CAPRAL

ASX ANNOUNCEMENT

21 August 2020

HY20 Results

Please see attached Capral's Half Year Report 2020 and accompanying HY20 Results Presentation. Summarised below are the key highlights:

- Half year result well above prior period and ahead of guidance provided in the 2019 Annual Report
- Trading EBITDA of $10.2m (1H19: $2.4m) and EBITDA of $17.0m (1H19: $3.4m)
- Net profit after tax of $4.8m, a $13.2m improvement on 1H19
- Includes JobKeeper payment of $4.4m
- Volumes on par with prior period; solid first quarter, second quarter impacted by COVID
- Strong balance sheet with net cash of $24.9m
- Bremer Park restructure delivered profit improvement of $3.7m as planned
- Cost saving measures in response to COVID mitigated lower volumes in second quarter
- Qualified for JobKeeper in May allowing retention of all Capral jobs
- Increased market share against imports

Conference Call Details

Capral Limited (ASX: CAA) wishes to advise that it intends to release its half-year results for the period ended 30 June 2020 on Friday, 21 August 2020.

Capral's Managing Director and Chief Executive Officer, Tony Dragicevich, and Chief Financial Officer, Tertius Campbell, will host a teleconference commencing at 11:00am (AEST) on the day.

Participants can register for the conference by navigating to
https://s1.c-conf.com/diamondpass/10009232.html

Please note that registered participants will receive their dial in number upon registration.

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

For further information please contact:

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APPENDIX 4D - HALF-YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2020

Name of Entity	**CAPRAL LIMITED**
A.B.N	**78 004 213 692**
Half-Year Ended	**30/06/2020**
Reporting Period	**1 January 2020 to 30 June 2020**
Previous Period	**1 January 2019 to 30 June 2019**

Results for announcement to the market

		30 June 2020 $'000	30 June 2019 $'000	**Change $'000**	**Change %**
2.1	**Revenues from ordinary activities**	**195,554**	201,242	(5,688)	(2.8)
2.2	**Profit/(loss) from ordinary activities after tax attributable to members**	**4,807**	(8,384)	13,191	157.3
2.3	**Net profit/(loss) for the period attributable to members**	**4,807**	(8,384)	13,191	157.3

2.4 Dividend Information	**30 June 2020**		30 June 2019	
	Amount per security	Imputed amount per security	Amount per security	Imputed amount per security
Interim dividend	-	-	-	-
Special dividend	-	-	-	-

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

Not Applicable

2.6 Explanation of 2.1 to 2.4

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

3.0 Net Tangible Assets per security

	30 June 2020	30 June 2019
NTA (cents per share)	**18.86**	17.71
Number of shares	**496,859,189**	484,390,895

4.0 Entities over which control has been gained or lost

Not Applicable

5.0 Individual and total dividends

A final dividend in respect of the financial year ended 31 December 2019 was paid on 25 March 2020, at 0.5 cent per ordinary share fully franked.

6.0 Dividend or dividend reinvestment plans

An active dividend reinvestment plan was commenced on 1 February 2020.

7.0 Associates and joint venture entities

Not Applicable

8.0 Foreign Entities

Not Applicable

9.0 Audit dispute or qualification

Not Applicable

CONTENTS

DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Capral Limited (**Capral**) and the entities it controlled at the end of, or during, the half-year ended 30 June 2020 and the independent auditor's review report thereon.

Directors

The following persons were directors of Capral during the half-year and, except as indicated below, up to the date of this report:

Name	Period Office Held
R. L. Wood-Ward	6 November 2008 - Date of this report
A. M. Dragicevich	15 April 2013 – Date of this report
I. B. Blair	23 May 2006 – 17 June 2020
P. J. Jobe	24 April 2009 - Date of this report
K. Ostin	17 June 2020 – Date of this report
G. F. Pettigrew	18 June 2010 - Date of this report

Review of operations and key results

Capral today announced a half year result well above prior period and ahead of guidance provided in the 2019 Annual Report. Profit after tax was $4,807,000 for the half-year ended 30 June 2020, compared with a $8,384,000 loss after tax for the corresponding period last year.

No dividend has been declared for this half-year.

Results Overview

Capral delivered a Trading EBITDA* of $10.2 million as compared to $2.4 million in 1H19 on similar volumes but 2.8% lower sales revenue. EBITDA[1] of $17.0 million as compared to $3.4 million in 1H19, included a negative LME revaluation of $1.5 million and JobKeeper payments of $4.4 million.

Overall volumes were on par with 2019. Dwelling commencements fell during the second quarter due to COVID-19 impact, but this volume reduction was offset by import replacement volume. General industrial demand was steady.

The balance sheet remains strong with net cash at $24.9 million, after making a $2.4 million dividend payment ($1.2 million net after dividend reinvestment plan) in March 2020 and received $2.2 million in JobKeeper payments from the government. Capral also renewed its finance facility with ANZ until 30th April 2022. Due to COVID-19, capex spend was limited to critical plant maintenance.

The capital investment projects in new technology and automation completed during 2019, delivered benefits as expected.

The 2019 restructure and downsizing of our major manufacturing plant in Queensland delivered around $3.7 million benefit to profitability in 1H20.

Anti-dumping measures on Chinese extrusions were increased in May 2019 and this, together with a focus on circumvention surveillance, has led to increased market share for local extrusion manufacturers.

Please also refer to the 2020 Half Year Results Presentation lodged with this Report.

Auditor's independence declaration

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

[1] EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and incorporates AASB16 impact from 2019.
* Trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. Trading EBITDA is EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. These items are LME and Premium negative revaluation ($1.5 million) and including depreciation and interest on Right of Use assets as proxy for rent ($8.2 million).

Rounding of amounts

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

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

On behalf of the directors

R. Wood-Ward
Chairman

A. Dragicevich
Managing Director

Sydney
21 August 2020

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Capral Limited
Level 4
60 Phillip Street
PARRAMATTA NSW 2150

21 August 2020

Dear Board Members

Auditor's Independence Declaration to Capral Limited

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

As lead audit partner for the review of the financial statements of Capral Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants
Parramatta, 21 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2020

	Note	Consolidated Half-year ended 30 June 2020 $'000	30 June 2019 $'000
Revenue		**195,554**	201,242
Other income	5	**215**	162
Raw materials and consumables used		**(124,103)**	(124,915)
Employee benefits expense	1(g)	**(35,461)**	(42,713)
Depreciation and amortisation expense		**(9,073)**	(9,178)
Finance costs		**(3,090)**	(2,627)
Freight expenses		**(5,724)**	(5,764)
Occupancy costs	1(h)	**(323)**	(1,111)
Repair and maintenance expense		**(2,635)**	(3,566)
Restructuring costs	6	**173**	(6,010)
Other expenses		**(10,726)**	(13,904)
Profit/(loss) before income tax		**4,807**	(8,384)
Income tax benefit	2	**-**	-
Profit/(loss) for the period		**4,807**	(8,384)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss		**-**	-
Total comprehensive income/(loss) for the period		**4,807**	(8,384)

	2020 Cents per share	2019 Cents per share
Earnings/(loss) per share		
Basic (cents per share)	**0.98**	(1.74)
Diluted (cents per share)	**0.96**	(1.74)

The weighted average number of ordinary shares on issue used in the calculation of basic earnings/(loss) per share was 490,556,535 (2019: 482,600,711) and the earnings used in the same calculation was $4,807,000 (2019: the loss $8,384,000).

The weighted average number of ordinary shares on issue used in the calculation of diluted earnings/(loss) per share was 500,214,727 (2019: 491,889,781) and the earnings used in the same calculation was $4,807,000 (2019: the loss $8,384,000).

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Note	Consolidated 30 June 2020 $'000	31 December 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**24,918**	17,938
Trade and other receivables	1(g)	**62,228**	62,564
Inventories		**79,901**	78,907
Other financial assets		**9**	10
Prepayments		**1,993**	1,625
Total current assets		**169,049**	161,044
Non-current assets			
Deferred tax assets		**2,857**	2,857
Property, plant and equipment		**39,858**	40,431
Right-of-use assets		**71,830**	76,860
Other intangible assets		**376**	452
Total non-current assets		**114,921**	120,600
Total assets		**283,970**	281,644
LIABILITIES			
Current liabilities			
Trade and other payables		**71,070**	65,409
Lease liabilities		**14,649**	13,877
Other financial liabilities		**1,220**	1,086
Current provisions		**11,891**	13,385
Deferred income		**155**	103
Total current liabilities		**98,985**	93,860
Non-current liabilities			
Lease liabilities		**83,866**	90,654
Non-current provisions		**4,190**	4,104
Total non-current liabilities		**88,056**	94,758
Total liabilities		**187,041**	188,618
Net assets		**96,929**	93,026
EQUITY			
Issued capital		**426,965**	425,744
Reserves		**37,700**	35,018
Accumulated losses		**(367,736)**	(367,736)
Total equity		**96,929**	93,026

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 30 June 2020

	Note	Consolidated Half-year ended 30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers		**215,447**	221,403
Payments to suppliers and employees		**(195,100)**	(216,902)
Interest and other finance costs paid		**(2,777)**	(2,538)
Net cash flows provided by operating activities		**17,570**	1,963
Cash flows from investing activities			
Interest received		**2**	4
Payments for property, plant and equipment		**(2,238)**	(3,320)
Payments for intangible assets		**(10)**	(35)
Proceeds from sale of property, plant and equipment		**19**	5,066
Net cash flows (used in)/provided by investing activities		**(2,227)**	1,715
Cash flows from financing activities			
Dividends paid		**(2,422)**	(4,803)
Proceeds from dividend reimbursement plan		**1,221**	-
Repayment of principal of lease liabilities		**(7,162)**	(7,782)
Net cash flows used in financing activities		**(8,363)**	(12,585)
Net increase/(decrease) in cash and cash equivalents		**6,980**	(8,907)
Cash and cash equivalents at the beginning of the half-year period		**17,938**	27,566
Cash and cash equivalents at end of the half-year period	11	**24,918**	18,659

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

Capral Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2020

Consolidated	Note	Issued capital	Equity-settled compensation reserve	Asset revaluation reserve	Dividend Reserve*	Accumulated losses	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2019		425,744	10,999	1,014	27,933	(334,162)	131,528
Loss for the period		-	-	-	-	(8,384)	(8,384)
Total comprehensive loss for the period		-	-	-	-	(8,384)	(8,384)
Share-based payment expense		-	232	-	-	-	232
Shares acquired on conversion of vested rights		-	(315)	-	-	-	(315)
Initial adoption of AASB 16 Leases		-	-	-	-	(29,334)	(29,334)
Dividends paid		-	-	-	(4,803)	-	(4,803)
Balance as at 30 June 2019		**425,744**	**10,916**	**1,014**	**23,130**	**(371,880)**	**88,924**
Balance as at 1 January 2020		425,744	10,874	1,014	23,130	(367,736)	93,026
Profit for the period		-	-	-	4,807	-	4,807
Total comprehensive profit for the period		-	-	-	4,807	-	4,807
Share-based payment expense		-	297	-	-	-	297
Shares acquired on conversion of vested rights		-	-	-	-	-	-
Shares issued – dividend reinvestment plan	7	1,221	-	-	-	-	1,221
Initial adoption of AASB 16 Leases		-	-	-	-	-	-
Dividends paid		-	-	-	(2,422)	-	(2,422)
Balance as at 30 June 2020		**426,965**	**11,171**	**1,014**	**25,515**	**(367,736)**	**96,929**

**Dividend reserve represents undistributed profits since the financial year 2010. The dividend reserve was separated from accumulated losses from 01 January 2018.*

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2020

1 Significant accounting policies

Capral Limited (**Capral**) is a company domiciled in Australia. The consolidated half-year financial report of Capral for the half-year period ended 30 June 2020 comprises Capral and its subsidiary (**consolidated entity**).

(a) Statement of compliance

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

This half-year financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the most recent annual financial report for the year ended 31 December 2019 and any public announcements made by Capral during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(b) Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in Capral's annual report for the financial year ended 31 December 2019, except as noted in Note 1(d) below.

(c) Significant accounting judgements, estimates and assumptions

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

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

The Australian Taxation Office provided guidance materials (LCR 2020/1 and PCG 2020/4) on the importance of maintaining proper records and evidence of eligibility for JobKeeper payment entitlement, particularly around the calculation of projected decline in GST turnover. LCR 2020/1 states that anticipated GST turnover needs to be a reasonable projection. If there is a significant difference between the projected and actual turnover, the ATO may make further enquiries to examine records and calculations to determine whether the projection was in fact a reasonable one, in view of the commercial circumstances. Accordingly, Capral self-assessed the eligibility criteria and enrolled in the JobKeeper payment scheme on 14 May 2020. Capral assessed key drivers of the business to determine the projected turnover fall for May 2020. Capral is involved in the extrusion of aluminium profiles, used in building and general industrial applications. A significant proportion is supplied to the residential and commercial building industries. Consistent with management's forecasting approach, dwelling commencements are used as a guide to estimate sales into the building sector. Industry forecast reports such as those from BIS Oxford Economics and Housing Industry Association are used as key inputs to determine demand and supply trends. Pricing is also dependant on the Aluminium LME prices. Industrial markets are usually impacted by the general fluctuations in economic conditions.

Based on the above, Capral has recognised the JobKeeper receipts aggregating to AUD 4.4 million per paragraph 12 of AASB 120 Accounting for government grants and disclosure of government assistance. Accordingly, JobKeeper payments have been recognised in profit or loss on a systematic basis over the period in which the entity recognises as expenses the wages and salaries for which the JobKeeper payments are intended to compensate. The portion of JobKeeper payments that relates to manufacturing wages for inventories remaining unsold as at 30 June 2020 is not material.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2020

1 Significant accounting policies (cont'd)

(d) Application of new and revised standards

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

(e) Standards and interpretations in issue not yet adopted

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not significantly affect the financial statements of the company

(f) Impairment of non-current assets

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

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

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

As a result of the non-current assets recoverable amount assessment performed, Capral has determined that no impairment write-down of non-current assets as at 30 June 2020 was necessary. The recoverable amount of the CGU estimated by management exceeded the carrying amount of assets by $3,903,000.

The key assumptions used in preparing the value in use cash flow valuation as at 30 June 2020 are as follows:

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

	Input to the model	Breakeven input
WACC (Post-tax)	11.31%	11.75%
Average volumes increase 2022-24 p.a.	1.00%	0.85%
Long-term growth rate	1.00%	-0.28%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2020

1 Significant accounting policies (cont'd)

(g) JobKeeper Payment Scheme

In response to the economic impact from the COVID-19 pandemic crisis, the Australian Government introduced the JobKeeper payment scheme to assist eligible employers with payroll subsidy. As trade and travel restrictions were imposed in Australia, Capral self-assessed the eligibility criteria and enrolled in the JobKeeper payment scheme on 14 May 2020. Capral nominated around 730 eligible employees under the scheme. $4.4 million of JobKeeper payments from the Australian Taxation Office was included in profit of which $2.2 million was received by 30 June 2020. The receipts have been accounted as a reduction to the employee benefits expense in the statement of profit or loss and other comprehensive income with $2.2 million recognised as a corresponding receivable as at 30 June 2020.

The impact on the financial position, financial performance and cash flows of the entity have been described below:

	$'000 (Excl. JobKeeper)	JobKeeper	$'000 (Incl. JobKeeper)
Employee Benefits expense	(39,861)	4,400	(35,461)
Profit before income tax	407	4,400	4,807
Total current assets	166,849	2,200	169,049
Net assets	92,529	4,400	96,929
Cash flows from operating activities	15,370	2,200	17,570
Net increase/(decrease) in cash and cash equivalents	4,780	2,200	6,980
Cash and cash equivalents at end of the half year period	22,718	2,200	24,918

Whilst Capral has recognised $4.4 million in JobKeeper payments in the half-year ended 30 June 2020, this amount does not represent the net benefit to the Company. Had Capral not have been eligible and received JobKeeper payments, approximately 20% of the workforce would have been stood down during this half, which would represent an approximate reduction of $2.8 million in wage and salary costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2020

1 Significant accounting policies (cont'd)

(h) Amendments to AASB 16: COVID-19-Related Rent Concessions

Effective 1 June 2020, AASB 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and
(c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Capral has elected to utilise the practical expedient for all rent concessions that meet the criteria.

Accounting for the rent concessions as lease modifications would have resulted in Capral remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset.

By applying the practical expedient, Capral is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The application of the practical expedient has resulted in the reduction of total lease liabilities of $176,344. The effect of this reduction has been recorded to the occupancy costs in the statement of profit or loss and other comprehensive income in the period in which the event or condition that triggers those payments occurs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2020

	Consolidated Half-year ended 30 June 2020 $'000	30 June 2019 $'000

2 Income tax

(a) Tax reconciliation

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

	30 June 2020 $'000	30 June 2019 $'000
Profit/(loss) from continuing operations before income tax expense	**4,807**	(8,384)
Income tax expense/(benefit) calculated at 30%	**1,442**	(2,515)
Tax effect of non-assessable / non-deductible items:		
Effect of items that are not deductible or taxable in determining taxable profit	**(278)**	(332)
Effective income tax expense/(benefit)	**1,164**	(2,847)
Effect of tax losses utilised	**(1,164)**	-
Effect of unused tax losses not recognised as deferred tax assets	**-**	2,847
Income tax expense recognised in profit or loss	**-**	-

(b) Tax losses

	30 June 2020 $'000	30 June 2019 $'000
Accumulated unused gross tax losses for which no deferred tax asset has been recognised.	**291,347**	289,111
Potential tax benefit @ 30%	**87,404**	86,733

All unused tax losses were incurred by Australian entities.

3 Dividends

Fully paid ordinary shares

	30 June 2020	30 June 2019
Interim dividend (cents per share)	**-**	-
Final dividend paid (cents per share) - fully franked	**0.50**	1.00
Special dividend (cents per share) - fully franked	**-**	-

4 Segment information

The information reported to the consolidated entity's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the type of goods supplied, being aluminium products. As such, in 2020 and 2019, the consolidated entity operated in one reportable segment under AASB 8.

5 Other income

	Consolidated Half-year ended	
	30 June 2020 $'000	30 June 2019 $'000
Royalties	**215**	162
	215	162

6 Restructuring costs

In June 2019, a restructuring process was started to right size the Group’s manufacturing operations to match current levels of demand. The restructuring involves reduction of the extrusion press operation, closures of an anodising plant and a vertical paint line, reorganisation to allow the sublet of additional floor space, and restructuring and consolidation of roles and operations. To the extent that employees could not be redeployed, redundancy terms were agreed.

The carrying value of assets retired as part of the restructuring was offset with the impairment provision recognised in 2013. Therefore, no additional impairment was recognised as at 30 June 2019.

The restructuring costs (credited)/charged to profit or loss consist of the following:

	30 June 2020 $'000	30 June 2019 $'000
Machinery and equipment dismantling and relocation	**-**	2,342
Redundancy costs	**(173)**	3,248
Site Consolidation	**-**	420
	(173)	6,010

The restructuring process was substantially completed in 2019 and finalised successfully in the first half of 2020. The total restructuring cost utilised in the half-year of 2020 was $953,000 and the remaining $173,440 was released to the profit or loss in June 2020.

7 Issuance of equity securities

Performance Rights - Managing Director

During the half-year, 3,080,000 performance rights were issued to Mr Dragicevich under the Long Term Incentive Plan (**LTIP**) pursuant to shareholder approval at Capral’s AGM in April 2020. These rights were issued subject to the achievement of performance conditions and have been independently valued as follows:

- EPS – 1,540,000 rights at $0.068 per right
- TSR – 1,540,000 rights at $0.052 per right

During the half-year, 2,000,000 performance rights granted as part of the 2017 LTIP award lapsed.

The total number of performance rights outstanding to Mr Dragicevich as at 30 June 2020 is 7,630,000 (31 December 2019: 6,550,000).

7 Issuance of equity securities (cont'd)

Performance Rights - Executive and Senior Management

During the half-year, 5,420,000 performance rights were issued under the LTIP. The new rights were issued subject to the achievement of performance conditions.
These rights have been independently valued as follows:

- EPS – 2,710,000 rights at $0.094 per right
- TSR – 2,710,000 rights at $0.07 per right

During the half-year, 3,650,000 performance rights granted as part of the 2017 LTIP award lapsed.

During the half-year 350,000 performance rights were forfeited due to the departure of a senior manager.

The total number of performance rights outstanding to Executive and Senior Management as at 30 June 2020 is 13,370,000 (31 December 2019: 11,950,000).

Ordinary Shares

During the half year, Capral issued 12,468,294 new ordinary shares to shareholders who participated in its dividend reinvestment plan.

8 Contingent liabilities

Claims and possible claims, indeterminable in amount, have arisen 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 resulting liability will not materially affect Capral's financial position.

Capral's bankers have issued guarantees in respect of rental obligations on lease commitments, use of utilities infrastructure and international trade facilities. At 30 June 2020, these guarantees totalled $6,095,823 (31 December 2019: $3,888,087).

Capral's bankers have issued letters of credit in respect of Capral's purchases internationally. At 30 June 2020, these letters of credit totalled $22,173,252 (31 December 2019: $23,881,231).

9 Capital commitments

	Consolidated	
	30 June 2020 $'000	31 December 2019 $'000
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:		
Not longer than 1 year	**345**	620

10 Related parties

Refer to Note 7 above in relation to equity securities granted, lapsed and converted to Capral ordinary shares during the half year under the LTIP that include rights granted to Capral's Managing Director, and rights granted and shares issued to the Chief Financial Officer (who are key management personnel).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 30 June 2020

	Consolidated Half-year ended 30 June 2020 $'000	30 June 2019 $'000

11 Cash and cash equivalents

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

	30 June 2020 $'000	30 June 2019 $'000
Cash at bank and on hand	**24,918**	18,659
Cash and cash equivalents at end of the half-year period	**24,918**	18,659

12 Stand by arrangement and credit facilities

As at 30 June 2020, the following facilities were in place:

	30 June 2020 $'000	30 June 2019 $'000
Secured facilities	**50,000**	50,000
Total secured facilities	**50,000**	50,000
Facilities utilised:		
Trade loan	**-**	-
Cash loan	**-**	-
Bank guarantees	**6,096**	3,888
Trade finance – letters of credit	**22,173**	23,881
Asset finance – in the form of finance lease	**2,320**	3,563
Total facilities utilised	**30,589**	31,332
Total available facilities	**19,411**	18,668

The original expiry of the facilities is 31 January 2021. Subsequent to 30 June 2020, the facilities have been restructured to align more closely to Capral's requirements and renewed for another term to 30th April 2022.

The ANZ facilities are fully secured against the Capral group consisting of:

- $40 million Multi-option Facility which includes a Trade Loan Facility, Trade Instruments and Trade Finance;
- $5 million includes an Asset Finance and Cash Loan Facility;
- $5 million reducing Finance Lease Facility.

13 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418, the wholly owned subsidiary, Aluminium Extrusion and Distribution Pty Limited (**AED**) is relieved from the Corporations Act 2001 requirement for the preparation, audit and lodgement of financial reports.

It is a condition of that class order that Capral and AED enter into a Deed of Cross Guarantee (**Deed**). Under the Deed, Capral guarantees the payment of all debts of AED in full, in the event of a winding up. AED in turn has guaranteed the payment of the debts of Capral in full in the event that it is wound up.

AED was deregistered on 24 July 2019. In connection with deregistration of AED, the Deed was revoked on 13 May 2019. There are no other subsidiaries subject to the deed of cross guarantee as at 30 June 2020.

14 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the 2019 annual financial report. In addition, refer to Notes 7 and 10 in relation to changes during the half year; performance rights granted, expired and conversion to ordinary shares to Capral's Managing Director, executive and senior management, under the LTIP.

15 Subsequent events

Capral continues to operate in Victoria during Stage 4 restrictions. Operations are strictly conducted under a High Risk COVID Safe Plan. Capral manufactures and distributes Aluminium products into a number of 'permitted to open' sectors including residential building, heavy truck and transport equipment manufacturing, defence and security industries.

Victoria represents around 20% of Capral's total volume. As many customers are permitted to operate during Stage 4, we do not anticipate a dramatic impact on demand.

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

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

16 COVID-19 impact

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early and mid-2020 have caused disruption to businesses and global economic activity.

The situation remains fluid as at the date the financial statements are authorised for issue, due to evolving changes in government policy and reactions thereto by business and consumers. To the extent possible, given this uncertainty, the directors have considered the impact of COVID-19 on the basis of preparation of financial statements as a going concern.

A material part of Capral's revenue is generated from the residential and commercial construction sector. These industries have been significantly impacted by the global COVID-19 pandemic causing a slowdown in construction activities thus affecting sales volume in the first half. Capral's sales volume improved in June 2020 as customer sentiment improved after trade restrictions were lifted and economic stimulus packages were made available by the Australian Government (HomeBuilder Grant).

Most of Capral's sales prices are linked to the aluminium price on the London Metal Exchange which saw a significant drop from January 2020 from $2.60 to $2.24 as at 30 June 2020. Aluminium raw material revaluation of $1.5 million due to lower LME also impacted the half year financial performance. Cost savings from Bremer Park restructure substantially completed in the financial year ended 31 December 2019 have had a positive impact on the half year financial performance and are expected to continue going forward.

Capral procures majority of its inventory (Aluminium logs) from domestic suppliers. Supply chain disruptions due to COVID-19 did not have a material impact on Capral's operations as sufficient inventory levels were held to service demand. Capral also received JobKeeper payments aggregating $4.4 million under the current regime and is expected to continue to receive the monthly JobKeeper payments until September 2020. Refer to note 1(g) for further details.

Management has prepared cash flow forecasts reflecting the expected impact of the above based on information available at the date of signing of the financial report. After consideration of the factors noted above, the directors consider Capral is a going concern including realising its assets and discharging its liabilities in the normal course of business. Refer to Note 15 for further details.

DIRECTORS' DECLARATION

The directors declare that:

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

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

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

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

On behalf of the directors

R. Wood-Ward
Chairman

A. Dragicevich
Managing Director

Sydney
21 August 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capral Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 18.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Capral Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Deloitte.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Capral Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

DR White

David White
Partner
Chartered Accountants
Parramatta, 21 August 2020