

BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Six months ended 31 December 2020 (“HY21”)
Results for announcement to the market

| | | Absolute Change | | HY21 \$'000 | HY20 \$'000 |
|---|-----------|--------------------|-----------|----------------|----------------|
| Profit attributable to members | Up | 60.3% | to | 3,274 | 2,043 |
| Revenue | Down | 16.4% | to | 47,151 | 56,414 |
| Profit before income tax from continuing operations | Up | 55.3% | to | 4,539 | 2,922 |
| Profit after income tax | Up | 54.3% | to | 3,353 | 2,173 |

Dividends

No interim dividend will be paid.

| | HY21 | HY20 |
|--------------------------------------|---------|----------|
| Other | | |
| Net tangible asset backing per share | 84.7cps | 70.6 cps |

Explanation of Results

Please refer to the commentary in the attached half yearly report for an explanation of the results. This half yearly report should be read in conjunction with the most recent financial report. The consolidated annual financial statements of the Group as at and for the year ended 30 June 2020 are available upon request from the Company's registered office at 18 Resolution Drive, Unanderra, NSW or at www.bisalloy.com.au.

BISALLOY STEEL GROUP LIMITED

A.B.N 22 098 674 545

CONDENSED CONSOLIDATED FINANCIAL REPORT

SIX MONTHS ENDED 31 DECEMBER 2020

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Directors' Report

The directors of Bisalloy Steel Group Limited present their report together with the condensed consolidated financial statements for the six months ended 31 December 2020 and the review report thereon.

Directors

The directors of the Company in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period, unless otherwise stated.

| Name | Office | Appointment |
|---------------------|---|----------------------------------|
| Mr David Balkin AM | Non-Executive Chairman | from 27/11/2020 |
| Mr Ian Greenyer | Non-Executive Director | from 27/11/2020 |
| Mr Michael Gundy | Non-Executive Director | from 27/11/2020 |
| Mr Glenn Cooper | Chief Executive Officer and Managing Director | from 06/07/2020 |
| Mr Greg Albert | Chief Executive Officer and Managing Director | until 06/07/2020 |
| Mr Phillip Cave | Non-Executive Chairman | until 27/08/2020 |
| Mr Richard Grellman | Non-Executive Director | until 27/08/2020 |
| | Non-Executive Chairman | from 27/08/2020 until 27/11/2020 |
| Mr Kym Godson | Non-Executive Director | until 27/11/2020 |
| Mr Barry Morris | Non-Executive Director | from 27/08/2020 until 27/11/2020 |

Review of Operations

The operating results are summarised as follows:

| | For the six months ended | |
|-------------------------|--------------------------|-------------|
| | 31 Dec 2020 | 31 Dec 2019 |
| | \$'000 | \$'000 |
| Revenue | 47,151 | 56,414 |
| Profit after income tax | 3,353 | 2,173 |

Summary

Bisalloy Steel Group comprises Bisalloy Steels Pty Ltd in Australia, the majority owned distribution businesses in Indonesia (PT Bima Bisalloy) and Thailand (Bisalloy (Thailand) Co Limited) and the investment in the Chinese Co-operative Joint Venture (CJV) - Bisalloy Shangang (Shandong) Steel Plate Co, Ltd.

The Group's long-term commitment to safety was rewarded with the return to zero significant reportable injuries over the past 12-month period (Lost Time or Medical Treatment). Bisalloy Australia have also invested in the past six-months on upgrading and improving the safety interlock systems of our main Hardening furnace. We have also improved the integrity of our Safety Management System including Equipment lock out processes for protection of our employees and contractors, through an intensive retraining program.

Bisalloy Steels is Australia's only processor of quenched and tempered high strength, abrasion resistant and armour grade alloyed steel plates. Bisalloy distributes wear and structural grade plates through both distributors and directly to select manufacturers and end users in Australia and internationally. For armour grade steels, Bisalloy exclusively deals directly with select companies.

Directors' Report

continued

Bisalloy's unique stand-alone heat treatment facility at Unanderra, near Wollongong, is a highly automated and efficient operation providing a relatively low-cost base, allowing it to compete with a variety of imported products. During the six months ended 31 December 2020 Bisalloy utilised greenfeed steel supply mainly from neighbouring BlueScope Steel in Wollongong, complimented with selected supply from international greenfeed suppliers, including the CJV.

Business Performance

Domestic Australian Sales

The margin per tonne of product sold was well up on HY20 as the positive result from the increased anti-dumping measures which came into effect on 6 November 2019 flows through¹. These pricing gains have, however, been partially offset by a loss in market share to our major competitor who have been working around these measures by changing their major source of supply from Sweden to the United States. Bisalloy continues to engage with the Anti-Dumping Commission in relation to this loss of domestic volume which has adversely impacted growth in company earnings. This trend is expected to continue throughout H2 FY21.

Co-Operative Joint Venture (CJV) in China

Strong performance from the CJV with volumes up 33% on HY20. Margin increases were experienced also as the Bisalloy value proposition is more clearly understood in the domestic Chinese market.

Overseas Distribution

The Group's overseas distribution operations in Indonesia and Thailand continue to be profitable, with the Thailand result affected by weaker demand. Demand in Indonesia remains stable.

Armour

Our Armour business continues to be of significant strategic importance both domestically and internationally. We continue to develop and support an alternate supply of specialised greenfeed from targeted partner mills overseas to allow Bisalloy to grow the volumes of Armour in line with our strategic targets. Volumes are down on HY20 as growth has been impacted by virus lockdowns and travel restrictions.

Overheads

Bisalloy's administrative expenses in HY21 were \$1.2m lower than in HY20. The higher level of administrative expenses in HY20 was the result of one-off non-repeatable expenses related to the Australian business.

A legal challenge from former MD and Group CEO Mr Albert has been mutually resolved without any negative impact on FY21 H1 or H2 results.

Covid-19

Maintaining the personal, health and safety of Bisalloy employees and customers remains a key priority in response to the Covid-19 pandemic. Bisalloy have responded through the introduction of comprehensive protocols and measures which have been adopted across all operating locations.

¹ Anti-Dumping Notice No. 2019/113

Directors' Report

continued

This has not had a material impact on demand in Australia or China, however the impact on demand in Indonesia, Thailand and our Export Armour business continues to be monitored. No plant or operational closures have occurred to date.

Financial Results

Revenues of the Group in the period were \$47,151k, down 16.4% from the corresponding period last year. Profit before tax was \$4,539k, up 55.3% from prior corresponding period. Profit after tax increased to \$3,353k from \$2,173k in the prior corresponding period.

Net operating cash inflow in the six months was \$3,414k compared to the inflow of \$268k in the previous corresponding period.

Net debt at 31 December 2020 totalled \$15.0m (30 June 2020 - \$15.6m). Inventory levels comprising finished product and greenfeed decreased by \$6.1m in the six months to 31 December 2020.

FY21 Outlook

The financial impact of Covid-19 on Bisalloy to date has not been material. However, the loss of domestic volume to our major Swedish competitor supplied from their US mill which circumvents the anti-dumping measures in place has and continues to hold back earnings. Nevertheless, Bisalloy reiterates the earlier communicated position that profit in FY21 is expected to be up relative to FY20.

Dividend

No dividend will be paid in respect of the six months ended 31 December 2020.

Auditor Independence

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of this report.

Signed in accordance with a resolution of the directors.



Glenn Cooper
Managing Director
26 February 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Bisalloy Steel Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Bisalloy Steel Group Limited for the half-year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read 'KPMG', positioned above the printed name 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to read 'Warwick Shanks', positioned above the printed name 'Warwick Shanks'.

Warwick Shanks
Partner

Dated at Wollongong this 26th day of
February 2021.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

| In thousands of dollars | Notes | Consolidated | |
|--|-------|---|---------------|
| | | For the six months ended 31 Dec 2020 | 31 Dec 2019 |
| Continuing operations | | | |
| Revenue from contracts with customers | | 47,151 | 56,414 |
| Cost of goods sold | | (36,871) | (45,997) |
| Gross profit | | 10,280 | 10,417 |
| Other expenses | | (33) | (28) |
| Distribution expenses | | (1,164) | (1,233) |
| Marketing expenses | | (1,420) | (1,640) |
| Occupancy expenses | | (380) | (379) |
| Administrative expenses | | (2,955) | (4,143) |
| Operating profit | | 4,328 | 2,994 |
| Finance costs | 3(b) | (658) | (578) |
| Finance income | 3(b) | 2 | 2 |
| Share of profit of joint venture, net of tax | 7 | 867 | 504 |
| Profit before income tax | | 4,539 | 2,922 |
| Income tax expense | 13 | (1,186) | (749) |
| Profit after income tax | | 3,353 | 2,173 |
| Attributable to: | | | |
| Non-controlling interests | | 79 | 130 |
| Equity holders of the parent | | 3,274 | 2,043 |
| Profit for the period | | 3,353 | 2,173 |
| Other comprehensive income: | | | |
| Items that may be subsequently reclassified to net profit | | | |
| Fair value gain on cash flow hedges | | 61 | - |
| Foreign currency translation | | (1,443) | 256 |
| Actuarial loss | | - | (3) |
| Income tax effect of items in other comprehensive income | | 58 | - |
| Other comprehensive income for the period, net of tax | | (1,324) | 253 |
| Total comprehensive income for the period, net of tax | | 2,029 | 2,426 |
| Attributable to: | | | |
| Non-controlling interests | | (260) | 225 |
| Equity holders of the parent | | 2,289 | 2,201 |
| | | 2,029 | 2,426 |
| Earnings per share for profit attributable to ordinary equity holders of the parent | | | |
| - Basic earnings per share (cents per share) | 5 | 7.2 | 4.6 |
| - Diluted earnings per share (cents per share) | 5 | 6.8 | 4.4 |

Notes on pages 11 to 18 are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

| In thousands of dollars | Notes | Consolidated 31 Dec 2020 | 30 Jun 2020 |
|--|-------|-----------------------------|---------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 1,255 | 672 |
| Trade and other receivables | | 15,675 | 17,031 |
| Inventories | | 32,107 | 38,228 |
| Other current assets | | 1,253 | 1,182 |
| Contract assets | | 183 | 200 |
| Income tax receivable | | 448 | 496 |
| Derivative assets | | 87 | 8 |
| Total current assets | | 51,008 | 57,817 |
| Non-current assets | | | |
| Other non-current assets | | 3 | - |
| Investment in joint venture | 7 | 7,166 | 6,554 |
| Property, plant and equipment | | 21,717 | 22,002 |
| Intangibles | | 352 | 170 |
| Deferred tax asset | | 56 | 62 |
| Total non-current assets | | 29,294 | 28,788 |
| Total assets | | 80,302 | 86,605 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 14,000 | 19,736 |
| Interest bearing loans and borrowings | 8 | 10,078 | 10,552 |
| Income tax payable | | 619 | 1,785 |
| Employee benefit liabilities | | 2,129 | 2,019 |
| Lease liabilities | | 302 | 225 |
| Contract liabilities | | 272 | 283 |
| Total current liabilities | | 27,400 | 34,600 |
| Non-current liabilities | | | |
| Loans and borrowings | | 6,185 | 5,742 |
| Employee benefit liabilities | | 1,408 | 1,562 |
| Lease liabilities | | 504 | 266 |
| Deferred tax liabilities | | 2,034 | 1,855 |
| Total non-current liabilities | | 10,131 | 9,425 |
| Total liabilities | | 37,531 | 44,025 |
| NET ASSETS | | 42,771 | 42,580 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Contributed equity | 4 | 12,886 | 12,318 |
| Accumulated profits | | 19,555 | 18,527 |
| Other reserves | | 6,772 | 7,855 |
| Parent interests | | 39,213 | 38,700 |
| Non-controlling interests | | 3,558 | 3,880 |
| TOTAL EQUITY | | 42,771 | 42,580 |

Notes on pages 11 to 18 are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

| In thousands of dollars | Notes | Consolidated For the six months ended | |
|--|----------|--|--------------|
| | | 31 Dec 2020 | 31 Dec 2019 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 52,829 | 55,941 |
| Payments to suppliers and employees (inclusive of GST) | | (46,640) | (53,938) |
| Interest received | | 2 | 2 |
| Borrowing costs | | (658) | (578) |
| Income tax paid | | (2,119) | (1,159) |
| Net cash from operating activities | | 3,414 | 268 |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | - | - |
| Payments for property, plant and equipment | | (627) | (971) |
| Payments for intangible assets | | (182) | - |
| Net cash used in investing activities | | (809) | (971) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (31) | 2,758 |
| Dividend paid to non-controlling interests | | (62) | (226) |
| Dividend paid to equity holders of the parent | | (1,703) | (1,472) |
| Principal lease payments | | (145) | (148) |
| Net cash from financing activities | | (1,941) | 912 |
| Net increase in cash and cash equivalents | | 664 | 209 |
| Net foreign exchange differences | | (81) | 21 |
| Cash and cash equivalents at the beginning of period | | 672 | 2,043 |
| Cash and cash equivalents the end of period | 6 | 1,255 | 2,273 |

Notes on pages 11 to 18 are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

| In thousands of dollars | Issued capital | Employee Equity Benefits Reserve | Cash flow hedge reserve | Foreign currency translation reserve | Asset Revaluation Reserve | Equity Settlement Reserve | Other Reserves | Retained earnings | Total | Non-controlling interests | Total Equity |
|--|----------------|----------------------------------|-------------------------|--------------------------------------|---------------------------|---------------------------|----------------|-------------------|---------------|---------------------------|---------------|
| At 30 June 2020 | 12,318 | 302 | - | 1,150 | 6,180 | 316 | (93) | 18,527 | 38,700 | 3,880 | 42,580 |
| Profit for the period | - | - | - | - | - | - | - | 3,274 | 3,274 | 79 | 3,353 |
| Other comprehensive income | - | - | 61 | (1,081) | 35 | - | - | - | (985) | (339) | (1,324) |
| Depreciation transfer for revaluation of building | - | - | - | - | (25) | - | - | 25 | - | - | - |
| Total comprehensive income | - | - | 61 | (1,081) | 10 | - | - | 3,299 | 2,289 | (260) | 2,029 |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | |
| Ordinary dividends paid to equity holders | - | - | - | - | - | - | - | (2,271) | (2,271) | - | (2,271) |
| Dividend reinvestment plan | 568 | - | - | - | - | - | - | - | 568 | - | 568 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | (62) | (62) |
| Share based payments | - | (73) | - | - | - | - | - | - | (73) | - | (73) |
| At 31 December 2020 | 12,886 | 229 | 61 | 69 | 6,190 | 316 | (93) | 19,555 | 39,213 | 3,558 | 42,771 |
| At 30 June 2019 | 12,000 | 348 | - | 1,085 | 4,103 | 6 | (37) | 13,536 | 31,041 | 4,149 | 35,190 |
| Profit for the period | - | - | - | - | - | - | - | 2,043 | 2,043 | 130 | 2,173 |
| Other comprehensive income | - | - | - | 161 | - | - | (3) | - | 158 | 95 | 253 |
| Depreciation transfer for revaluation of building | - | - | - | - | (23) | - | - | 23 | - | - | - |
| Total comprehensive income | - | - | - | 161 | (23) | - | (3) | 2,066 | 2,201 | 225 | 2,426 |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | |
| Ordinary dividends paid to equity holders | - | - | - | - | - | - | - | (1,790) | (1,790) | - | (1,790) |
| Dividend reinvestment plan | 318 | - | - | - | - | - | - | - | 318 | - | 318 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | (226) | (226) |
| Settlement of performance rights | - | (458) | - | - | - | 310 | - | - | (148) | - | (148) |
| Share based payments | - | 430 | - | - | - | - | - | - | 430 | - | 430 |
| At 31 December 2019 | 12,318 | 320 | - | 1,246 | 4,080 | 316 | (40) | 13,812 | 32,052 | 4,148 | 36,200 |

Notes on pages 11 to 18 are an integral part of the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. Summary of significant accounting policies

a. Basis of preparation

This general purpose condensed consolidated financial report for the six months ended 31 December 2020 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated financial report as at and for the six months ended 31 December 2020 does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the condensed consolidated financial report for the six months ended 31 December 2020 be read in conjunction with the annual report for the year ended 30 June 2020 and considered together with any public announcements made by the Company during the six months ended 31 December 2020 in accordance with the continuous disclosure obligations of the ASX listing rules. Other than as stated in Note 14, the financial report has been prepared using the same accounting policies as used in the most recent financial report.

The condensed consolidated financial report for the six months ended 31 December 2020 is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191.

b. Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Company, being Bisalloy Steel Group Limited, and its subsidiaries ("the Group") as at the balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries, not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Notes to the Condensed Consolidated Financial Statements

continued

2. Dividends paid

| In thousands of dollars | Consolidated | |
|---|---|-------------|
| | For the six months ended 31 Dec 2020 | 31 Dec 2019 |
| Cash dividends to the equity holders of the parent: | | |
| Dividends on ordinary shares declared and paid during the six-month period: | | |
| Final dividend for year ended 30 June 2020: 5.0 cents (2019: 4.0 cents) | 2,271 | 1,790 |

3. Other income and expenses

| In thousands of dollars | Consolidated | |
|--|---|--------------|
| | For the six months ended 31 Dec 2020 | 31 Dec 2019 |
| (a) Other expenses | | |
| Foreign exchange loss / (gain) | 33 | 28 |
| | 33 | 28 |
| (b) Finance (income) and costs | | |
| Bank interest and borrowing costs | 658 | 578 |
| Total finance costs | 658 | 578 |
| Bank interest | (2) | (2) |
| Total finance income | (2) | (2) |
| (c) Depreciation and cost of inventories included in the statement of profit or loss and other comprehensive income | | |
| Depreciation and amortisation ² | 1,104 | 1,017 |
| Cost of inventories | 28,523 | 36,794 |
| Provision for inventory | (63) | 241 |
| Cost of inventories recognised as an expense | 28,460 | 37,035 |
| (d) Employee benefits expense² | | |
| Wages and salaries | 6,175 | 6,838 |
| Superannuation costs | 562 | 544 |
| Share based payments | (9) | 429 |
| | 6,728 | 7,811 |

² These costs are apportioned over several functions of the Group.

Notes to the Condensed Consolidated Financial Statements

continued

4. Issued capital

| In thousands of dollars | Consolidated | |
|---------------------------------------|--------------|-------------|
| | 31 Dec 2020 | 30 Jun 2020 |
| Ordinary shares Issued and fully paid | 12,886 | 12,318 |

| In thousands | No. of shares | \$ |
|--------------------------------------|---------------|--------|
| Movement in ordinary shares on issue | | |
| At 1 July 2020 | 45,418 | 12,318 |
| Dividend Reinvestment Plan (i) | 450 | 568 |
| At 31 Dec 2020 | 45,868 | 12,886 |

- (i) The Group paid an ordinary fully franked dividend to equity holders for the year ended 30 June 2020 on 29 November 2020. The Dividend Reinvestment Plan (DRP) applied to the final dividend with a discount of 5% to the weighted average market price of shares in the Company traded on the ASX on the record date of 4 November 2020 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was \$1.2632 per share.

5. Earnings per share

| In thousands of dollars | Consolidated For the six months ended | |
|---|--|-------------|
| | 31 Dec 2020 | 31 Dec 2019 |
| Calculation of the following in accordance with AASB 133: | | |
| Profit for the period | 3,353 | 2,173 |
| Profit attributable to non-controlling interests | 79 | 130 |
| Profit attributable to equity holders of the parent | 3,274 | 2,043 |

| | Thousands | Thousands |
|--|-----------|-----------|
| Weighted average number of ordinary shares for basic earnings per share | 45,530 | 44,919 |
| Potential dilution: | | |
| Performance rights | 2,696 | 1,938 |
| Adjusted weighted average number of ordinary shares for diluted earnings per share | 48,226 | 46,857 |

6. Cash and cash equivalents

| In thousands of dollars | 31 Dec 2020 | 30 Jun 2020 |
|--------------------------|-------------|-------------|
| Cash at bank and in hand | 1,255 | 672 |

Non-cash financing activities

Dividend reinvestment plan

The number of shares issued under the dividend reinvestment plan during the six months ending 31 December 2020 was 449,844 (31 December 2019: 305,355).

Notes to the Condensed Consolidated Financial Statements

continued

7. Investment in joint venture

In July 2011, Bisalloy Steel Group Limited signed a Cooperative Joint Venture Agreement with Jinan Iron & Steel Co., Limited to establish Bisalloy Jigang Steel Plate (Shandong) Co., Limited ('the joint venture'). Bisalloy initially contributed US\$1 million in capital for an initial 33% ownership of the equity and a 50% share in the operating result of the joint venture which is jointly controlled by both parties.

In 2018 the JV changed its registered name to Bisalloy Shangang (Shandong) Steel Plate Co., Limited.

In April 2019, due to the substantial growth in the CJV, both parties in the joint venture increased their contribution to registered capital, with Bisalloy's contribution increasing from US\$1.0m to US\$2.5m, representing a 41.67% ownership of the equity and a 50% share in the operating result of the joint venture.

The Group's share of the result of the joint venture on an equity accounted basis for the period is \$867k (2019: \$504k).

8. Interest bearing loans and borrowings

On 24 January 2020 Bisalloy Steel Group Limited entered into a facility with Westpac Banking Corporation. The facility comprises a bank bill facility of \$7m for 2 years from January 2020, with \$6.2m drawn, and reducing by \$116,500 per quarter over the term, an invoice finance facility of up to \$12m (drawn to \$5.2m) and a trade finance facility of up to \$9m (drawn to \$1.6m).

The Group has a IDR 44.5b revolver facility as well as a USD\$0.5m Letter of Credit facility available to its Indonesian based subsidiary. These facilities are drawn to \$3.2m and secured by a charge over the assets of the Indonesian subsidiary and mature in March 2021.

The Group has a THB 3m bank overdraft facility available and unused to its Thailand based subsidiary as at 31 December 2020. These facilities are secured by a guarantee from Bisalloy Steel Group Limited.

Notes to the Condensed Consolidated Financial Statements

continued

9. Assets / liabilities measured at fair value

Fair values

The Group uses various methods in estimating the fair value of assets and liabilities. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is calculated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the assets and liabilities as well as the methods used to estimate the fair value are summarised in the table below. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

| 31 December 2020 | Total | Level 1 | Level 2 | Level 3 |
|--------------------------------------|---------------|----------------|----------------|----------------|
| Assets measured at fair value | \$'000 | \$'000 | \$'000 | \$'000 |
| Land and buildings | 14,176 | - | 14,176 | - |
| Foreign exchange contracts | 87 | - | 87 | - |
| | 14,263 | - | 14,263 | - |
| 30 June 2020 | | | | |
| Assets measured at fair value | | | | |
| Land and buildings | 14,176 | - | 14,176 | - |
| Foreign exchange contracts | 8 | - | 8 | - |
| | 14,184 | - | 14,184 | - |

At 30 June 2020 the fair value of land, buildings and improvements for its Indonesian land and buildings was determined by reference to independent valuations performed in June 2019. At 30 June 2020 the fair value of land, buildings and improvements for its Australian land and buildings was determined by reference to independent valuations performed in June 2020. For 31 December 2020, it was determined by Directors valuation that there was no significant change in fair value.

The fair value of interest-bearing loans and borrowings approximates the carrying value.

Transfer between categories

There were no transfers between levels during the year.

10. Commitments and contingencies

There has been no material change of any contingent liability or contingent asset since the last annual reporting date.

11. Events after the balance date

The legal challenge from former Managing Director and CEO Mr Albert was mutually resolved in February 2021. The 31 December 2020 results have been updated to include this resolution. The resolution will have no negative impact on FY21 results.

There have been no other significant events after the balance date.

Notes to the Condensed Consolidated Financial Statements

continued

12. Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of economic characteristics.

Geographical areas

Australian operations

The Australian operations comprise of Bisalloy Steels Pty Limited and Bisalloy Steel Group Limited.

Bisalloy Steels Pty Limited manufactures and sells wear-grade and high tensile plate through distributors and directly to original equipment manufacturers in both Australia and Overseas. Bisalloy Steels is located in Unanderra, near Wollongong, NSW.

Bisalloy Steel Group Limited is the corporate entity, also located in Unanderra NSW, which incurs expenses such as head office costs and interest. Corporate charges are allocated across the Australian and Overseas segments.

Overseas operations

The Overseas operations comprise of PT Bima Bisalloy and Bisalloy (Thailand) Co Limited located in Indonesia and Thailand respectively. These businesses distribute Bisalloy Q&T plate as well as other steel plate products. The Overseas operations also include the co-operative joint venture Bisalloy Shangang (Shandong) Steel Plate Co., Limited in the People's Republic of China for the marketing, sale and distribution of quench and tempered steel plate.

Inter-segment transactions

Inter-entity sales are recognised based on an internally set transfer price. This price is set monthly and aims to reflect what the business operation could achieve if they sold their output to external parties at arm's length.

Major customers

The Group has a number of customers to which it provides products. There are three major distributors who account for 36% (2019: 31%), 10% (2019: 13%) and 9% (2019: 14%) of total external revenue.

Notes to the Condensed Consolidated Financial Statements

continued

12. Segment information (continued)

Information about reportable segments

| | Australia \$'000 | Overseas \$'000 | Total \$'000 |
|--|---------------------|--------------------|-----------------|
| For the six months ended 31 December 2020 | | | |
| Sales to external customers | 38,561 | 8,590 | 47,151 |
| Inter-segment sales | 2,725 | - | 2,725 |
| Total segment revenue | 41,286 | 8,590 | 49,876 |
| Inter-segment elimination | | | (2,725) |
| Total consolidated revenue | | | 47,151 |
| Segment profit after income tax | 2,583 | 830 | 3,413 |

| | | | |
|--|--------|-------|---------|
| For the six months ended 31 December 2019 | | | |
| Sales to external customers | 46,938 | 9,476 | 56,414 |
| Inter-segment sales | 5,600 | - | 5,600 |
| Total segment revenue | 52,538 | 9,476 | 62,014 |
| Inter-segment elimination | | | (5,600) |
| Total consolidated revenue | | | 56,414 |
| Segment profit after income tax | 2,078 | 478 | 2,556 |

| | For the six months ended | |
|--|--------------------------|-----------------------|
| | 31 Dec 2020 \$'000 | 31 Dec 2019 \$'000 |
| a) Segment profit after income tax reconciliation to the statement of profit or loss and other comprehensive income | | |
| Segment profit after income tax | 3,413 | 2,556 |
| Intercompany eliminations (net of tax) | (60) | (383) |
| Income tax expense | 1,186 | 749 |
| Profit before tax per the statement of profit or loss and other comprehensive income | 4,539 | 2,922 |

The following table presents revenue by performance obligations per each segment for the six months ended 31 December 2020.

| | Australia \$'000 | Overseas \$'000 | Total \$'000 |
|--|---------------------|--------------------|-----------------|
| For the six months ended 31 December 2020 | | | |
| Sale of steel plates | 39,081 | 8,451 | 47,532 |
| Shipping and handling | 2,205 | 139 | 2,344 |
| Total revenue | 41,286 | 8,590 | 49,876 |
| For the six months ended 31 December 2019 | | | |
| Sale of steel plates | 49,365 | 9,308 | 58,673 |
| Shipping and handling | 3,173 | 168 | 3,341 |
| Total revenue | 52,538 | 9,476 | 62,014 |

Notes to the Condensed Consolidated Financial Statements

continued

13. Income Tax

The income tax expense of \$1,186k for the six months ended 31 December 2020 differs from what it would have been under the Group's statutory income tax rate of 30% (\$1,362k) primarily due to share of profit of equity accounted investees reported net of tax and the controlled foreign company (CFC) attributed income.

14. Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Directors' Declaration

In accordance with a resolution of the directors of Bisalloy Steel Group Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the financial position as at 31 December 2020 and of its performance for the six months ended on that date of the consolidated entity; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Glenn Cooper
Managing Director
26 February 2021



Independent Auditor's Review Report

To the shareholders of Bisalloy Steel Group Limited

Conclusion

We have reviewed the accompanying Half-year Financial Report of Bisalloy Steel Group Limited.

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 Bisalloy Steel Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Half-year Financial Report comprises:

- Condensed consolidated statement of financial position as at 31 December 2020.
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on 31 December 2020.
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The Group comprises Bisalloy Steel Group Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year Period.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors 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*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. 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 Group's financial position as at 31 December 2020 and its performance for the half-year ended on 31 December 2020; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Bisalloy Steel Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Warwick Shanks

Partner

Dated at Wollongong this 26th day February 2021.