	UNITS	UNITS (%)
1	CITICORP NOMINEES PTY LTD	3,385,507	19.69
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,880,800	16.76
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,104,828	12.24
4	NATIONAL NOMINEES LIMITED	1,344,429	7.82
5	PRUDENTIAL NOMINEES PTY LTD	600,000	3.49
6	MR ANTHONY MATTHEW DRAGICEVICH	337,902	1.97
7	BNP PARIBAS NOMS PTY LTD <DRP>	246,714	1.43
8	BNP PARIBAS NOMS (NZ) LTD <DRP>	169,496	0.99
9	MR ANDREW ROY NEWBERY SISSON	153,764	0.89
10	MR JOHN GEORGE WHITING + MRS DIANA PATRICIA WHITING <THE WHITING INVESTMENT A/C>	133,334	0.78
11	AGO PTY LTD <SUPERANNUATION FUND A/C>	130,276	0.76
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	116,342	0.68
13	RAVENS COURT PROPRIETARY LIMITED	115,442	0.67
14	SOUTHERN STEEL INVESTMENTS PTY LIMITED	109,820	0.64
15	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	108,489	0.63
16	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	105,673	0.61
17	MRS ANTONIA CAROLINE COLLOPY	102,847	0.60
18	MRS GLENDA CLAIRE ORGILL	96,442	0.56
19	DEBUSCEY PTY LTD	91,687	0.53
20	MR JORIS ARJEN LUGTENBURG + MRS ADRIANE LUGTENBURG <YELLOW ZONE SUPER FUND A/C>	87,118	0.51
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>12,420,910</b>	<b>72.24</b>
<b>Total Remaining Holders Balance</b>		<b>4,772,349</b>	<b>27.76</b>

## 2. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as notified to Capral in accordance with the Corporations Act 2001:

NAME	NO. OF SHARES	% OF SHARES HELD	AS NOTIFIED ON
Allan Gray Australia	3,320,039	20.56	3/25/2020
Perpetual Limited	1,671,494	9.82	6/10/2021
First Sentier Investors Holdings Pty Limited / Mitsubishi UFC Financial Group Inc	1,107,774	6.51	5/27/2021
Superannuation and Investment HoldCo Pty Ltd / KKR Entities	1,028,431	5.98	12/3/2021
Commonwealth Bank of Australia / Colonial First State Investments Limited	916,599	5.39	5/28/2021
Castle Point Funds Management Ltd	883,182	5.33	12/23/2020
<b>Total</b>	<b>8,927,519</b>	<b>53.59</b>	

## 3. NUMBER OF HOLDERS

- (a) *Quoted equity securities*: There were 2,088 holders of ordinary shares.
- (b) *Unquoted equity securities – options*: There were Nil unquoted options.
- (c) *Unquoted equity securities – performance rights*: There were 754,310 unquoted performance rights issued to 18 holders under the Capral Long Term Incentive Plan. There is 1 holder who holds 20% or more performance rights under this plan.

## 4. VOTING RIGHTS

- (a) Voting rights attaching to the fully paid ordinary shares are, on a show of hands, one vote per person present as a member proxy, attorney, or representative thereof and on a poll, one vote per share for every member present in person or by proxy or by attorney or by representative.
- (b) Holders of options and performance rights do not have any voting rights on the equity securities held by them. Ordinary shares issued on exercise of options or vesting of performance rights will carry the same voting rights as all other fully paid ordinary shares of Capral.

# MEMBER DETAILS

Top Holders (Grouped) as of 28 February 2021

## 5. DISTRIBUTION OF EQUITY SECURITIES

### (a) Quoted ordinary shares

RANGE OF SHARES	NUMBER OF HOLDERS
1 – 1,000	1,412
1,001 – 5,000	461
5,001 – 10,000	100
10,001 – 100,000	98
100,001 and over	17
<b>Total</b>	<b>2,088</b>

### (b) Unquoted performance rights

Performance rights granted under the Capral Long Term Incentive Plan (including to the Managing Director) with various vesting and expiry dates and a nil exercise price:

RANGE OF RIGHTS	NUMBER OF HOLDERS
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	17
100,001 and over	1
<b>Total</b>	<b>18</b>

## 6. MARKETABLE PARCELS

The number of shareholders holding less than a marketable parcel\* of shares is 384 holders.

(\* Minimum parcel size of shares: 54)

## 7. ON-MARKET BUY BACK

There is no current on-market buy back.



# CORPORATE DIRECTORY

## CAPRAL'S REGISTERED OFFICE

71 Ashburn Road  
Bundamba QLD 4304  
**Telephone** +61 (0)7 3816 7000  
**Fax** +61 (0)7 3816 7111

## CAPRAL'S PRINCIPAL ADMINISTRATION OFFICE / INVESTOR ENQUIRIES

15 Huntingwood Drive  
Huntingwood NSW 2148  
**Telephone** +61 (0)2 9682 0710  
**Email** [InvestorRelations@capral.com.au](mailto:InvestorRelations@capral.com.au)

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
ABN 48 078 279 277  
Level 2, 60 Carrington Street  
Sydney NSW 2000  
**Telephone** 1800 855 080  
**Fax** +61 (0)3 9473 2118

## AUDITOR

Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
Eclipse Tower  
Level 19, 60 Station Street  
Parramatta NSW 2150

## SECURITIES EXCHANGE LISTING

Capral's shares are quoted on the Australian Securities Exchange (Code: CAA)

## COMPANY SECRETARY

Ms Kim Bradley-Ware (Joint)  
Mr William Joseph Campbell (Joint)

## CORPORATE GOVERNANCE STATEMENT

<http://www.capral.com.au/>  
under Corporate / Investors /  
Corporate Governance



*Photo courtesy of Con-form Group*



**CAPRAL**  
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