CAPRAL
ALUMINIUM

SHAPING THE FUTURE together

CAPRAL LIMITED • 2022 ANNUAL REPORT

ABN 78 004 213 692

Contents

KEY STATISTICS

	2022	2021	Variance
For The Year Ended 31 December			
Sales Volume - Tonnes	71,800	76,300	(4,500)
	$m	**$m**	**$m**
Revenue	692.5	593.5	99.0
Underlying EBITDA[1]	62.2	56.4	5.8
Profit after Tax	40.8	42.7	(1.9)
Operating Cash Flow	7.1	41.7	(34.6)
Net Cash[1]	24.9	50.1	(25.2)

1 Please refer to notes on page 4.

Chairman's Report

ANNUAL REVIEW

Revenues of $693 million in 2022 were 17% higher than the $593 million reported in 2021 on 6% lower volume than in the previous year. Sales revenue growth, particularly in the first half of the year, was driven by record high global aluminium prices (LME) and improved sales mix.

The strong demand experienced throughout 2021, continued into the first half of 2022 which was also supported by a very high order book at the start of the year. The second half of the year saw easing supply bottlenecks which allowed market participants to work through the backlog of orders accumulated during the post-pandemic demand surge. Some market share gains from imports came under pressure as international supply chain problems eased, and declining dwelling commencements in the second half of the year led to lower activity levels in the latter part of 2022.

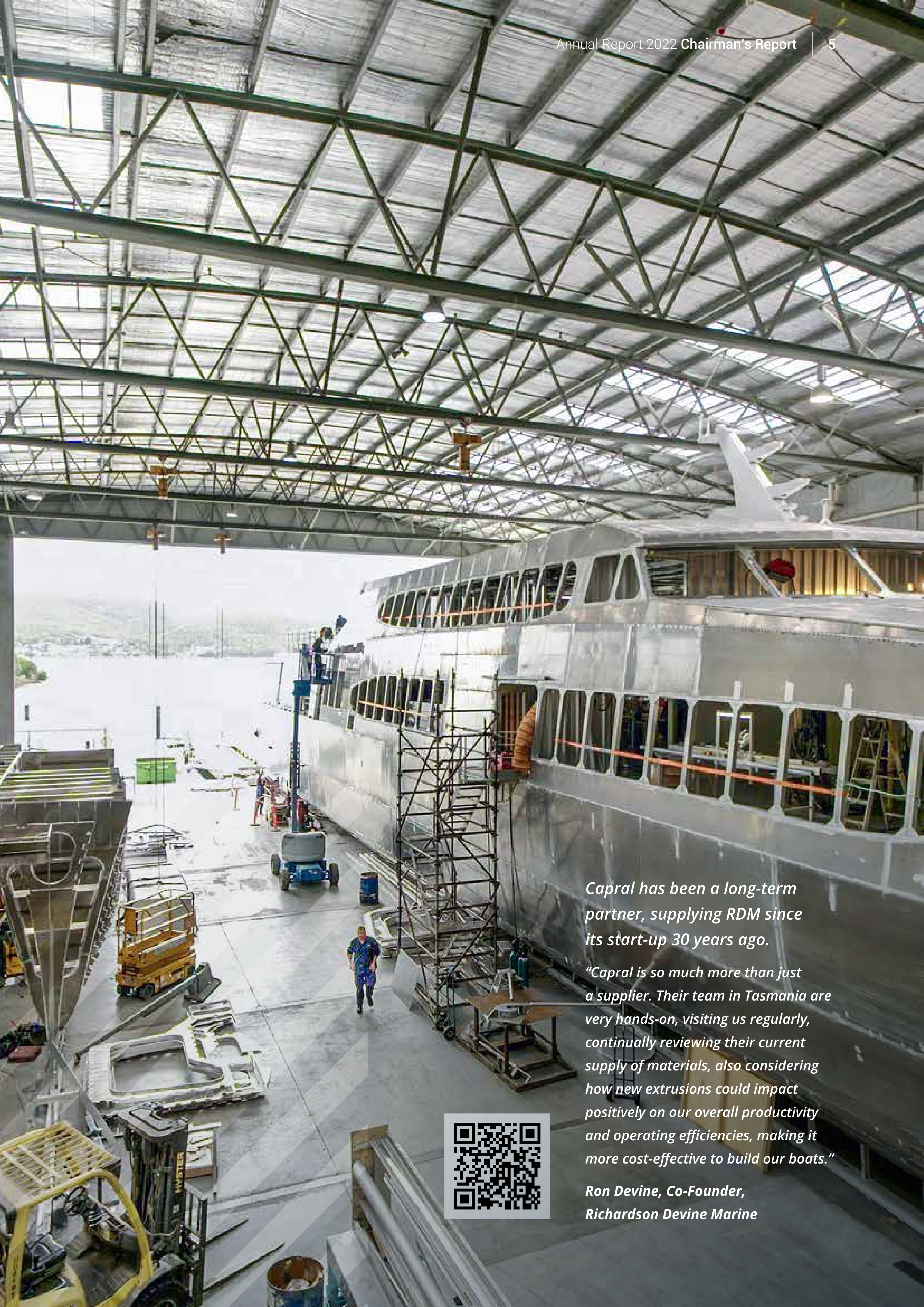
High productivity, operational leverage from capacity utilisation, and favourable sales mix all contributed to a record Underlying EBIT[1] of $40.8 million for 2022, 13% higher than last year's $36.2 million. A negative LME revaluation of $2.2 million reduced EBIT to $38.7 million, compared to $39.0 million EBIT in 2021 which included a $2.8 million positive LME revaluation.

Reported Net Profit After Tax (NPAT) includes $8.4 million arising from recognition of a deferred tax asset brought to account (2021 included $9.4 million deferred tax benefit). NPAT was $40.8 million ($2.31 per share) compared to last year's $45.8 million ($2.52 per share) which also included a gain on property revaluations of $3.1 million.

Higher LME prices and the resultant increase in revenues saw receivables and inventories increase substantially. This higher working capital reduced the Company's Net Cash[1] at 31 December 2022 by 50% on prior year to $25.0 million. Despite this additional investment in working capital, the company's balance sheet remains strong allowing 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.

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

1 EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and, in accordance with AASB16. Underlying EBITDA, EBIT and Earnings per Share (EPS) are adjusted for Significant Items. Significant Items are material items of revenue or expense that are unrelated to the underlying performance of the business. For the current period, these items are LME and FX Revaluation $-2.2 million. (FY21: $2.8 million) and Income Tax Benefit $8.4 million (FY21: $9.4 million). Capral believes that Underlying EBITDA, EBIT and Earnings per Share provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. The Underlying EBITDA, EBIT and Earnings per Share are presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. Net Cash is cash and cash equivalents ($49.0 million) less short-term borrowings (24.1 million)



Capral has been a long-term partner, supplying RDM since its start-up 30 years ago.

"Capral is so much more than just a supplier. Their team in Tasmania are very hands-on, visiting us regularly, continually reviewing their current supply of materials, also considering how new extrusions could impact positively on our overall productivity and operating efficiencies, making it more cost-effective to build our boats."

Ron Devine, Co-Founder, Richardson Devine Marine

DIVIDENDS

After the 2019 restructuring, Capral has demonstrated that is now very well placed to succeed through the various phases of the business cycle. Capral paid a fully franked interim dividend of 20 cents per share during the 2022 year and the financial result for the year supports maintaining the final fully franked dividend for the 2022 reporting period.

Therefore, the Company has declared a fully franked final dividend of 50 cents per ordinary share (2021: 50 cents) to be paid on 24 March 2023 in respect of the financial year ended 31 December 2022. The dividend will be paid to all shareholders on the register of members as at the Record Date of 3 March 2023. Our Dividend Reinvestment Plan will not be active for this dividend.

SAFETY

Once again, the Capral team has delivered excellent safety results, far exceeding the comparative results of our listed peers. The Company recorded a total reportable injury frequency rate (TRIFR) of 4.3 injuries per 1 million hours worked in 2022, well below the 7.2 recorded in 2021. Capral's management continues to strengthen the strong safety culture and roll out new initiatives and prioritise safety across every area of our business.

SUSTAINABILITY

The environment is a key priority for Capral. Our National Sustainability Committee continues to make significant and meaningful progress in driving Capral's Sustainability journey. I urge stakeholders to read the Sustainability Report, which details the many initiatives in progress.

LOOKING AHEAD

Whilst we expect the housing sector to decline further, the non-residential and industrial segments of our business should remain firm. We are expecting a modest decline in the overall extrusion market in the year ahead which we anticipate will have an impact on earnings in 2023.

Please refer to the Outlook section of the Managing Director's Report for details of our earnings guidance for 2023.

BOARD CHANGES

Having served as an independent non-executive director since June 2010, Graeme Pettigrew has decided to retire from the Board at the conclusion of the AGM on 27 April 2023 and will therefore not be standing for re-election. We thank Graeme for his wise counsel and support during his tenure, which included his dedicated service as chair of the remuneration and nomination committee. His participation in the Board's deliberations have been invaluable.

In conclusion, on behalf of the board I wish to thank all of Capral's stakeholders for their tremendous support during 2022. We look forward to meeting every challenge in 2023. Thank you to all my Capral colleagues for their tireless efforts throughout the past year.

Rex Wood-Ward
Chairman

24 February 2023

Managing Director's Operations and Financial Review

HIGHLIGHTS

- Record underlying earnings result for the second consecutive year
- Sales revenue $693 million, up 17% on last year
- Volume at 71,800 tonnes was 6% below last year
- Market conditions softened in the second half of the year
- Underlying EBITDA[1] $62.2 million, up $5.8 million on last year
- Underlying EBIT[1] $40.8 million, up $4.6 million on last year
- Underlying Net Profit After Tax[1] $34.6 million, up $4.1 million on last year
- Reported Net Profit After Tax $40.8 million includes a $8.4 million deferred tax benefit
- Underlying earnings per share[1] at $1.96, up $0.16 on last year
- Balance sheet strong with Net Cash[1] of $24.9 million
- Fully franked final dividend of 50 cps declared, total FY22 dividend of 70 cps
- Exceptional safety performance with TRIFR 4.3, well below our listed peers

FINANCIAL REVIEW

Market conditions were strong in the first half of 2022, and volumes were assisted by a large order book to start the year. Conditions softened in the second half as the market slowed and import supply chains and shipping costs returned to normal levels. Volume however remained solid which allowed Capral's manufacturing plants to run at good levels of efficiency.

As interest rates started to rise the residential housing market slowed from its highs driven by post-COVID government housing stimulus programmes. Housing starts are tracking to record 190,000[2] starts in 2022, 18% down on last year. Commercial construction activity was buoyant, and our key industrial markets (manufacturing, transport and marine) also remained relatively strong, underpinned by good levels of economic activity.

The international LME price of aluminium was impacted by global supply factors, including Russia's invasion of Ukraine. LME started to rise in mid-2021 post-COVID, reaching peak levels in Q2 2022, before returning to more normal but still elevated levels in Q4 2022. Capral's average LME cost for 2022 was 22% above last year, which in turn was 30% higher than the previous year. This flowed through to higher selling prices and working capital levels which will continue into first half 2023.

Vawdrey Australia chooses to work with Capral and has done for more than 20 years.

"We buy the best. That's why we use Capral aluminium. Capral's quality is second to none, it's cost-effective, and we have a good working relationship. We depend on Capral as much as our own blokes, If you have a good working relationship, it helps with everything."

Mick Vawdrey, Founder, Vawdrey Australia.

During 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. The benefits are evident with Bremer Park now 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 has moved from a one shift operation to three shifts during 2022.

Capral delivered a record profit result in 2022 with underlying EBITDA[1] of $62.2 million (2021: $56.4m) on 6% lower volume. Underlying EBIT[1] of $40.8 million (2021: $36.2m) and an underlying net profit after tax of $34.6 million (2021: $30.5m). An excellent result, increasing earnings on lower volume demonstrates how far Capral has progressed over the last four years.

Capral ended 2022 with a Net Cash[1] balance of $24.9 million. Debtors collection performance remained good but inventory levels were high at year end due to delayed shipments of rolled product arriving in the second half. Working capital levels also increased due to the impact of the higher LME on debtors and inventory levels, resulting in a lower net cash position. This will improve as working capital returns to more normal levels during 2023.

Capral will pay a fully franked final dividend of 50 cents per share and, together with the interim dividend of 20 cents per share, resulting in total FY22 dividends to 70 cents per share (FY21: 70 cps).

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 and innovative products, expand our footprint

A key focus in 2023 will be in Sydney with the Smithfield and Penrith extrusion plants and a new paint line installed at our Huntingwood distribution centre. Smithfield will continue to focus on lifting productivity through debottlenecking aspects of product flow and upgrades of some equipment. During January 2023, a project was successfully completed to upgrade the Penrith extrusion press and shop floor software. This was a major undertaking by the Capral engineering team and will ultimately result in a first-class extrusion facility at Penrith.

Late in 2022 a paint line was installed at our new Huntingwood distribution centre with commissioning in Q1 2023, thereby providing Capral with powder coating capability in NSW for the first time. These assets will provide Capral an expanded manufacturing presence in NSW delivering freight savings and improved service to customers.

We will also 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. Over the past year we have added two Aluminium Centres to the Capral distribution footprint. Targeted acquisitions of existing businesses in North Brisbane and Wollongong have expanded our geographical presence. There exists a small number of other good opportunities to expand our footprint in the future.

FAIR TRADE

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

- Measures on Chinese imports are in place until 2025 and a review of duty levels is currently underway
- Measures against some Malaysian and Vietnamese suppliers fell away during the year and we are pressing for re-instatement

Market share gains have been made against imports over the last two years, however they continue to represent a material proportion of the total Australian extrusion market. As supply chains normalise we must remain vigilant in this area.

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 has been exceptional this year, recording a total reportable injury frequency rate (TRIFR) of 4.3 (2021: 7.2). This is well below the peer average of 9.8 for listed building products manufacturers.

SUSTAINABILITY AND ESG

Capral advanced its commitment to environmental obligations by forming a National Sustainability Committee in 2020 with employee representation across Capral's operations. This resulted in the development of Capral's Sustainability four pillars and a roadmap to net zero by 2050. During the year Capral introduced lower carbon aluminium options to the Australian market, LocAl® Green and LocAl® Super Green. Capral has considered the overall impact of current ESG issues and has not discovered any resulting material impact on our financial statements at this point. Please refer to Capral's Sustainability Report (pages 15 to 19) for further details.

KEY OPERATING RISKS

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

- Significant slow-down in economic activity, particularly the new housing market
- Increased level of imported aluminium extrusion and increased local competitor activity
- External IT threats such as cyber attacks
- Changes in construction methodology

OUTLOOK

Forecasts for the residential market show the market slowing further. Starts in 2023 are forecast[2] to be on par with 2022 but the pipeline of work will empty out over the next year. The non-residential market is forecast to be firm in 2023 as are our key industrial markets with customers continuing to support local supply.

LME is volatile and subject to international influences. Based on external forecasts, we expect LME to remain at elevated levels throughout the first quarter of 2023 and then weaken on the back of lower global demand as economies slow under the weight of higher interest rates.

The overall market for Capral's aluminium extrusion and rolled product is forecast to fall modestly in 2023. We expect to retain a good proportion of market share gained from imports. Underlying EBITDA[1] is forecast, absent any unforeseen events, to be between $52 million and $56 million with underlying Net Profit After Tax between $26 million and $30 million. On that basis Capral would be in a position to continue the payment of dividends.

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

I wish to thank the Capral team for their tremendous contribution to the outstanding 2022 result. Capral is in a good position to capitalise on its strong foundation, maximise opportunities as they present, and develop the business for the future.

Tony Dragicevich
Managing Director

24 February 2023

1 Refer to Underlying EBITDA, EBIT, Earnings per Share (EPS) and Net Cash explanation in footnotes to Chairman's Report on page 4
2 BIS Oxford Economics December 2022 forecast

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
Retired 27 April 2022

- *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

KATHERINE OSTIN B. Comm, GAICD, F FIN, CA

Non-executive director (Independent)

Appointed 17 June 2020

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

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

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

- *Non-executive director of Swift Media Ltd: 1 October 2019 to 19 November 2021.*
- *Non-executive director of Dusk Group Ltd: 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, M. Comm, CA, GAICD

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

Capral products are the first choice for Unique Metal, who emphasise that Capral's product range, technical knowledge and service stand out.

"We have worked closely with Capral for many years – almost since we have been in business. We've got a great relationship. Capral offers solutions, good pricing, and reliability. We get our product when they say we will get it, and they keep us informed of any issues."

Paul Figliomeni, Managing Director, Unique Metal Laser

Since the business started, sourcing aluminium locally has been a priority for the WillPlay team, which works closely with Capral Aluminium.

Aluminium is used extensively throughout the WillPlay range and custom-designed solutions for three fundamental reasons: "One, it's lightweight, but two, it's also strong. And thirdly, it is sustainable. Its weight saves on freight around Australia, and it survives our climate from the ocean to the deserts. And importantly, aluminium can be recycled at the end of a product's life. Our playgrounds are 100 per cent recyclable, so everything that gets taken off one of our playgrounds can be taken to a recycling facility. It sets us apart."

Jared Silcox, Design Manager, WillPlay

Sustainability Report

A SUSTAINABLE FUTURE

During 2022 Capral continued its Sustainability journey with a concerted focus on reducing Scope 2 emissions working towards a position of net zero emissions by 2050. Our Sustainability Committee creates a companywide emphasis on crucial sustainability strategies. The coordination of sustainability initiatives is now embedded within Capral's Integrated Management System (IMS), ensuring the consistent management of environmental compliance and safety throughout all our operations.

The global community has stated the need to reach net zero global CO_2 emissions by mid-century, and Capral recognizes that environmental and social sustainability must be a priority for our organisation.

Capral will continue to act wisely to care for the environment and broader society while working in the best interests of our stakeholders and customers.

We are committed to our Sustainability Roadmap and the adaption of transformational sustainability projects which will reduce our carbon footprint.

As a significant aluminium supplier in Australia, our buying strategies and corporate activities reflect Capral's goal to work towards sustainability best practice.

During 2022 Capral undertook two significant supply chain initiatives in support of our sustainability goals. In March, Capral signed an agreement with Tomago Aluminium, Australia's largest aluminium smelter, to supply 550 tonnes of production scrap annually for remelting. This industry-leading arrangement was the first of its kind in Australia, paving the way toward access to low-carbon aluminium for Australian manufacturers.

In November Capral introduced LocAl®, a lower-carbon primary aluminium option available across Capral's locally manufactured extruded aluminium products. This provides the Australian manufacturing sector access to cleaner, greener, more sustainable aluminium products. The LocAl® offer includes two lower carbon aluminium options: LocAl® Green with carbon emissions of 8kg CO_2e/kg Al* and LocAl® Super Green at 4kg CO_2e/kg Al* – amongst the lowest carbon aluminium available globally and up to 75% lower than global average CO_2e emissions for primary aluminium.

Underpinning these responsible and transformational procurement initiatives is Capral's decision to join the Aluminium Stewardship Initiative (ASI), a global standard setting and certification body. ASI brings together producers, users, and stakeholders in the aluminium value chain with a commitment to maximising the contribution of aluminium to a sustainable society. ASI members aim to work together to foster responsible production, sourcing, and stewardship of aluminium.

Capral supports the adoption of the United Nations (UN) Sustainable Development Goals (SDGs) and emphasises integrating sustainable principles into our operations. We acknowledge that reducing our CO_2 emissions in line with the targets of the Paris Agreement and supporting the UN SDGs will help to achieve our strategic goals and improve business performance. Across our business, we currently incorporate four SDGs into our company values and daily activities.

OUR ROADMAP – ON A BETTER PATH TO TOMORROW

In 2022 Capral focussed its Sustainability Roadmap on the reduction of energy consumption, successfully reducing demand on the Victorian power grid from our Campbellfield manufacturing plant with the commissioning of a 800 kilowatt solar panel installation. Within the first six months, CO_2 emissions saved were 222,500 kg, the equivalent of 4,300 planted trees.

Further energy savings were made by replacing 400 high bay lights with LEDs at the Bremer Park, Queensland manufacturing site, saving approximately 2000 kilowatts per day, the equivalent of one year's average household electricity consumption.

2023 will see our Roadmap adopt an additional focus on waste reduction and increased recycling activity in continuing to achieve our goal of a Circular Economy.

SUSTANABILITY ROADMAP

THE ENVIRONMENT

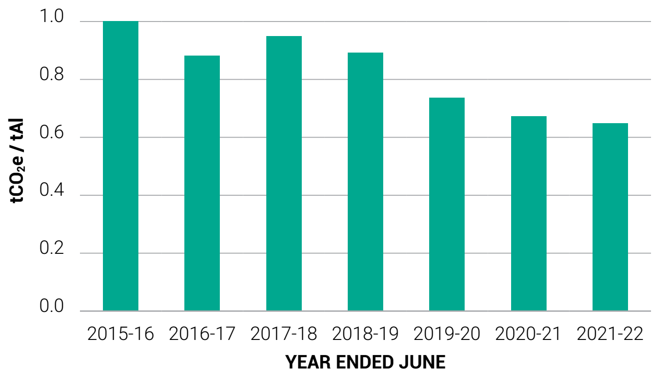
In line with Capral's commitment to the environment, we will effectively manage our waste materials with the circular vision of "reduce – reuse – repurpose" and compliance with environmental standards.

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

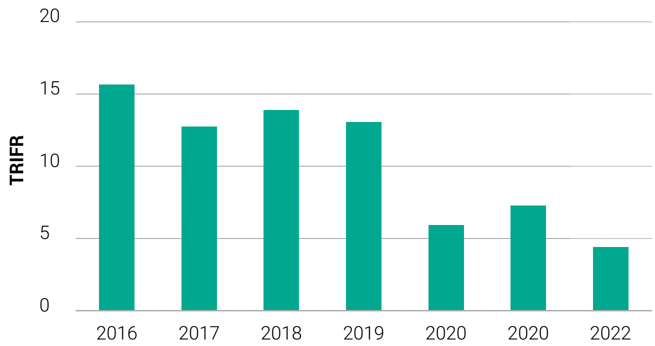
We are committed to minimising adverse consequences of new equipment and processes by assessing environmental implications in the design, purchase, and commissioning phases. Throughout 2022 Capral continued to make energy efficiency a priority in its capital plant upgrade considerations. Key energy saving initiatives undertaken were:

- Renewable energy roof-top solar installed at Campbellfield site self-generating 15% of its energy needs
- Introduction of latest generation IE5 SynRM motors linked to variable speed drives VSDs at Penrith manufacturing plant reducing power consumption by 20%
- 400 high bay LED lighting replacement at Bremer Park
- Latest generation multi-zone electric billet heating containers introduced at 5 of Capral's extrusion presses reducing power usage by 15%.

Aluminium Extrusion Emissions Intensity



Total Reportable Injury Frequency Rate



HEALTH AND SAFETY

Capral has continued to invest significantly towards enhancing its ability to manage its Health and Safety requirements and align itself with industry best practice. Capral's Integrated Management System (IMS) underwent a revitalisation to enhance its ability to systemise ESG and develop accurate performance metrics.

Capral focused on educating its employees through a new L&D programme which supports the practice of understanding associated risks and the inherent controls required. Site IMS assurance continued to be verified through monthly compliance reviews. This approach has demonstrated a profound impact on positively influencing behaviour and identifying workplace inconsistencies through the Capral network.

Operational leaders are equipped with fitness for work management knowledge to ensure their team can perform tasks safely and without incident. Employees are encouraged to speak freely and voice their concerns. This approach has reduced Capral's reportable incidents, minimised injury severity and improved recovery. This has resulted in significantly lower restricted and lost hours. Capral's IMS philosophy has reduced Capral's total reportable injury frequency rate (TRIFR) to 4.3, which is well below the industry average of 8.3 for listed building product manufacturers.

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 AND COMMUNITY

Capral employs around 1,100 people over 20 sites around Australia with approximately half of our employees covered by Enterprise Agreements.

We champion diversity by aiming to build a workforce as diverse as the community we serve. Because the more perspectives we have, the better decisions we make. Our ability to make these decisions is underpinned by our Code of Conduct and Vision and Values Programme:

- **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

As a company our diverse perspective comes from many sources including; gender, race, age, nationality, sexual orientation, culture, education, professional and life experience. We constantly strive to foster an equitable work culture that celebrates diversity, embraces inclusion, amplifies belonging, and drives innovation.

People are the epicentre of everything we do; from our employees to those who touch our business as customers, and to the communities we call home. We all share the vision of a better future.

RECRUITMENT INITIATIVES

Capral's recruitment initiatives developed throughout 2022 as staff turnover increased post-Covid. Skilled migration played a pivotal role in increasing our depth of knowledge and skills talent. Capral established relationships with a number of international applicants from a range of countries and cultures, resulting in three overseas applicants successfully migrating to Australia for specialist roles.

Through continued work on our recruitment programme, it is our goal to improve on existing gender targets and increase female representation within Capral's leadership positions and in non-traditional blue collar and trade roles.

LEARNING AND DEVELOPMENT

Capral recognises the significant benefit of investing in our people being crucial to future success. Capral's L&D programme was enhanced by expanding employee access to professional development opportunities. Capral has partnered with multiple organisations to offer multifaceted, continuous professional development (CPD) programmes aligned to essential organisational and personal goals. Through our L&D programme, employees can expand their knowledge and receive additional support to ensure their skills remain up-to-date and relevant to Capral's business requirements.

COMMUNITY SUPPORT AND ASSOCIATION

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, domestic violence through White Ribbon Day, and men's health through Tievember, our version of Movember. All initiatives were extremely well received with record employee uptake for our Tievember campaign.

Capral provides support to a number of charity organisations including:

Charities proudly supported by Capral and it's employees in 2022

Capral has been Louvreclad's supply partner for more than 20 years; the two businesses are neighbours, providing extra convenience to deliveries and collaboration on extrusion developments.

"Working on bespoke projects where we need to create something new, it's easy to share drawings with Capral's design team, and they quickly let us know if our designs will work and advise on lead times. It works very well for our business; We require very high-quality aluminium because our products are used on building facades. Capral packages our extrusions very carefully in stillages to avoid any damage.

Uddhava Sharplin, Design Consultant, Louvreclad

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 2022 (*Financial Year*).

DIRECTORS

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

Name	Period Office Held
R. L. Wood-Ward	6 November 2008 – Date of this report
A. M. Dragicevich	15 April 2013 – Date of this report
P. J. Jobe	24 April 2009 – 27 April 2022
K. Ostin	17 June 2020 – Date of this report
G. F. Pettigrew	18 June 2010 – Date of this report
M. White	1 September 2021 – Date of this report
B. Tisher	24 February 2022 – Date of this report

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 3 March 2023, with payment being made on 24 March 2023. Capral's Dividend Reinvestment Plan (DRP) will not be active for this dividend. A final dividend of 50 cents per ordinary share (fully franked) was paid in March 2022 in respect of the 2021 financial year and an interim dividend of 20 cents per ordinary share (fully franked) was paid on 15 September 2022 in respect of the 2022 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 to 10.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

LIKELY DEVELOPMENTS, BUSINESS STRATEGIES, PROSPECTS AND RISKS

Information on likely developments, business strategies, prospects and risks are detailed in the Managing Director's Operations and Financial Review on pages 7 to 10 and the Sustainability Report on pages 15 to 19. 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:

	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
R.L. Wood-Ward	8	7	3	3	2	2
A.M. Dragicevich	8	8	3	3[1]	2	2[1]
P.J. Jobe	2	2	1	1	1	1
K. Ostin	8	8	3	3	2	2
G.F. Pettigrew	8	8	3	3	2	2
M. White	8	8	3	3	2	2
B. Tisher	8	8	3	3	1	1

1 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:

		Ordinary shares fully paid in the Company		
Name	**Position**	**Balance at 1.1.2022**	**Balance at 31.12.2022**	**Balance at date of this report**
R.L .Wood-Ward	Director and Chairman of the Board	–	–	–
A.M. Dragicevich	Managing Director	444,029	546,041[1]	546,041
P.J. Jobe	Director	270,016	270,016	270,016
K. Ostin	Director	–	–	–
G.F. Pettigrew	Director	–	–	–
M. White	Director	–	–	–
B. Tisher	Director	–	–	–

1 Acquired 23,682 as part of 2021 STI programme on 2 March 2022. Allotted 78,330 as vesting of 2019 LTI rights on 7 March 2022.

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 1.1.2022[1]	Balance at 31.12.2022	Balance at date of this report
Performance rights	267,300	238,000[2]	238,000

1 Shown as post 3 November 2020 share consolidation quantity

2 Nil performance rights lapsed on 1 March 2022; 78,330 performance rights vested on 1 March 2022 and 49,000 performance rights were issued on 27 April 2022

Unissued shares or interests under option

At the date of this report, there are 722,350 (2021: 754,310) unissued shares or interests under option. Refer to sections 1 to 3 of the Remuneration Report and Note 38.

HSP's supply partnership with Capral has helped them on their journey to global leadership.

"In creating world-firsts, we can't use anything off the shelf – our products must stand out for their functionality and looks. Everything we design is specific to a particular product and Capral accommodates our needs and offers quality, reliability, and quantity. "There are a lot of synergies between us – they are a high-quality manufacturer that believes in manufacturing in Australia."

Massih Aimaq, Sales director, HSP 4X4 Accessories

The Moore Reef Pontoon was designed for specific needs, making it invaluable to have a supplier like Capral working closely with the engineers.

"This 250-tonne structure is built to survive 30 years on the reef, it needs to endure cyclones and extreme weather; Marine Survey requirements called for the aluminium plate to have 'DNV' test certificates. Fortunately, Capral supplied English Engineering with the certification required for all aluminium used on the build. Access to DNV-certified material locally is essential for the Australian marine sector."

Susan Plath, Marketing and Development Manager, English Engineering

Remuneration Report (Audited)

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

SECTION 1: THE REMUNERATION FRAMEWORK

(a) Key Principles

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

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

(b) Role of Remuneration & Nomination Committee

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

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

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

(c) Performance Planning and Review

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

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

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

(d) Non-executive Directors

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

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

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

(e) Senior Management Remuneration

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

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

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

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

The proportions of fixed and at-risk remuneration are established for the Managing Director and other senior management relative to their position in Capral.
As a general guide, at-risk remuneration is 50% for the Managing Director, 25–30% for executive management and 10%–20% for other senior managers, for the achievement of 'target' goals.

(f) Fixed remuneration

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

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

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

(g) Short Term Incentives

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

For the Financial Year, there were 3 short term incentive programmes:

(1) Short Term Incentive Plan (STIP): The Managing Director and senior employees have the opportunity to earn a cash and deferred equity incentive, based on a specified percentage of TEC dependent on each individual's level of responsibility. The actual incentive earned is based on the achievement of financial and non-financial objectives.

(2) Bonus scheme: other salaried employees can earn fixed payments, as approved by the Managing Director, for achieving key performance measures set by their managers and outlined in the employee's individual PPR.

(3) Sales incentives: Sales employees participate in quarterly sales incentive programmes in relation to revenue, gross margin, and debtor days targets.

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

Frequency	Awards determined annually with payment made in the March following the end of the performance year.
Financial Measures	• Trading EBITDA for Capral and (for relevant General/Divisional Managers) Business Units (30%). Key financial threshold measure as reflects underlying earnings after excluding the impact of external economic factors such as the volatility of global aluminium prices and the unrealised impact of foreign exchange rate fluctuations. • Net Profit After Tax for Capral (15%). Aligned to ability to pay dividends. • Free Cash Flow for Capral (15%). Selected to ensure effectiveness of cash management. • % Working Capital to Annualised Sales for Capral and (for relevant General/Divisional Managers) Business Units (10%). Selected to ensure effectiveness of capital management.
Non-financial Measures	Specific individual objectives are set to reflect measurable and numeric (where possible) strategic initiatives and profit and safety improvement objectives. The key individual objectives include performance to customers, sales targets/growth, productivity and operational improvements, key projects and cost improvements. The weightings are generally 5% however may be higher or lower depending on importance to company performance.
Assessment of performance against measures	Performance against financial measures is assessed after the end of each financial year based on Capral's financial results. The performance against non-financial measures is assessed as part of the PPR process. The Managing Director, in consultation with senior managers, is responsible for recommending to the Board the amount of STIP, if any, to be paid. Payments are subject to the achievement of applicable Capral, Divisional or Regional minimum annual Trading EBITDA targets. Stretch payments are not made where target financial metrics are not met.
Discretionary override	The Board retains absolute discretion regarding payments having regard to Capral's overall financial position and other special circumstances that have arisen during the year (i.e. normalisation or clawback). The intent however is to minimise the exercise of discretionary adjustments to the planned outcomes set at the start of the year. Material adjustments would be disclosed.
Service condition	The Managing Director is eligible to receive a pro-rata payment where his employment is terminated other than for cause. Other employees who leave Capral part way through a performance period are not eligible for a payment for that period.
Clawback of awards	In the event of fraud, misstatement or misrepresentation of the financials, the Board may exercise its discretion to withhold some or all of a payment before it is made or recover some or all of payments already made.
Deferral	Any 'Stretch' STIP payments (after tax) to the Managing Director and Executive Team is satisfied by Capral Shares and held in escrow for 3 years. These shares can be issued or acquired on market (priced at the 12-month Volume Weighted Average Price (VWAP) as at the end of the performance period) as determined by the Board. There is no deferred cash / equity component for other STIP participants. The Board introduced deferred equity in 2018 to further strengthen alignment of Capral's executive managers with shareholders.
Plan review	The STIP design is reviewed at least annually by the Remuneration & Nomination Committee and approved by the Board. The Managing Director, in consultation with senior managers, is responsible for recommending to the Board the STIP financial targets. The non-financial objectives are approved by the Managing Director. The Managing Director's non-financial targets are established and approved by the Board.

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

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

(h) Long Term Incentives

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

The Managing Director, Mr Dragicevich, was granted 102,670 performance rights following shareholder approval in April 2020 and 86,300 performance rights following shareholder approval in April 2021. During the Financial Year, an additional 49,000 performance rights were granted to Mr Dragicevich following shareholder approval in April 2022.

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

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

Frequency	Awards determined annually.
Type of award	Performance rights subject to service requirements and vesting criteria. If the conditions are met, shares will be issued around the vesting date.
Amount of award	The Managing Director is eligible to receive additional annual issues of up to 50% of the value of TEC, subject to shareholder approval. The value of individual awards for all other participating senior executives is generally less than 30% of TEC. As a matter of practice, the aggregate amount of each annual award to all Executives is about 1.5% of issued capital and the number of rights awarded is based on the 12-month Volume Weighted Average Price (VWAP) as at the start of the performance period.
Performance period & vesting dates	3 years with 31 December testing dates. 2020 award: vesting date of 1 March 2023. 2021 award: vesting date of 1 March 2024. 2022 award: vesting date of 1 March 2025.

Performance conditions	Performance rights granted under LTIP are subject to the participant remaining employed by Capral at the vesting date and the achievement of the following performance conditions: • 50% of rights are subject to an EPS performance condition. The actual EPS performance is measured over a 3-year period, must meet, in aggregate, the 3 annual targets combined. The EPS condition is calculated each year as follows: Net Profit After Tax Target as specified by the Board for that year (adjusted for any extraordinary items approved by the Board) divided by weighted average number of securities on issue during the year. The Net Profit After Tax Target used for this condition is set at least at minimum Budget level. The Board may adjust EPS to normalise results and exclude the effects of material business acquisitions/ divestments and certain one-off costs; any material adjustments would be disclosed. The number of rights that may vest is set out in Table B below. • 50% of rights are subject to a TSR performance condition as against the entities with ordinary shares and units (as the case may be) included in the S&P/ASX All Ordinaries Index as at 1 January in the year of grant but excluding those companies who are classified in the Global Industry Classification Standard sector number 40. The number of rights which may vest is set out in Table A below. Refer to the explanation above (LTIP) regarding the setting of the EPS condition and the use of EPS and TSR tests.
Assessment of performance against measures	Performance against the EPS and TSR conditions are assessed at the end of the 3-year period (31 December testing date). There is no re-testing of EPS or TSR conditions. Vested rights convert on the relevant vesting date a one-for-one basis to ordinary shares. Unvested rights lapse.
Treatment of awards on cessation of employment	If employment ceases all unvested rights will immediately lapse. However, if the cessation relates to the redundancy or permanent disability / death of the employee or other reason determined by the Board then the Board has absolute discretion to determine that some or all of the rights vest.
Treatment of awards on change of control	The Board has discretion to allow awards to vest on a change of control. In exercising this discretion, the Board is not bound to award all shares.
Dividend/ participation rights	There is no entitlement to dividends on performance rights during the vesting period or to participate in respect of issues of shares to shareholders.
Clawback of awards	In the event of fraud, misstatement or misrepresentation of the financials, the Board may exercise its discretion to forfeit some or all of the award prior to the issue of shares or recover some or all of the award already made.
Plan review	The LTIP design is reviewed at least annually by the Remuneration & Nomination Committee and approved by the Board. The Managing Director makes recommendations to the Remuneration & Nomination Committee regarding the proposed LTIP award participants and the amount of the entitlements.

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

Table A

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

Table B

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

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

(i) Anti-Hedging Policy

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

SECTION 2: ACTUAL REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

(a) Remuneration

General pay increases were implemented for executives. Total expensed remuneration for the key management personnel (including the directors) increased on average by 2% as compared to the prior year.

(b) STIP

STIP payments in respect of the 2022 year are lower than the prior year.

(c) LTIP

49,000 performance rights were granted to the Managing Director in April 2022 following shareholder approval (2021: 86,300) and 139,000 rights were granted under the 2022 LTIP award to executives in March 2022 (2021: 164,700).

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

For the financial year ending 31 December 2023, Capral intends to:

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

(d) Remuneration Table – key management personnel

The following table sets out the remuneration of the key management personnel (including the directors) during the Financial Year and the 2021 financial year.

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

			Short-term employee benefits		
			Salary and fees	Bonus[1]	Non-monetary benefits
Name	Year	Title	$	$	$
Directors					
A.M. Dragicevich	**2022**	**Managing Director**	**700,428**	**364,650**	**–**
	2021	Managing Director	690,000	357,500	–
R.L. Wood-Ward	**2022**	**Chairman**	**123,821**	**–**	**–**
	2021	Chairman	120,000	–	–
P.J. Jobe	**2022**	**Non-executive director**	**23,664**	**–**	**–**
	2021	Non-executive director	60,000	–	–
K. Ostin	**2022**	**Non-executive director**	**81,463**	**–**	**–**
	2021	Non-executive director	70,000	–	–
G.F. Pettigrew	**2022**	**Non-executive director**	**81,463**	**–**	**–**
	2021	Non-executive director	70,000	–	–
M. White	**2022**	**Non-executive director**	**71,464**	**–**	**–**
	2021	Non-executive director[4]	20,000	–	–
B. Tisher	**2022**	**Non-executive director[6]**	**62,712**	**–**	**–**
	2021	Non-executive director	–	–	–
Executives					
T. Campbell *	**2022**	**CFO/ Co. Sec.**	**405,218**	**108,375**	**–**
	2021	CFO/Co. Sec.	401,000	106,250	–
		Total 2022	**1,550,233**	**473,025**	**–**
		Total 2021	1,431,000	463,750	–

1 All salaries, fees and bonus amounts are on an accrual basis.
2 Termination benefits include leave accrued and payments made in lieu of notice at the end of employment with Capral.
3 All LTIP performance rights listed are securities that have not yet vested. In relation to the performance rights of the key management personnel refer to Note 38 of the financial statements.
4 Mr White was appointed as a director on 1 September 2021.
5 Superannuation guarantee percentage has been changed from 10.0% to 10.5% from 1 July 2022.
6 Mr Tisher was appointed as a director on 24 February 2022.
* Capral's key management personnel (other than directors).

Post- employment benefits	Other long-term benefits	Termination benefits[2]	Share-based payments		Total	Total performance related
Superannuation[5]			Deferred Equity[1]	Performance Rights[3]		
$	$	$	$	$	$	%
27,102	**–**	**–**	**53,050**	**323,079**	**1,468,309**	**50**
26,650	–	–	332,400	192,535	1,599,085	55
12,697	**–**	**–**	**–**	**–**	**136,518**	**–**
11,703	–	–	–	–	131,703	–
2,858	**–**	**–**	**–**	**–**	**26,522**	**–**
5,852	–	–	–	–	65,852	–
8,358	**–**	**–**	**–**	**–**	**89,821**	**–**
6,827	–	–	–	–	76,827	–
8,358	**–**	**–**	**–**	**–**	**89,821**	**–**
6,827	–	–	–	–	76,827	–
7,332	**–**	**–**	**–**	**–**	**78,796**	**–**
2,000	–	–	–	–	22,000	–
6,458	**–**	**–**	**–**	**–**	**69,170**	**–**
–	–	–	–	–	–	–
27,482	**–**	**–**	**14,625**	**97,966**	**653,666**	**34**
24,981	–	–	98,250	65,847	696,328	39
100,645	**–**	**–**	**67,675**	**421,045**	**2,612,623**	
84,840	–	–	430,650	258,382	2,668,622	

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 2021, 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.

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

86,300 performance rights were granted to the Managing Director in April 2021 following shareholder approval. These rights have a vesting date of March 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. The EPS condition (51,335 rights) was tested as at 31 December 2022. Capral achieved the EPS condition and consequently 51,335 rights will vest in March 2023. The TSR condition (51,335 rights) was also tested as at 31 December 2022. Capral's relative TSR performance over the period from January 2020 to December 2022 was in the 93rd percentile and thus 100% of the rights subject to the TSR condition will vest in March 2023. Consequently, a total of 102,670 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2023.

78,330 performance rights were granted to the Managing Director in April 2019 following shareholder approval. None of 78,330 rights lapsed and a total of 78,330 rights vested and converted into Capral shares on a 1 for 1 basis, as at 1 March 2022.

	Tranche	Grant number	Grant date	Fair value per right at grant date ($)	Test date	Lapsed number	Vested number
2022 Offer							
A. Dragicevich			27/04/2022				
	EPS 50%	24,500		$7.77	31/12/2024	–	–
	TSR 50%	24,500		$5.82	31/12/2024	–	–
Total 2022 Offer		**49,000**				**–**	**–**
2021 Offer							
A. Dragicevich			28/04/2021				
	EPS 50%	43,150		$6.43	31/12/2023	–	–
	TSR 50%	43,150		$5.17	31/12/2023	–	–
Total 2021 Offer		**86,300**				**–**	**–**
2020 Offer							
A. Dragicevich			29/04/2020				
	EPS 50%	51,335		$1.56	31/12/2022	–	–
	TSR 50%	51,335		$2.04	31/12/2022	–	–
Total 2020 Offer		**102,670**				**–**	**–**
2019 Offer							
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
Total 2019 Offer		**78,330**				**Nil**	**78,330**

Performance rights – other key management personnel

During the Financial Year and the financial year ended 31 December 2021, 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.

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

164,700 performance rights were granted under the 2021 LTIP award to executives in March 2021. These rights have a vesting date of March 2024.

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. The EPS condition (90,325 rights) was tested as at 31 December 2022. Capral achieved the EPS condition and consequently 90,325 of these rights will vest in March 2023. The TSR condition (90,325 rights) was also tested as at 31 December 2022. Capral's relative TSR performance over the period from January 2020 to December 2022 was in the 93rd percentile and thus 100% of the rights subject to the TSR condition will vest in March 2023. Consequently, a total of 90,325 rights will vest and convert into Capral shares on a 1 for 1 basis as at 1 March 2023.

141,660 performance rights were granted under the 2019 LTIP award to executives in March 2019. None of 141,660 rights lapsed and a total of 141,660 rights vested and converted into Capral shares on a 1 for 1 basis, as at 1 March 2022.

Other KMP/Offer	Tranche	Grant number	Grant date	Fair value per right at grant date ($)	Test date	Lapsed number	Vested number
2022 Offer							
T. Campbell			08/03/2022			–	–
	EPS 50%	8,750		$6.78	31/12/2024	–	–
	TSR 50%	8,750		$4.91	31/12/2024	–	–
Total 2022		**17,500**				**–**	**–**
2021 Offer							
T. Campbell			03/03/2021			–	–
	EPS 50%	12,850		$5.49	31/12/2023	–	–
	TSR 50%	12,850		$4.18	31/12/2023	–	–
Total 2021		**25,700**				**–**	**–**
2020 Offer							
T. Campbell			03/03/2020			–	–
	EPS 50%	15,335		$2.82	31/12/2022	–	–
	TSR 50%	15,335		$2.10	31/12/2022	–	–
Total 2020		**30,670**				**–**	**–**
2019 Offer							
T. Campbell			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
Total 2019		**21,670**				**Nil**	**21,670**

Options

No options were issued under the LTIP during the Financial Year and the financial year ended 31 December 2021.

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:

2022 – Performance share rights	Held at start of year	Granted as compensation	Lapsed	Vested	Other Changes	Held at end of year
A Dragicevich	267,300	49,000	–	(78,300)	–	238,000
T Campbell	78,040	17,500	–	(21,670)	–	73,870
	345,340	66,500	–	(99,970)	–	311,870

The non-executive directors hold no performance rights.

Bonuses

During the Financial Year and the financial year ended 31 December 2021, STIP bonus payments were made to the Managing Director and key management personnel. The Managing Director's STIP payments for 2022 and 2021 equated to 57% and 96% (respectively) of his TEC (above the Capral Trading EBITDA[2] 'target' level detailed in section 1 above) and the Board considers it appropriate having regard to the achievement of certain key financial measures as well as critical non-financial measures regarding customers, capital projects, anti-dumping activities and other strategic plans. The other key management personnel's STIP payments were 28% and 48% of TEC for 2022 and 2021 respectively (above the Capral Trading EBITDA[2] 'target' level detailed in section 1 above).

The percentages of bonus accrued and forfeited (as a result of not meeting the performance criteria at 'target' level) during the Financial Year and the financial year ended 31 December 2021 are disclosed below:

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

2021	% of bonus accrued	% of bonus forfeited	% of compensation for the year consisting of STIP bonus[1]
Executives			
A. Dragicevich	193	–	49
T. Campbell	192	–	32

Notes on Bonuses:

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

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

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

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

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

2022	Held at start of year	Granted as compensation	Received on vesting of performance rights/ exercise of options	Other changes during the year	Held at end of year
Directors					
R.L. Wood-Ward	–	–	–	–	–
A.M. Dragicevich	444,029	23,682[1]	78,330[2]	–	546,041
P.J. Jobe	270,016	–	–	–	270,016
K. Ostin	–	–	–	–	–
G.F. Pettigrew	–	–	–	–	–
M. White	–	–	–	–	–
Executives					
T. Campbell	48,957	7,000[1]	21,670[2]	(17,657)[3]	59,970
	763,002	**30,682**	**100,000**	**(17,657)**	**876,027**

1 Deferred equity acquisition as part of 2021 STIP plan.

2 Acquired on vesting of performance rights in March 2022.

3 Acquired through DRP and selling

SECTION 4: RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

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

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

During the Financial Year and the previous 4 financial years (2018–2021), Capral's financial performance objectives were as follows, with the minimum targets (M) that were set for the 2022 STIP financial measures also shown:

Year Ended 31 Dec	2022 (A)	2022 (M)	2021 (A)	2020 (A)	2019 (A)	2018 (A)
Trading EBITDA $'000[1]	43,305	31,400	38,157	19,668	11,021	14,268
Free Cash Flow $'000[1]	(16,376)	11,100	17,229	20,752[4]	475[5]	1,573
Net (Loss)/Profit $'000	32,387[2]	25,200	33,313[3]	11,464[4]	3,105[5]	6,415
% Working Capital to Annualised Sales	13.1	13.1	10.7	13.2	14.7	13.9
Dividend – cents per share	70.0	–	70.0	45.0	15.0	45.0
Underlying earnings / (loss) – cents per share	195.90[2]	151.28	179.70[3]	69.51[4]	19.26[5]	40.11
Share price (closing) $	7.40	n/a	9.47	5.95	3.45	3.60

Note:

Any JobKeeper related benefit received in 2020 have been excluded in full

1 Trading EBITDA (non-IFRS measure as explained in footnote to Chairman's Report on page 4) is Statutory EBITDA adjusted for items assessed as unrelated to the underlying performance of the business and allows for a more relevant comparison between financial periods. . Free Cash Flow is net cash provided by operating activities reduced by net cash flows used in investing activities and lease liability payments.

2 Net Profit and Underlying Earnings per share adjusted to exclude Deferred Tax Benefit of $8.365 million.

3 Net Profit and Underlying Earnings per share adjusted to exclude Deferred Tax Benefit of $9.430 million, property revaluation $3.074 million.

4 Free Cash Flow, Net Profit and Basic Earnings per share adjusted to exclude Deferred Tax Benefit of $3.048 million and other one-off items of $0.499 million.

5 Free Cash Flow, Net Profit and Basic Earnings per share adjusted to exclude Restructuring Cost and other one-off items of $7.345 million.

In the Financial Year, Capral's Trading EBITDA was above 2021 level, but Net Profit after tax was lower due to the negative LME revaluation. The minimum targets were surpassed in all instances except for Free Cash Flow, driven by unplanned high Working Capital requirement due to record high LME price. As a result, proportional STIP will be payable to Capral key management and other senior personnel. Discretionary Bonuses will also be payable to other qualifying employees.

At a Divisional and Regional level minimum Trading EBITDA measures were achieved in all business units, and there were mixed results relating to Working Capital and sales volume measures.

SECTION 4: RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE (CONT'D)

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

Performance Area	Measure	Outcome
Safety	Reduction in total reportable injury frequency rate	Rate improved significantly and Group Stretch targets were met
	Hours lost & return to work hours lost from injuries	Stretch performance targets met
Customers	Volume retention/ growth	Sales areas met some of the specific growth and revenue targets as well as margin measures. Performance varied by region/ division
Production	Operational efficiency	Manufacturing plants met some of their operational efficiency/ improvement targets. Performance varied by plant.
Supply Chain	Supply chain and inventory reduction programmes	Initiatives were generally not achieved
People	AL & LSL excess balance reduction	Overall excess 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 2022 STIP payments are lower than those paid in 2021, 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 2022:
  - Capral's relative TSR performance over the period from January 2020 to December 2022 achieved the 93rd percentile, above the maximum 75th percentile. Consequently, 100% or 141,660 of the rights subject to the TSR condition that were awarded in 2020 to executives will vest and convert to Capral shares.
  - Given earnings in, 2020, 2021 and 2022, the aggregate EPS result for the 3 year period to 2022 was 449.5 cents per share against an aggregate target of 263.4 cents per share and therefore the EPS condition of the 2020 award was achieved. Consequently, 100% or 141,660 of the rights subject to the EPS condition of the 2020 award will vest and convert into Capral shares.
- In 2021:
  - Capral's relative TSR performance over the period from January 2019 to December 2021 achieved the 89th percentile, above the maximum 75th percentile. Consequently, 100% or 109,995 of the rights subject to the TSR condition that were awarded in 2019 to executives vested and converted 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 vested and converted 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 21 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 42.

ROUNDING OF AMOUNTS

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

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

On behalf of the directors

R. L. Wood-Ward
Chairman

A. M. Dragicevich
Managing Director

Sydney
24 February 2023

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
8 Parramatta Square
10 Darcy Street
Parramatta, NSW, 2150
Australia

Phone: +61 2 9840 7000
www.deloitte.com.au

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

24 February 2023

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 2022, 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2022

Continuing operations	Note	2022 $'000	2021 $'000
Sales revenue		643,284	550,854
Scrap and other revenue		49,222	42,607
Revenue	3	692,506	593,461
Other income	3	3,446	2,723
Raw materials and consumables used		(468,730)	(376,398)
Employee benefits expense	2	(103,922)	(96,895)
Depreciation and amortisation expense	2	(21,318)	(20,170)
Finance costs	2	(6,319)	(5,760)
Freight expense		(16,296)	(13,675)
Occupancy costs	2	(4,969)	(4,087)
Repairs and maintenance expense		(7,076)	(6,978)
Other expenses	2	(34,934)	(38,908)
Profit before tax		32,388	33,313
Income tax benefit	4	8,365	9,430
Profit for the year		40,753	42,743
Other comprehensive income Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of properties		–	3,074
Other comprehensive income for the year		–	3,074
Total comprehensive income for the year		40,753	45,817
Earnings per share		**($ per share)**	**($ per share)**
Basic earnings per share	26	2.31	2.52
Diluted earnings per share	26	2.22	2.42

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 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	48,988	50,132
Trade and other receivables	8	91,326	96,290
Inventories	9	154,877	130,507
Other financial assets	31 (c)	11	–
Prepayments	10	848	723
Total current assets		296,050	277,652
Non-current assets			
Deferred tax assets	11	23,700	15,335
Property, plant and equipment	14	56,644	53,195
Right-of-use assets	17	66,651	75,313
Other intangible assets	15	649	700
Goodwill	16	3,070	3,070
Total non-current assets		150,714	147,613
Total assets		446,764	425,265
LIABILITIES			
Current liabilities			
Trade and other payables	19	112,735	139,037
Lease liabilities	20	16,158	15,810
Provisions	21	17,901	18,798
Borrowings	27 (b)	24,083	–
Other financial liabilities	31 (c)	828	67
Deferred income	22	153	213
Total current liabilities		171,858	173,925
Non-current liabilities			
Lease liabilities	20	77,874	87,730
Provisions	21	7,306	6,485
Total non-current liabilities		85,180	94,215
Total liabilities		257,038	268,140
Net assets		189,726	157,125
EQUITY			
Issued capital	23	433,433	430,588
Reserves	24	91,279	69,888
Accumulated losses	24 (b)	(334,986)	(343,351)
Total equity		189,726	157,125

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 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		770,509	622,566
Payments to suppliers and employees		(757,098)	(575,577)
		13,411	46,989
Interest and other costs of finance paid		(6,349)	(5,260)
Net cash provided by operating activities	35(ii)	7,062	41,729
Cash flows from investing activities			
Payments for property, plant and equipment		(9,790)	(9,181)
Payments for intangible assets		(170)	(368)
Payments for purchase of a business	39	–	(10,302)
Interest received		125	–
Proceeds from sale of property, plant and equipment		–	131
Net cash flows used in investing activities		(9,835)	(19,720)
Cash flows from financing activities			
Payments of dividends	25	(12,166)	(10,870)
Proceeds from dividend reinvestment plan		2,604	3,494
Payments for share purchase – employee share plan		–	(273)
Proceeds in relation to employee share plan		428	–
Proceeds from borrowings (Trade loans)		80,820	–
Repayment of borrowings (Trade loans)		(56,737)	–
Payment of lease liabilities excluding financing component	35(iv)	(14,548)	(14,951)
Net cash flows provided by/(used in) financing activities		401	(22,600)
Net decrease in cash and cash equivalents		(2,372)	(591)
Cash and cash equivalents at the beginning of the financial year		50,132	49,396
Effect of foreign exchange rate changes		1,228	1,327
Cash and cash equivalents at the end of the financial year	35(i)	48,988	50,132

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 2022

	Note	Fully paid ordinary shares $'000	Equity-settled compensation reserve $'000
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	–	–
Balance as at 31 December 2021		**430,588**	**11,909**
Balance as at 1 January 2022		430,588	11,909
Profit for the year		–	–
Total comprehensive profit for the year		–	–
Share-based payments expense		–	982
Shares issued – dividend reinvestment plan		2,604	–
Shares issued – employee escrow shares		241	–
Employees shares on-market purchase		–	–
Dividends paid	25	–	–
Balance as at 31 December 2022		**433,433**	**12,891**

* Dividend reserve represents undistributed profits since the financial year 2010. Current period profit has been transferred to a dividend reserve account. Interim and final dividends are declared and sourced from current year profits.

^ Income tax benefit (2022: $8.365 million; 2021: $9.430 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	Asset revaluation reserve	Dividend Reserve*	Accumulated losses	Total
$'000	$'000	$'000	$'000	$'000
–	1,014	31,673	(352,781)	118,190
–	–	33,313	9,430^	42,743
–	3,074	33,313	9,430^	45,817
–	–	–	–	590
–	–	–	–	3,494
–	–	–	–	129
(225)	–	–	–	(225)
–	–	(10,870)	–	(10,870)
(225)	**4,088**	**54,116**	**(343,351)**	**157,125**
(225)	4,088	54,116	(343,351)	157,125
–	–	32,388	8,365^	40,753
–	–	32,388	8,365^	40,753
–	–	–	–	982
–	–	–	–	2,604
–	–	–	–	241
187	–	–	–	187
–	–	(12,166)	–	(12,166)
(38)	**4,088**	**74,338**	**(334,986)**	**189,726**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

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 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to AASB 3 Business Combinations Reference to the Conceptual Framework

Amendments to AASB 116 Property, Plant and Equipment – Proceeds before Intended Use

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 24 February 2023.

Basis of Preparation

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

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

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

(a) Basis of Consolidation

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

Control is based on whether an investor has:

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

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

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

1c. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

1c. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Employee Benefits

(i) Salaries, wages and leave benefits

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

(ii) Share-based payments

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

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

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

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

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

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

(iii) Defined contribution plan

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial Assets

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

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)

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.

(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).

1c. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease 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.

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

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

(p) Property, Plant and Equipment

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

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

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

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

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

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

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

(q) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to

1c. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

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

Restructuring

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

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

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

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

(r) Revenue Recognition

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

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

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

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.

1c. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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

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

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

There is a degree of estimation uncertainty in the estimates and judgements used in the preparation of value-in-use models. The key assumptions applied includes price, margin, volumes, working capital, capital expenditure, discount rate, economic factors and prior period tax losses.

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

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

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

Employee benefits

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

(i) future on-cost rates,

(ii) experience of employee departures and period of service, and

(iii) future increase in wages and salaries.

Provision for customer claims

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

Useful lives of property, plant and equipment

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

Lease renewal

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

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

Incremental borrowing rate (AASB 16)

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

Deferred taxation

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

1e. COMPARATIVE INFORMATION

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

2 PROFIT FOR THE YEAR

	Note	CONSOLIDATED 2022 $'000	2021 $'000
(A) OTHER EXPENSES			
Profit before tax includes the following specific net expenses:			
Inventory:			
Write-down of inventory to net realisable value	9	2,929	1,321
Reversal of write-down of inventory		(25)	(117)
		2,904	1,204
Amortisation of intangibles assets		212	189
Total amortisation		212	189
Depreciation – owned assets			
Buildings		311	175
Leasehold improvements		537	399
Plant and equipment		6,473	5,904
Total depreciation – owned assets		7,321	6,478
Depreciation – right of use assets			
Buildings		12,067	11,523
Plant and equipment		1,718	1,980
Total depreciation – right of use assets		13,785	13,503
Total depreciation and amortisation		21,318	20,170
Occupancy costs			
Site costs		4,969	4,087
		4,969	4,087
Expense relating to leases of low value assets		80	88
Other charges against assets			
(Decrease)/increase in impairment of trade receivables		(183)	280
Employee benefit expense			
Post-employment benefits:			
– defined contribution plans		7,687	6,848
Equity-settled share-based payments		982	590
Termination benefits		59	58
Other employee benefits		95,194	89,399
		103,922	96,895
Finance costs			
Interest and finance charges paid/payable			
– third party financier		6,350	5,260
Net finance costs are comprised of:			
Interest and fees on bank overdrafts and loans		2,000	878
Interest component of lease liabilities		4,350	4,382
Impact of discounting on long-term provisions		(31)	500
Total interest expense		6,319	5,760
Other expenses			
Other labour cost		11,087	10,990
Utilities		9,441	8,049
Insurance		3,104	2,364
Other		11,302	17,505
Total other expenses		34,934	38,908
(B) GAINS AND LOSSES			
Net gain/(loss) on foreign exchange		1,349	(159)
Net gain on disposal of property, plant and equipment		–	109

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2022 $'000	2021 $'000
3 REVENUE AND OTHER INCOME		
Revenue from continuing operations		
Sales revenue – sale of goods [i]	643,284	550,854
Other revenue		
Scrap revenue [i]	49,222	42,607
Total other revenue	49,222	42,607
Other income		
Royalties	–	–
Sub-lease rental income	3,319	2,721
Other miscellaneous income	2	2
Interest – other	125	–
	3,446	2,723

(i) Recognised at a point in time.

	2022 $'000	2021 $'000
4 INCOME TAX		
Current tax:		
Current year	–	–
Deferred tax:		
Origination and reversal of temporary differences	8,365	9,430
Carry forward tax losses		
Income tax benefit	8,365	9,430
The benefit for the year can be reconciled to profit before tax as follows:		
Profit before income tax benefit	32,388	33,313
Income tax calculated @ 30% (2021:30%)	9,716	9,994
Tax effect of non-assessable / non-deductible items:		
Effect of expenses that are not deductible or taxable in determining taxable profit	455	481
Tax effect of utilisation of tax losses and temporary differences not previously recognised	(10,171)	(10,475)
Previously unrecognised and unused tax losses and temporary differences now recognised as deferred tax assets	8,365	9,430
Income tax benefit recognised in profit or loss	8,365	9,430

5 CHANGES IN ACCOUNTING ESTIMATES

There were no significant changes in accounting estimates.

6 SEGMENT INFORMATION

The information reported to the Managing Director, as the Group's chief operating decision maker, for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2021 and 2022, 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 2021.

	CONSOLIDATED	
	2022 $'000	2021 $'000
7 CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank and cash in hand	48,988	50,132

	CONSOLIDATED 2022 $'000	2021 $'000
8 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
Trade receivables – at amortised cost	90,443	91,151
Loss allowance (i)	(242)	(425)
	90,201	90,726
Other receivables	1,125	5,564
	91,326	96,290
Disclosed in the financial statements as:		
Current trade and other receivables	91,326	96,290
Non-current other receivables	–	–
	91,326	96,290

The average credit period on sales of goods is approximately 43 days (2021: 50 days). No interest is charged on trade receivables.

	CONSOLIDATED 2022 $'000	2021 $'000
(i) Movement in the loss allowance.		
Balance at beginning of the financial year	(425)	(145)
Amounts written off during the financial year	243	112
Increase in allowance recognised in profit or loss	(60)	(392)
Balance at end of the financial year	(242)	(425)

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 $594,000 (2021: $530,000), 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 80% of the amount outstanding (after applying the deductible). The average age of these receivables is 79 days (2021: 92 days).

8 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables risk profile:

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current	70,226	72,261
1–30 days past due	17,744	16,411
31–60 days past due	1,879	1,706
61+ days past due	396	449
Total	90,245	90,827

Included in the loss allowance is the expected credit loss for individually impaired trade receivables with a balance of $198,000 (2021: $324,000). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current	–	–
1–30 days past due	–	243
31–60 days past due	–	–
61+ days past due	198	81
Total	198	324

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

	CONSOLIDATED	
	2022 $'000	2021 $'000
9 CURRENT ASSETS – INVENTORIES		
Raw materials and stores	25,617	21,659
Work in progress	3,631	3,875
Finished goods	125,629	104,973
	154,877	130,507

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 $29.760 million (2021: $36.513 million).

	CONSOLIDATED	
	2022 $'000	2021 $'000
10 CURRENT ASSETS – PREPAYMENTS		
Prepayments	848	723

11 DEFERRED TAX ASSETS

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

	TAX LOSSES AND TEMPORARY DIFFERENCES $'000	TOTAL $'000
Balance at 1 January 2021	5,905	5,905
Benefit recognised in the profit	9,430	9,430
Balance at 1 January 2022	15,335	15,335
Benefit recognised in the profit	8,365	8,365
Balance at end of the financial year	23,700	23,700

At the reporting date, the Group has unused tax losses of $208,596,113 (2021: $245,374,998) available to offset against future taxable profits and $82,058,874 (2021: $79,486,000) deductible temporary differences which would reverse in the future.

The Group has recognised a deferred tax asset of $23,700,000 (2021: $15,335,000) representing both carry forward tax losses and deductible temporary differences. These tax losses may be carried forward indefinitely, however subject to income tax recoupment rules in subsequent years. The recognition of the deferred tax assets is dependent on the three years forecasted taxable profits. The Group has taken a view that it is probable to achieve forecasted taxable profits in the next three years against which this deferred tax asset recognised would be utilised.

The group has recognised deferred taxes amounting to $11,180,000 in respect of deductible temporary differences and no deferred tax asset is recognised on the balance temporary differences of $44,790,000 based on management assessment that they will not reverse in foreseeable future.

In respect of carried forward tax losses, the group has recognised taxes amounting to $12,520,000 and no deferred tax asset recognised on balance of the available tax losses amounting to $166,864,000.

The total unrecognised deferred taxes amount to $63,496,496 (2021: $82,124,027) as of reporting date.

12 NON-CURRENT ASSETS – INVESTMENTS

Details of subsidiaries

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

	EQUITY HOLDING		
ENTITY NAME	2022 %	2021 %	COUNTRY OF INCORPORATION
Austex Dies Pty Limited	100	100	Australia

13 RELATED PARTIES

Parent entities

The ultimate parent entity within the Group is Capral Limited.

Equity interests in controlled entities

Interests in controlled entities are set out in Note 12.

Transactions with key management personnel

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

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 2022, the parent entity has settled a non-interest-bearing loan of $1,000,000 (2021: $700,000) 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 $4,845,482 (2021: $4,891,151) – 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 $1,000,000 (2021: $700,000) from Austex Dies Pty Limited.

	CONSOLIDATED 2022 $'000	2021 $'000
14 PROPERTY, PLANT AND EQUIPMENT		
Freehold land		
At valuation (i)	1,700	1,700
Accumulated depreciation	–	–
Net book amount	1,700	1,700
Buildings		
At valuation (i)	5,628	5,628
Accumulated depreciation	(747)	(436)
Net book amount	4,881	5,192
Leasehold improvements		
At cost	14,257	12,925
Accumulated depreciation	(8,646)	(8,159)
Accumulated impairment	(1,970)	(1,970)
Net book amount	3,641	2,796
Total land and buildings	10,222	9,688
Plant, machinery and equipment		
At cost	229,805	223,387
Accumulated depreciation	(159,515)	(153,397)
Accumulated impairment	(32,099)	(32,099)
Net book amount	38,191	37,891
Capital work in progress at cost	8,231	5,616
Net plant, machinery and equipment	46,422	43,507
Total property, plant and equipment – net book value	56,644	53,195

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:

	FREEHOLD LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	LEASEHOLD IMPROVEMENTS AT COST	PLANT AND EQUIPMENT AT COST	CAPITAL WORK IN PROGRESS AT COST	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED						
2022						
Opening net book amount	1,700	5,192	2,796	37,891	5,616	53,195
Additions	–	–	912	4,113	5,817	10,842
Business acquisition	–	–	–	–	–	–
Disposals	–	–	(17)	–	–	(17)
Transfers	–	–	487	2,660	(3,202)	(55)
Revaluation	–	–	–	–	–	–
Depreciation charge (Note 2(a))	–	(311)	(537)	(6,473)	–	(7,321)
Net book amount at 31 December 2022	**1,700**	**4,881**	**3,641**	**38,191**	**8,231**	**56,644**
2021						
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)
Net book amount at 31 December 2021	**1,700**	**5,192**	**2,796**	**37,891**	**5,616**	**53,195**

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, intangible and right-of-use 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.

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

If there is an indication of impairment, the recoverable amount of property, plant & equipment, goodwill and intangible assets will be determined by reference to a value in use discounted cash flow valuation of the Group, utilising financial forecasts and projections. Goodwill has resulted from the business combinations in the previous year (Note 39).

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.

The result of Impairment assessment as at 31 December 2022

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 2022 was necessary. The recoverable amount of the CGU estimated by management exceeded the carrying amount of assets by $4,637,000. However, management view that no reversal of impairment is required due to the uncertainty of the performance of the construction industry and its impact on margins.

The key assumptions used in preparing the value in use cash flow valuation as at 31 December 2022 are as follows:

The table below shows key assumptions in the value in use calculation as at 31 December 2022 and value of the input to which the key assumption must change in isolation for the estimated recoverable amount to be equal to its carrying value.

	INPUT TO THE MODEL	BREAKEVEN INPUT
WACC (Post-tax)	11.50%	11.73%
Average volumes increase 2023–27 p.a.	0.38%	0.30%
Long-term growth rate	1.00%	0.35%

The valuation is based on budget and projected cash flows for a 5-year period commencing January 2023 with a terminal value being applied at the end of this period. The cash flow assumptions are based on board approved budgets for the period from January 2023 to December 2023. Beyond this date cash flow projections until 31 December 2027 are based on projected volume growth and expected improvements in EBITDA per tonne (refer below). Sales volumes are projected to grow at 1% per annum from 2024. 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.

Price and Margins

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

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

In forecasting the margin, Management has considered the production capacity of Capral compared to current volumes and concluded that increase in production volumes to satisfy demand expected by independent market predictions can be attained by predominately increasing variable cost with very limited additional fixed cost expenditure. This is reflected in the resultant average EBITDA per tonne increase of 1.0% per annum from 2024 to 2027. A 0.15% underperformance in forecasted margin, in isolation, would reduce the headroom to nil but would not result in an impairment charge.

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 73,000 tonnes at the end of the 5-year period.

Working Capital and Capital Expenditure

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

Discount rate

A discount rate of 11.5%, representing the Company's post-tax weighted average cost of capital has been applied to the cash flow projections.

Economic Factors

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

Prior Period Tax Losses

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

15 OTHER INTANGIBLES ASSETS

	OTHER INTELLECTUAL PROPERTY	SOFTWARE	TOTAL
	$'000	$'000	$'000
CONSOLIDATED			
2022			
Cost	15,937	25,083	41,020
Accumulated amortisation	(8,368)	(21,977)	(30,345)
Accumulated impairment	(7,560)	(2,466)	(10,026)
Net book value	**9**	**640**	**649**
2021			
Cost	15,927	24,932	40,859
Accumulated amortisation	(8,367)	(21,766)	(30,133)
Accumulated impairment	(7,560)	(2,466)	(10,026)
Net book value	**–**	**700**	**700**

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

15 OTHER INTANGIBLES ASSETS (CONTINUED)

Reconciliations

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

	OTHER INTELLECTUAL PROPERTY	SOFTWARE	TOTAL
	$'000	$'000	$'000
CONSOLIDATED			
2022			
Opening net book amount	–	700	700
Additions	10	96	106
Disposals	–	–	–
Transfers	–	55	55
Amortisation	(1)	(211)	(212)
Net book amount at 31 December 2022	**9**	**640**	**649**
2021			
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**

16 GOODWILL

	Consolidated	
	2022 $'000	2021 $'000
COST		
At 31 December 2021	3,070	–
Business acquisition – Note 39	–	3,070
At 31 December 2022	3,070	3,070
ACCUMULATED DEPRECIATION		
At 31 December 2021	–	–
Amortisation	–	–
At 31 December 2022	–	–

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

17 RIGHT-OF-USE ASSETS

	BUILDINGS	PLANT & EQUIPMENT	TOTAL
	$'000	$'000	$'000
CONSOLIDATED			
COST			
At 31 December 2021	103,805	9,553	113,358
Additions	4,434	1,370	5,804
Terminations	(3,196)	–	(3,196)
At 31 December 2022	**105,043**	**10,923**	**115,966**
ACCUMULATED DEPRECIATION			
At 31 December 2021	(32,787)	(5,258)	(38,045)
Terminations	2,515	–	2,515
Depreciation charge	(12,067)	(1,718)	(13,785)
At 31 December 2022	**(42,339)**	**(6,976)**	**(49,315)**
NET BOOK VALUE			
At 31 December 2022	**62,704**	**3,947**	**66,651**
At 31 December 2021	71,018	4,295	75,313

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

The Group leases several assets including buildings and plant and equipment, with average lease term of 4.5 years (2021: 4.4 years) and 3.9 years (2021: 4.0 years) respectively.

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

The Group has renewed some of leases for buildings and equipment in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of $5.804 million in the current financial year (2021: $2.061 million)

18 ASSETS PLEDGED AS SECURITY

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

19 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2022 $'000	2021 $'000
Trade payables (i)	92,819	119,489
Goods and services tax payable	1,728	1,996
Other payables	18,188	17,552
	112,735	139,037

(i) The average credit period on purchases is 85 days from the end of the month (2021: 89 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	
	2022 $'000	2021 $'000
Current	16,158	15,810
Non-current	77,874	87,730
	94,032	103,540
MATURITY ANALYSIS		
Within one year	16,158	15,810
Later than one year but not later than five years	53,837	50,993
Later than five years	24,037	36,737
	94,032	103,540

21 PROVISIONS

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
CURRENT		
Employee benefits	13,776	13,241
Make good on leased assets[1]	169	809
Other[2]	3,956	4,748
	17,901	18,798
NON-CURRENT		
Employee benefits	2,332	2,254
Make good on leased assets[1]	4,974	4,231
Other	–	–
	7,306	6,485

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.

Consolidated

MOVEMENTS IN CARRYING AMOUNTS	EMPLOYEE BENEFITS $'000	MAKE GOOD ON LEASED ASSETS $'000	OTHER $'000	TOTAL $'000
Carrying value at the beginning of the financial year	15,495	5,040	4,748	25,283
Provision utilised/released in the year	(7,306)	(904)	(1,033)	(9,243)
Additional amounts provided	7,919	1,007	241	9,167
Carrying value at the end of the financial year	16,108	5,143	3,956	25,207

22 DEFERRED INCOME – CURRENT

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Deferred income – other	153	213
	153	213

23 ISSUED CAPITAL

(A) SHARE CAPITAL

	2022 No. 000	2021 No. 000	2022 $'000	2021 $'000
Ordinary shares: fully paid	17,767	17,193	433,433	430,588

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

(B) MOVEMENT IN ORDINARY SHARE CAPITAL

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$'000
January 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
January 2022	Balance at the beginning of the financial year	17,193,259	–	430,588
March 2022	Shares issued – deferred STIP	32,369	$7.44	241
March 2022	Shares issued pursuant to a dividend reinvestment plan	321,654	$8.1	2,604
March 2022	Shares issued against performance rights	219,990	–	–
December 2022	Balance at the end of the financial year	17,767,272	–	433,433

24 RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED	
	2022 $'000	2021 $'000
Asset revaluation reserve	4,088	4,088
Equity-settled compensation reserve	12,891	11,909
Employee share reserve	(38)	(225)
Dividend reserve	74,338	54,116
	91,279	69,888
Accumulated losses	(334,986)	(343,351)
	(243,707)	(273,463)
24(A) MOVEMENTS IN RESERVES WERE:		
Equity-settled compensation reserve		
Balance at the beginning of the financial year	11,909	11,319
Expense recognised	982	590
Shares acquired on conversion of vested rights	–	–
Balance at the end of the financial year	12,891	11,909
Asset revaluation reserve		
Balance at the beginning of the financial year	4,088	1,014
Revaluation increase	–	3,074
Balance at the end of the financial year	4,088	4,088
Employee share reserve		
Balance at the beginning of the financial year	(225)	–
Funding provided	–	(225)
Employees shares on-market purchase	187	–
Balance at the end of the financial year	(38)	(225)
Dividend reserve		
Balance at the beginning of the financial year	54,116	31,673
Net profit attributable to members of Capral	32,388	33,313
Dividends paid	(12,166)	(10,870)
Balance at the end of the financial year	74,338	54,116
24(B) ACCUMULATED LOSSES		
Balance at the beginning of the financial year	(343,351)	(352,781)
Net profit for the year (Income tax benefit)	8,365	9,430
Balance at the end of the financial year	(334,986)	(343,351)

	CONSOLIDATED 2022 $'000	2021 $'000
25 DIVIDENDS		
Ordinary shares:	12,166	10,870
FRANKING CREDITS		
Franking credits available for subsequent financial years based on a tax rate of 30% (2021:30%)	8,079	13,293

	CONSOLIDATED 2022 $	2021 $
26 EARNINGS PER SHARE		
Basic earnings per share	2.31	2.52
Diluted earnings per share	2.22	2.42

Net profit after tax used in the calculation of basic and diluted profit per share for 2022 was $40,753,000 (2021: $42,743,000). The weighted average numbers of ordinary shares on issue used in the calculation of basic and diluted earnings per share were 17,649,632 and 18,366,893 (2021: 16,961,049 and 17,691,815) respectively.

	CONSOLIDATED 2022 $'000	2021 $'000
27 STAND BY ARRANGEMENT AND CREDIT FACILITIES		
27(A) SECURED FACILITIES	90,000	60,000
Total secured facilities	90,000	60,000
Facilities used:		
Trade loan	24,083	–
Cash loan	–	–
Bank guarantees	4,371	4,495
Trade finance – drawn letters of credits	18,743	35,868
Trade finance – open letters of credits	6,814	15,716
Total facilities utilised	54,011	56,079
Total available facilities	35,989	3,921
27(B) BORROWINGS		
Current:		
Trade Loan	24,083	–

27 STAND BY ARRANGEMENT AND CREDIT FACILITIES (CONTINUED)

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

The Multi-option Facility was increased to $90 million on 24 November 2022. To align with Capral's ongoing requirements, the Facility was reduced to $75 million from 1 January 2023 to closely align with Capral's working capital requirement with an expiry date of 30 April 2024.

The existing ANZ facilities consist of:

Secured:

- $90 million Multi-option Facility which includes a Trade Finance Loan Facility, Trade Instruments and Trade Finance at 31 December 2022, which was revised to $75 million from 1 January 2023; and
- $5 million Standby Letter of Credit or Guarantee Facility.

Unsecured:

- $2.5 million Electronic Payaway Facility; and
- $0.5 million Commercial Card Facility.
- $1.3 million Asset Finance Facility

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

28 COMMITMENTS FOR EXPENDITURE – CAPITAL

	CONSOLIDATED	
	2022 $'000	2021 $'000
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	1,880	3,895

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 2022.

At 31 December 2022, the Group is committed to $287,088 (2021: $342,547) for low value leases and has no short-term lease commitments.

	CONSOLIDATED	
LEASE RECEIVABLE	2022 $'000	2021 $'000
Non-cancellable lease receivable		
Within one year	2,977	2,862
Later than one year but not later than five years	12,829	12,331
Later than five years	5,822	9,080
	21,628	24,273

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 31/12/22 $	FAIR VALUE AS AT 31/12/21 $	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)	RELATIONSHIP OF UNOBSERVABLE INPUT(S)
Foreign currency forward contracts (see note 31(f))	Assets – nil Liabilities – 828,359	Assets – nil Liabilities – 66,807	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.	n/a	n/a
Land and buildings	Land – 1,700,000 Buildings – 4,881,000	Land – 1,700,000 Buildings – 5,192,000	Level 3	Capitalisation and Direct Comparison approaches. (Last assessed 2021)	Comparable to recent market transactions on arm's length terms at the time.	The higher/(lower) the comparable market net rental amount and the higher/(lower) the comparable market sales transactions, the higher the fair value.

31 FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The Group's overall strategy remains unchanged from 2021.

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.

31 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Capital risk management (continued)

The Group complied with its borrowing financial covenants under its current facility detailed in Note 27 as at 31 December 2022 and 31 December 2021 as follows:

FINANCIAL COVENANT DESCRIPTION	REQUIRED VALUE	2022 ACTUAL VALUE	2021 ACTUAL VALUE
EBITDA Interest Cover Ratio (A ratio of EBITDA to Interest Expense)	> 3.00:1	23.75:1	45.61:1
Minimum Tangible Net Worth (Tangible Net Worth – Total Tangible Assets Less Total Liabilities)	> AUD 100.0m	AUD 191.5m	AUD 168.4m
Borrowing Base Ratio (A ratio of Aggregate Facility Amount Owing to Eligible Debtors owing up to 90 days)	< 0.70:1	0.54:1	0.62:1
Distributions (Any payment or distribution of money or other assets to shareholders)	Variable*	AUD 12.17m	AUD 10.87m
Inventory Cover Ratio	>0.8:1	0.88:1	0.87:1

* lower than the profit of prior year

(b) Significant accounting policies

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

(c) Categories of financial instruments

	CONSOLIDATED	
	2022 $'000	2021 $'000
Financial Assets		
Trade and other receivables	91,326	96,290
Cash and cash equivalents	48,988	50,132
Other financial assets[1]	11	–
Financial Liabilities		
Trade and other payables	112,735	139,037
Borrowings	24,083	–
Lease liabilities	94,032	103,540
Other financial liabilities[2]	828	67

1 *security deposit for a site energy supply.*

2 *foreign exchange contract mark-to-market $828,000 (2021: foreign exchange contract mark-to-market $67,000).*

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	
	2022 $'000	2021 $'000
USD (cash)	12,753	20,423
EURO (cash)	767	98
USD (trade payables)	(11,923)	(18,205)
EURO (trade payables)	113	632
JPY (trade payables)	(22)	(23)
USD (trade receivables)	1,017	2,292

Foreign currency sensitivity

The Group is exposed to EUR, JPY and USD (2021: EUR, JPY and USD).

To mitigate foreign currency risk at reporting date, the Group entered into foreign exchange forward contracts. The Group's exposure to foreign exchange rate fluctuations was primarily limited to cash, trade payables and trade receivables outstanding at reporting date denominated in currencies other than Australian dollar (AUD). The total value of trade payables denominated in currencies other than the AUD at reporting date was $11,831,000 (2021: $17,596,000). The total value of trade receivables denominated in currencies other than the AUD at reporting date was $1,017,000 (2021: $2,292,000).

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 2022 and 31 December 2021 and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit.

31 FINANCIAL INSTRUMENTS (CONTINUED)

	CONSOLIDATED	
	2022 $'000	2021 $'000
Profit or loss (after tax)		
– AUD strengthens by 10% against USD	991	1,447
– AUD weakens by 10% against USD	(1,212)	(1,768)
– AUD strengthens by 10% against EUR	(10)	(57)
– AUD weakens by 10% against EUR	12	70
– AUD strengthens by 10% against JPY	2	2
– AUD weakens by 10% against JPY	(2)	(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	
	31/12/22 FC$'000	31/12/21 FC$'000	31/12/22 $'000 GAIN/(LOSS)	31/12/21 $'000 GAIN/(LOSS)
Buy EUR	420	1,763	5	(81)
Buy JPY	4,620	4,145	–[1]	–[1]
Buy CNH	240	240	–[1]	1
Buy USD	22,336	40,356	(833)	14

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

(g) Interest rate risk management

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

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

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

Interest rate sensitivity

The sensitivity analysis below shows the effect on profit or loss after tax for the Financial Year if there is a change in interest rates with all other variables held constant. This is determined by applying the change in interest rates to both derivative and non-derivative instruments at the reporting date that have an exposure to interest rate changes. A 110-basis point (1.1%) increase and a 110 basis point (1.1%) decrease represents Management's assessment of the possible change in interest rates (2021: 1bp or 0.01% increase and 1bp or 0.01% decrease). A positive number indicates an increase in profit.

31 FINANCIAL INSTRUMENTS (CONTINUED)

(g) Interest rate risk management (continued)

Interest rate sensitivity (continued)

	CONSOLIDATED	
	2022 $'000	2021 $'000
Profit or loss (after tax)		
Impact of a 110bp (2021: 1bp) increase in AUD interest rates		
– Cash and cash equivalents	377	4
Impact of a 110bp (2021: 1bp) decrease in AUD interest rates		
– Cash and cash equivalents	(377)	(4)

(h) Credit risk management

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

The Group does not have any significant exposure to any individual customer or counterparty. Major concentrations of credit risk are in the construction, transport, consumer durable and electrical industries in Australia. The Company has credit insurance cover which requires ongoing management of credit accounts with monthly reports provided to the Insurer. Experienced credit management and associated internal policies ensure constant monitoring of the credit risk for the Company.

There is no concentration of credit risk with respect to receivables as the Group has a large number of customers.

The aging of gross trade receivables is detailed below:

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current	70,226	72,262
1–30 days	17,744	16,653
31–60 days	1,879	1,706
60+ days	594	530
	90,443	**91,151**

(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.

31 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Liquidity risk management (continued)

Liquidity and interest risk tables

Financial assets are made up of cash of $48,988,000 (2021: $50,132,000) and trade and other receivables of $91,326,000 (2021: $96,290,000). Cash is liquid and trade and other receivables are expected to be realised on average within 43 days (2021: 50 days). Cash balances earn 2.40% interest per annum (2021: 0.00%). Trade and other receivables are interest-free.

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

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN 1 YEAR	1–3 YEARS	3–5 YEARS	GREATER THAN 5 YEARS
	%	$'000	$'000	$'000	$'000
CONSOLIDATED					
2022					
Trade and other payables	–	112,735	–	–	–
Other financial liabilities	–	828			
Borrowings	3.94	24,083			
		137,646	–	–	–
2021					
Trade and other payables	–	139,037	–	–	–
Other financial liabilities	–	67			
		139,104	–	–	–

(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 maintains the belief that it is not liable for any of these claims and as such Management continues ongoing discussions with the insurer, supplier, and certifier (DNV-GL) in this regard. These claims, together with potential liability and recourse against third parties, have been 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.

During the year, there were no developments that would require management to reassess the sufficiency of the provision.

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 2022, these guarantees totalled $4,370,502 (2021: $4,494,942).

Capral's bankers have issued letters of credit in respect of Capral's purchases internationally. At 31 December 2022, these open letters of credit totalled $6,814,372 (31 December 2021: $15,715,119).

33 REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2022 $	2021 $
During the year the auditor of the Group and parent entity and its related practices earned the following remuneration:		
Auditor of the Group and parent entity		
Audit or review of financial reports of the entity or any entity in the consolidated entity	340,400	327,100
Other services:		
– tax compliance	37,250	31,500
– tax consulting	45,750	32,550
Total remuneration	423,400	391,150

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

34 EVENTS AFTER REPORTING DATE

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

35 NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of cash and cash equivalents

	CONSOLIDATED	
	2022 $'000	**2021 $'000**
Reconciliation of cash and cash equivalents		
For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank and short term deposits at call net of bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank and on hand	48,988	50,132
	48,988	50,132

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

	2022 $'000	2021 $'000
Profit for the year	40,753	42,743
Non-cash items:		
Depreciation and amortisation – owned assets	7,533	6,667
Depreciation and amortisation – right of use assets	13,785	13,503
Gain on sale of property, plant and equipment	–	(109)
Income tax benefit	(8,365)	(9,430)
Share-based payments expense	982	590
Interest income reclassified to investing activities	(125)	–
Change in assets and liabilities:		
Decrease/(increase) in current receivables	4,964	(30,040)
Increase in financial assets	(11)	–
Increase in inventories	(24,489)	(48,406)
(Increase)/decrease in prepayments	(125)	1,794
(Decrease)/increase in trade and other payables	(27,594)	61,049
Increase/(decrease) in employee benefit provisions	2,578	(470)
(Decrease)/increase in other provisions	(3,525)	5,300
(Decrease)/increase in deferred income	(60)	86
Increase/(decrease) in other financial liabilities	761	(1,548)
Net cash provided by operating activities	7,062	41,729

35 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

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

(iv) Movement in financial activities

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

	CONSOLIDATED	
	2022 $	2021 $
MOVEMENTS IN FINANCING ACTIVITIES		
Lease liabilities		
Opening balance	103,540	96,476
Financing cash flows	(14,548)	(14,951)
New leases	5,804	26,039
Retired or changes to leases	(764)	(4,024)
Closing balance	94,032	103,540

(v) Non-cash financing activities

There were no non-cash financing activities other than above during the Financial Year or the 2021 year.

36 PARENT ENTITY DISCLOSURES

	COMPANY	
	2022 $'000	**2021 $'000**
FINANCIAL POSITION		
Assets		
Current assets – third parties	296,060	277,343
Total assets	445,137	423,578
Liabilities		
Current liabilities – third parties	171,615	174,204
Total liabilities	256,658	267,765
Equity		
Issued capital	433,433	430,588
Accumulated losses	(335,219)	(343,649)
Equity-settled compensation reserve	12,891	11,909
Asset revaluation reserve	3,074	3,074
Employee share reserve	(38)	(225)
Dividend reserve	74,338	54,116
Total Equity	188,479	155,813
FINANCIAL PERFORMANCE		
Profit for the year	40,818	42,239
Other comprehensive income	–	3,074
Total comprehensive profit for the year	40,818	45,313
Contingent liabilities of the parent entity		
Refer note 32		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Within one year	1,880	3,895

37 SHARE-BASED PAYMENTS

Performance Share Rights

Executive and Senior Management

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

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

PERFORMANCE RIGHT SERIES (LTIP)	NUMBER AS AT 31 DEC 22	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE $
Issued 3 March 2020[1]	90,325	3/03/2020	31/12/2022	–	2.100
Issued 3 March 2020[1]	90,325	3/03/2020	31/12/2022	–	2.820
Issued 3 March 2021[2]	82,350	3/03/2021	31/12/2023	–	4.180
Issued 3 March 2021[2]	82,350	3/03/2021	31/12/2023	–	5.490
Issued 8 March 2022[3]	69,500	8/03/2022	31/12/2024	–	4.910
Issued 8 March 2022[3]	69,500	8/03/2022	31/12/2024	–	6.780

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

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

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

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

	NUMBER AS AT 31 DEC 21	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE $[4]
Issued 22 March 2019[1]	70,830	22/03/2019	31/12/2021	–	2.250
Issued 22 March 2019[1]	70,830	22/03/2019	31/12/2021	–	3.150
Issued 3 March 2020[2]	90,325	3/03/2020	31/12/2022	–	2.100
Issued 3 March 2020[2]	90,325	3/03/2020	31/12/2022	–	2.820
Issued 3 March 2021[3]	82,350	3/03/2021	31/12/2023	–	4.180
Issued 3 March 2021[3]	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.

37 SHARE-BASED PAYMENTS (CONTINUED)

	PERFORMANCE RIGHTS (LTIP)			
INPUTS INTO THE MODEL	08 MARCH 2022	03 MARCH 2021	03 MARCH 2020	22 MARCH 2019
Grant date	8/03/2022	3/03/2021	3/03/2020	22/03/2019
Dividend yield	7.9%	6.5%	9.5%	7.7%
Risk free yield	1.6%	0.3%	0.5%	1.4%
Expected volatility	45%	55%	47.5%	45%
Last testing date	31/12/2024	31/12/2023	31/12/2022	31/12/2021
Exercise price	n.a.	n.a.	n.a.	n.a.
Share price at grant date^	$8.570	$6.670	$3.750	$3.900
Performance right life	3 years	3 years	3 years	3 years

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

Managing Director

During the Financial Year, 49,000 rights were issued to Mr A. Dragicevich.

During the comparative financial year, 86,300 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 22	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE $[4]
Issued 29 April 2020[1]	51,335	29/04/2020	31/12/2022	–	$1.560
Issued 29 April 2020[1]	51,335	29/04/2020	31/12/2022	–	$2.040
Issued 28 April 2021[2]	43,150	28/04/2021	31/12/2023	–	$5.170
Issued 28 April 2021[2]	43,150	28/04/2021	31/12/2023	–	$6.430
Issued 27 April 2022[3]	24,500	27/04/2022	31/12/2024	–	$5.820
Issued 27 April 2022[3]	24,500	27/04/2022	31/12/2024	–	$7.770

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

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

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

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

37 SHARE-BASED PAYMENTS (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 21	GRANT DATE	LAST TESTING DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE $[4]
Issued 16 April 2019[1]	39,165	16/04/2019	31/12/2021	–	$2.100
Issued 16 April 2019[1]	39,165	16/04/2019	31/12/2021	–	$3.000
Issued 29 April 2020[2]	51,335	29/04/2020	31/12/2022	–	$1.560
Issued 29 April 2020[2]	51,335	29/04/2020	31/12/2022	–	$2.040
Issued 28 April 2021[3]	43,150	28/04/2021	31/12/2023	–	$5.170
Issued 28 April 2021[3]	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.

INPUTS INTO THE MODEL	27 APRIL 2022	28 APRIL 2021	29 APRIL 2020	16 APRIL 2019
Grant date	27/4/2022	28/4/2021	29/4/2020	16/4/2019
Dividend yield	7.1%	5.8%	12.2%	8.0%
Risk free yield	2.6%	0.3%	0.2%	1.5%
Expected volatility	45%	55%	47.5%	45%
Last testing date	31/12/2024	31/12/2023	31/12/2022	31/12/2021
Share price at grant date^	$9.510	$7.580	$2.880	$3.750
Performance right life	3 years	3 years	3 years	3 years

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

37 SHARE-BASED PAYMENTS (CONTINUED)

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	2022	2021
Number of share performance rights:		
Balance at the beginning of the financial year	754,310	700,000
Granted during the financial year	188,000	251,000
Forfeited during the financial year	–	–
Vested during the financial year	(219,990)	(92,427)
Lapsed during the financial year	–	(104,263)
Balance at the end of the financial year	**722,320**	**754,310**

The performance rights outstanding at the end of the Financial Year were 722,320 (2021: 754,310), with a weighted average remaining contractual life of 0.9 years.

38 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	CONSOLIDATED/COMPANY	
	2022 $	2021 $
Short-term benefits	2,023,258	1,894,750
Post-employment benefits	100,645	84,840
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	488,720	689,032
	2,612,623	2,668,622

39 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.

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

Acquisition-related costs amounting to $48,000 were excluded from the consideration transferred. Further cost relating to the integration of the acquired business was $65,000. Both these were recognised as an expense in the prior period, within the 'Other expenses' line item in the Consolidated Statement of Comprehensive Income.

39 BUSINESS COMBINATIONS (CONTINUED)

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

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

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

The goodwill of $3,070,000 arising from the acquisition consisted 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 2021 financial 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

A. M. Dragicevich
Managing Director

Sydney
24 February 2023

Independent Auditor's Report

TO THE MEMBERS OF CAPRAL LIMITED

Deloitte Touche Tohmatsu
ABN 74 490 121 060
8 Parramatta Square
10 Darcy Street
Parramatta, NSW, 2150
Australia

Phone: +61 2 9840 7000
www.deloitte.com.au

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 2022, 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 2022 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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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>

Impairment or reversal of tangible and intangible assets

As at 31 December 2022, the Group had goodwill of $3.070m, other intangible assets of $0.649m, property, plant and equipment of $56.644m (net of previously recognised impairment losses of $34.069m) and right-of-use assets of $66.651m.

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 2022 to assess the recoverability of the carrying value of tangible and intangible assets, including goodwill and other intangible assets, property, plant and equipment and right-of-use assets. This is performed through a value-in-use discounted cash flow model ("impairment model").

Note 1d outlines 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;

- estimating future growth rates,
- discount rates, and
- the expected cash flows and capital expenditure.

</td><td>

Our procedures included, but were not limited to:

- Assessing the process undertaken and conclusions reached by management in determining indicators of impairment or reversal of impairment;
- Reviewing the FY23 budget, the basis on which it has been prepared, and assessing the historical accuracy of forecasting by management;
- Assessing reasonableness of assumptions in the impairment model including:
  - discount rate;
  - forecasted cash flows and capital expenditure;
  - lease payments and sustaining capital expenditures on leases;
  - growth rates, in particular with reference to historic growth rates and forecast macro-economic conditions impacting demand in the industry; and
  - terminal growth rate.
- Engaging our valuation specialists to assist with evaluating the appropriateness of the discount rate adopted;
- Recalculating the mathematical accuracy and integrity of the impairment model;
- Performing sensitivity analysis on the relevant assumptions and inputs in the impairment model, to assess the extent of change in those assumptions that either individually or collectively would result in impairment or reversal of impairment; and
- Assessing the headroom in the impairment model and whether it is indicative of a requirement to reverse previously recorded impairment losses.

We also assessed the appropriateness of the disclosures in Notes 1c(k), 1d, 14, 15, 16 and 17 to the financial statements.

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Recognition and recoverability of deferred tax asset

As disclosed in Note 11, at 31 December 2022, the Group has recognised deferred tax assets of $23.700m and as disclosed in Note 4, the Group has unrecognised and unused tax losses and temporary differences of $50.059m and $13.437m respectively.

</td><td>

Our procedures included, but were not limited to:

- Engaging our tax specialists to assist us in assessing the availability of tax losses and temporary differences to the Group;
- Reviewing management's forecasts in respect of the Group's taxable income;
- Assessing the key assumptions in management's calculations including:
  - Comparing the consistency of the assumptions used to the inputs and assumptions in management's impairment model;

</td></tr>
</table>

Deloitte.

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. 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. Management's assessment resulted in the recognition of an additional $8.365m of deferred tax assets as at 31 December 2022 as disclosed in Note 11.	o Assessing whether the period used to forecast taxable profits is appropriate; o Assessing the likelihood of the Group achieving these forecasts. We also assessed the appropriateness of the Group's disclosure in respect of the deferred tax assets including tax losses and temporary deductible differences in the notes to the financial statements.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 25 of the Directors' Report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Capral Limited, for the year ended 31 December 2022, 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, 24 February 2023

MEMBER DETAILS

TOP HOLDERS (GROUPED) AS OF 28/02/2023

1 TWENTY LARGEST HOLDERS

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

RANK	NAME	UNITS	% UNITS
1	CITICORP NOMINEES PTY LTD	3,601,357	20.27
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,434,150	13.70
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,460,701	8.22
4	NATIONAL NOMINEES LIMITED	1,232,811	6.94
5	PRUDENTIAL NOMINEES PTY LTD	1,000,000	5.63
6	NATIONAL EXCHANGE PTY LTD	500,000	2.81
7	MR ANTHONY MATTHEW DRAGICEVICH	416,232	2.34
8	BNP PARIBAS NOMS PTY LTD <DRP>	224,448	1.26
9	BNP PARIBAS NOMS (NZ) LTD <DRP>	157,886	0.89
10	MR ANDREW ROY NEWBERY SISSON	155,000	0.87
11	AGO PTY LTD <SUPERANNUATION FUND A/C>	139,000	0.78
12	MR JOHN GEORGE WHITING + MRS DIANA PATRICIA WHITING <THE WHITING INVESTMENT A/C>	133,334	0.75
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	125,388	0.71
14	RAVENSCOURT PROPRIETARY LIMITED	122,571	0.69
15	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	120,439	0.68
16	SOUTHERN STEEL INVESTMENTS PTY LIMITED	114,820	0.65
17	MRS ANTONIA CAROLINE COLLOPY	102,847	0.58
18	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	99,087	0.56
19	MRS GLENDA CLAIRE ORGILL	97,292	0.55
20	MR JORIS ARJEN LUGTENBURG + MRS ADRIANE LUGTENBURG <YELLOW ZONE SUPER FUND A/C>	92,498	0.52
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**12,329,861**	**69.40**
Total Remaining Holders Balance		**5,437,411**	**30.60**

2 SUBSTANTIAL SHAREHOLDERS

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

NAME	NUMBER OF SHARES	% OF SHARES HELD	AS NOTIFIED ON
Allan Gray Australia PTY LTD	3,871,621	21.79	25/03/2022
National Exchange Pty Ltd	1,500,000	8.44	8/02/2023
Perpetual Limited	1,370,048	7.71	18/08/2022
First Sentier Investors Holdings Pty Limited / Mitsubishi UFC Financial Group Inc	1,107,774	6.23	27/05/2021
Superannuation and Investment HoldCo Pty Ltd / KKR Entities	1,028,431	5.79	3/12/2021
Commonwealth Bank of Australia / Colonial First State Investments Limited	916,599	5.16	28/05/2021
Castle Point Funds Management Ltd	883,182	4.97	23/12/2020
Total	**10,677,655**	**60.10**	

3 NUMBER OF HOLDERS

(a) *Quoted equity securities:* There were 2,395 holders of ordinary shares.

(b) *Unquoted equity securities – options:* There were Nil unquoted options.

(c) *Unquoted equity securities – performance rights:* There were 722,320 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 2023

5 DISTRIBUTION OF EQUITY SECURITIES

(a) Quoted ordinary shares

RANGE OF SHARES	NUMBER OF HOLDERS
1 – 1,000	1,529
1,001 – 5,000	626
5,001 – 10,000	118
10,001 – 100,000	105
100,001 and over	17
Total	**2,395**

(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	3
5,001 – 10,000	0
10,001 – 100,000	17
100,001 and over	1
Total	**21**

6 MARKETABLE PARCELS

The number of shareholders holding less than a marketable parcel* of shares is 424 holders.

(* Minimum parcel size of shares: 64)

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

SHARE REGISTRY

Computershare Investor Services Pty Limited
ABN 48 078 279 277
Level 3, 60 Carrington Street
Sydney NSW 2000
Telephone 1800 855 080
Fax 1800 783 447

AUDITOR

Deloitte Touche Tohmatsu
ABN 74 490 121 060
8 Parramatta Square
10 Darcy 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

Capral Limited
ABN 78 004 213 692

71 Ashburn Rd, Bundamba QLD 4304
T 07 3816 7000 | F 07 3816 7111
capral.com.au

CAPRAL LIMITED ANNUAL REPORT 2022