BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2018 ("HY19")
Results for announcement to the market

		Absolute Change		HY19 $'000	HY18 $'000
Profit/(Loss) attributable to members	**Up**	**56.8%**	**to**	**2,106**	**1,343**
Revenue	Up	25.4%	to	50,075	39,941
Profit before income tax from continuing operations	Up	38.8%	to	3,279	2,363
Profit after income tax	Up	70.2%	to	2,489	1,462

Dividends	**Amount per share**	**Franked amount per share**
Half year ended 31 December 2018		
Interim dividend	Nil	Nil
Half year ended 31 December 2017		
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

Other	**HY19**	**HY18**
Net tangible asset backing per share	63.8cps	56.0cps

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.

BISALLOY STEEL GROUP LIMITED

A.B.N 22 098 674 545

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF YEAR ENDED 31 December 2018

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Directors' Report

Your directors submit their report for the half year ended 31 December 2018.

Directors

The names of 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**
Mr Phillip Cave AM	Non-Executive Chairman
Mr Kym Godson	Non-Executive Director
Mr Richard Grellman AM	Non-Executive Director
Mr Dario Pong	Non-Executive Director (resigned 11 September 2018)
Mr Greg Albert	Chief Executive Officer and Managing Director

Review of Operations

Operating results are summarised as follows:

	December 2018	December 2017
	$'000	$'000
Revenue	50,075	39,941
Profit after income tax	2,489	1,462

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) and the investment in the Chinese CJV - Bisalloy Shangang (Shandong) Steel Plate Co, Ltd.

Safety is a key commitment of the Group with a continued focus on zero harm to all employees, contractors and visitors. Our operational safety performance continues to improve underpinning our core value, Always Professional. During the half year there were no new recordable injury events in the Australian Operation (excluding First Aid Injuries). Safety involvement through our Occupational, Health and Safety Committee made a significant improvement in the management systems and safety outcome of our annual two-week Unanderra plant shutdown over the Christmas period.

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 to select companies.

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 half year Bisalloy utilised greenfeed steel supply mainly from neighbouring BlueScope Steel in Wollongong, complimented with selected supply from international greenfeed suppliers.

Results

Revenues of the Group in the period were $50,075k, up 25% from the corresponding period last year. Operating Profit before the CJV contribution increased 36% to $3,139k from $2,305k and the share of profit from the CJV increased 38% compared to the prior corresponding period. Profit after tax increased to $2,489k from $1,462k in the prior corresponding period.

Net operating cash outflow in the six months was $5,531k was comparable to the outflow of $5,346k in the previous corresponding period.

Net debt at 31 December 2018 totals $13.4m (31 December 2017 - $11.4m). Inventory levels comprising finished product and greenfeed have increased $3.3m in the six months to December 2018 to accommodate the higher sales activity.

Dividend

No dividend will be paid in respect of the half year ended 31 December 2018.

Auditor Independence

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of this report.

Signed in accordance with a resolution of the directors.

Greg Albert
Managing Director
25 February 2019

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Auditor's Independence Declaration to the Directors of Bisalloy Steel Group Limited

As lead auditor for the review of Bisalloy Steel Group Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bisalloy Steel Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

G L Maris

Glenn Maris
Partner
Sydney
25 February 2019

Bisalloy Steel GROUP LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half year ended 31 December 2018

	Notes	Consolidated Half Year 31 Dec 2018 $'000	Consolidated Half Year 31 Dec 2017* $'000
Continuing operations			
Revenue from contracts with customers		50,075	-
Sales of goods		-	39,941
Revenue		50,075	39,941
Cost of sales		(40,585)	(31,158)
Gross profit		**9,490**	**8,783**
Other income		66	(255)
Distribution expenses		(1,019)	(938)
Marketing expenses		(1,840)	(1,743)
Occupancy expenses		(287)	(339)
Administrative expenses		(3,271)	(3,203)
Operating profit		**3,139**	**2,305**
Finance costs	3(a)	(523)	(408)
Finance income	3(a)	21	2
Share of profit of joint venture	7	642	464
Profit before income tax from continuing operations		**3,279**	**2,363**
Income tax expense	13	(790)	(901)
Profit after income tax		**2,489**	**1,462**
Profit after income tax is attributable to:			
Non-controlling interests		383	119
Equity holders of the parent		2,106	1,343
Profit for the half year		**2,489**	**1,462**
Other comprehensive income:			
Items that may be subsequently reclassified to net profit			
Fair value gain/(loss) on cash flow hedges		-	4
Foreign currency translation		642	58
Income tax effect on items in other comprehensive income		-	-
Other comprehensive income for the period, net of tax		642	62
Total comprehensive income for the period, net of tax		**3,131**	**1,524**
Total comprehensive income for the period is attributable to:			
Non-controlling interests		545	144
Equity holders of the parent		2,586	1,380
		3,131	**1,524**
Earnings per share for profit attributable to ordinary equity holders of the parent			
- Basic earnings/(loss) per share (cents per share)	5	4.7	3.0
- Diluted earnings/(loss) per share (cents per share)	5	4.6	2.9

*The group has adopted AASB 9 under the prospective approach and AASB 15 under the modified retrospective approach, resulting in comparatives not being restated. Please refer to Note 14 for impact of these standards.

Bisalloy Steel GROUP LIMITED

Consolidated Statement of Financial Position
31 December 2018

	Notes	Consolidated 31 Dec 2018 $'000	Consolidated 30 June 2018* $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	2,538	2,585
Trade and other receivables		18,101	19,394
Inventories		27,688	24,352
Other current assets		1,750	758
Total current assets		**50,077**	**47,089**
Non-current assets			
Investment in joint venture	7	3,362	2,720
Property, plant and equipment		18,510	18,684
Total non-current assets		**21,872**	**21,404**
Total assets		**71,949**	**68,493**
LIABILITIES			
Current liabilities			
Trade and other payables		18,558	24,163
Interest bearing loans and borrowings	8	11,348	2,434
Income tax payable		293	577
Employee Benefit Liabilities		2,644	2,422
Derivative liability		9	-
Total current liabilities		**32,852**	**29,596**
Non-current liabilities			
Interest bearing loans and borrowings	8	4,633	6,068
Employee Benefit Liabilities		775	806
Deferred tax liabilities		1,451	1,485
Total non-current liabilities		**6,859**	**8,359**
Total liabilities		**39,711**	**37,955**
NET ASSETS		**32,238**	**30,538**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	12,000	11,720
Accumulated profits		12,102	11,783
Other reserves		4,436	3,854
Parent interests		**28,538**	**27,357**
Non-controlling interests		**3,700**	**3,181**
TOTAL EQUITY		**32,238**	**30,538**

*The group has adopted AASB 9 under the prospective approach and AASB 15 under the modified retrospective approach, resulting in comparatives not being restated. Please refer to Note 14 for impact of these standards.

Bisalloy Steel GROUP LIMITED

Consolidated Statement of Cash Flows
Half Year ended 31 December 2018

		Consolidated	
	Notes	Half Year 31 Dec 2018 $'000	Half Year 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		50,956	44,437
Payments to suppliers and employees (inclusive of GST)		(54,905)	(48,632)
Interest received		21	2
Borrowing costs		(523)	(408)
Income tax paid		(1,080)	(745)
Net cash outflows from operating activities		**(5,531)**	**(5,346)**
Cash flows from investing activities			
Proceeds from sale of fixed assets		6	-
Payments for property, plant and equipment		(600)	(1,041)
Payments for investments		-	-
Dividends received from investments		-	793
Net cash outflows used in investing activities		**(594)**	**(248)**
Cash flows from financing activities			
Increase in borrowings		7,480	3,729
Dividend paid to non-controlling interests		-	(188)
Dividend paid to equity holders of the parent		(1,495)	(960)
Net cash inflows from financing activities		**5,985**	**2,581**
Net (decrease) / increase in cash and cash equivalents		(140)	(3,013)
Net foreign exchange differences		93	26
Cash and cash equivalents at the beginning of period		2,585	3,984
Cash and cash equivalents the end of period	6(a)	**2,538**	**997**

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2018

	Attributable to equity holders of the Company										
	Issued capital $'000	Employee Equity Benefits Reserve $'000	Net gain/ (loss) on cash flow Hedges $'000	Foreign currency translation reserve $'000	Asset Revaluation Reserve $'000	Equity Settlement Reserve $'000	Other Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total Equity $'000
At 30 June 2018	**11,720**	**309**	**-**	**(514)**	**4,100**	**6**	**(47)**	**11,783**	**27,357**	**3,181**	**30,538**
Effect of adoption of new accounting standards*	-	-	-	-	-	-	-	(37)	(37)	(26)	(63)
Restated total equity at the beginning of the financial year	**11,720**	**309**	**-**	**(514)**	**4,100**	**6**	**(47)**	**11,746**	**27,320**	**3,155**	**30,475**
Profit for the period	-	-	-	-	-	-	-	2,106	2,106	383	2,489
Other comprehensive income	-	-	-	480	-	-	-	-	480	162	642
Depreciation transfer for revaluation of building	-	-	-	-	(25)	-	-	25	-	-	-
Total comprehensive income	**-**	**-**	**-**	**480**	**(25)**	**-**	**-**	**2,131**	**2,586**	**545**	**3,131**
Transactions with owners in their capacity as owners:											
Ordinary dividends paid to equity holders	-	-	-	-	-	-	-	(1,775)	(1,775)	-	(1,775)
Dividend reinvestment plan	280	-	-	-	-	-	-	-	280	-	280
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	127	-	-	-	-	-	-	127	-	127
At 31 December 2018	**12,000**	**436**	**-**	**(34)**	**4,075**	**6**	**(47)**	**12,102**	**28,538**	**3,700**	**32,238**
At 30 June 2017	**11,575**	**160**	**(4)**	**(720)**	**3,973**	**6**	**-**	**9,214**	**24,204**	**3,213**	**27,417**
Profit/Loss for the period	-	-	-	-	-	-	-	1,343	1,343	119	1,462
Other comprehensive income	-	-	4	33	-	-	-	-	37	25	62
Depreciation transfer for revaluation of building	-	-	-	-	(19)	-	-	19	-	-	-
Total comprehensive income	**-**	**-**	**4**	**33**	**(19)**	**-**	**-**	**1,362**	**1,380**	**144**	**1,524**
Transactions with owners in their capacity as owners:											
Ordinary dividends paid to equity holders	-	-	-	-	-	-	-	(1,105)	(1,105)	-	(1,105)
Dividend reinvestment plan	145	-	-	-	-	-	-	-	145	-	145
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(188)	(188)
Share based payments	-	118	-	-	-	-	-	-	118	-	118
At 31 December 2017*	**11,720**	**278**	**0**	**(687)**	**3,954**	**6**	**-**	**9,471**	**24,742**	**3,169**	**27,911**

*The group has adopted AASB 9 under the prospective approach and AASB 15 under the modified retrospective approach, resulting in comparatives not being restated. Please refer to Note 14 for impact of these standards.

Notes to the consolidated financial statements

1. Summary of significant accounting policies

a. Basis of preparation

This general purpose condensed consolidated financial report for the half year ended 31 December 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated half year financial report 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 half year financial report be read in conjunction with the annual report for the year ended 30 June 2018 and considered together with any public announcements made by the Company during the half year ended 31 December 2018 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 half year financial report 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.

		Consolidated	
		Half Year 31 Dec 2018 $'000	Half Year 31 Dec 2017* $'000
2.	**Dividends paid and proposed**		
	Cash dividends to the equity holders of the parent:		
	Dividends on ordinary shares declared and paid during the six-month period:		
	Final dividend for 2018: 4.0 cents (2017: 2.5 cents)	1,775	1,105
3.	**Revenues and expenses**		
	(a) Finance (income) and costs		
	Bank loans and overdrafts	523	408
	Total finance costs	**523**	**408**
	Bank interest	21	2
	Total finance income	**21**	**2**
	(b) Depreciation and cost of inventories included in the statement of profit or loss and other comprehensive income		
	Depreciation and amortisation	865	772
	These costs are apportioned over several functions of the Group based on the use of each asset.		
	Costs of inventories recognised as an expense	36,830	27,287
	(c) Foreign exchange differences included in net profit		
	Fair value (loss)/gain on derivatives	(9)	4
	Foreign exchange gain/(loss)	78	(257)
	The fair value gain or loss on derivatives arose from the valuation of forward exchange contract that PT Bima had in place as at period end.		
	(d) Lease payment and other expenses included in the Statement of comprehensive income		
	Rental – operating leases	124	99
	(e) Employee benefits expense		
	Wages and salaries	6,775	6,425
	Superannuation costs	524	481
	Share based payments	127	118
		7,426	7,024

*The group has adopted AASB 9 under the prospective approach and AASB 15 under the modified retrospective approach, resulting in comparatives not being restated. Please refer to Note 14 for impact of these standards.

	Consolidated 31 Dec 2018 $'000	Consolidated 30 June 2018* $'000
4. Issued capital		
Ordinary shares		
Issued and fully paid	12,000	11,720

	No. of shares '000	$'000
Movement in ordinary shares on issue		
At 1 July 2018	44,387	11,720
Dividend Reinvestment Plan (i)	365	280
At 31 Dec 2018	44,752	12,000

(i) The Group paid an ordinary fully franked dividend to equity holders for the year ended 30 June 2018 on 30 November 2018. 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 7 November 2018 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was $0.7667cps.

	Half Year 31 Dec 2018 '$000	Half Year 31 Dec 2017 '$000
5. Earnings per share		
Calculation of the following in accordance with AASB 133:		
Profit for the period	2,489	1,462
Profit attributable to non-controlling interests	383	119
Profit/(Loss) attributable to equity holders of the parent	2,106	1,343
	Thousands	**Thousands**
Weighted average number of ordinary shares for basic earnings per share	44,478	44,237
Potential dilution:		
Performance rights	1,718	1,800
Adjusted weighted average number of ordinary shares for diluted earnings per share	46,196	46,037

*The group has adopted AASB 9 under the prospective approach and AASB 15 under the modified retrospective approach, resulting in comparatives not being restated. Please refer to Note 14 for impact of these standards.

	Consolidated	
	31 Dec 2018 $'000	30 June 2018* $'000
6. Cash and cash equivalents		
Cash at bank and in hand	2,538	2,585
a. Reconciliation of cash		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	2,538	2,585
	2,538	2,585

b. Non-cash financing activities

Dividend reinvestment plan

The number of shares issued under the dividend reinvestment plan during the six months ending 31 December 2018 was 364,664 (31 December 2017: 200,017).

7. Investment in Joint Venture

On 7 July 2011 Bisalloy Steel Group Limited (the Group) signed a Cooperative Joint Venture (JV) agreement with Jinan Iron and Steel Co., Limited. The Group contributed US$1 million for a 50% share in the operating result of the joint venture. Due to the substantial growth of the CJV, both parties in the joint venture agreed in Q4 FY18 to increase their registered capital of the CJV, with Bisalloy's contribution to increase from US$1.0m to US$2.5m over 2018 and 2019. This increase is to be funded from the undistributed profits from the 2017 and 2018 calendar years, which would otherwise have been fully paid to Bisalloy in November 2018 and November 2019. The Group's share of the result of the joint venture on an equity accounted basis for the period is $642k (2017: $464k).

8. **Interest Bearing Loans and Borrowings**

On 30 May 2017 Bisalloy Steel Group Limited entered into a facility with Westpac Banking Corporation. The facility comprises a bank bill facility of $7m for 3 years from April 2017, with $5.1m drawn, and reducing by $116,500 per quarter over the term, an invoice finance facility of up to $10m (drawn to $3.65m at 31 December 2018) and an export working capital facility of up to $6m (drawn to $4.61m at 31 December 2018 – facility increased from $2m to $6m on 22 October 2018).

The Group has IDR 1billion and USD$2,000,000 revolver facilities as well as a USD$500,000 Letter of Credit facility available to its Indonesian based subsidiary. These facilities are drawn to $AUD 2.6m and secured by a charge over the assets of the Indonesian subsidiary and mature on 30 June 2019.

The Group has a THB 3m bank overdraft facility available and unused to its Thailand based subsidiary as at 31 December 2018. This facility is linked to the Minimum Overdraft Rate (MOR), and is secured by a guarantee from Bisalloy Steel Group Limited.

*The group has adopted AASB 9 under the prospective approach and AASB 15 under the modified retrospective approach, resulting in comparatives not being restated. Please refer to Note 14 for impact of these standards.

	Consolidated 31 Dec 2018 $'000	Consolidated 30 June 2018* $'000

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 2018

Assets measured at fair value

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Land and Buildings	10,385	-	-	10,385
Foreign Exchange Contracts	-	-	-	-
Liabilities measured at fair value				
Foreign Exchange Contracts	(9)	-	(9)	-

30 June 2018

Assets measured at fair value

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Land and Buildings	10,385	-	-	10,385
Foreign Exchange Contracts	-	-	-	-
Liabilities measured at fair value				
Foreign Exchange Contracts	-	-	-	-

At 30 June 2018 the fair value of land, buildings and improvements for its Indonesian land and buildings was determined by reference to valuations performed in June 2018. At 30 June 2018 the fair value of land, buildings and improvements for its Australian land and buildings was determined by reference to valuations performed in June 2017. For December 2018, it was determined by Directors valuation that there was no significant change in fair value.

Transfer between categories

There were no transfers between levels during the year. The fair value of interest-bearing loans and borrowings approximates the carrying value.

*The group has adopted AASB 9 under the prospective approach and AASB 15 under the modified retrospective approach, resulting in comparatives not being restated. Please refer to Note 14 for impact of these standards.

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

There have been no significant events after the balance date.

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 distributes 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. All corporate charges relate to the Australian operations and are linked to Australian segment revenue only.

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 steel plate products. From July 2011 the overseas operations include the co-operative joint venture Bisalloy Shangang (Shandong) Steel Plate Co., Ltd in the People's Republic of China for the marketing 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 major distributors who account for 28% (2017: 30%), 15% (2017: 18%) and 11% (2017: 16%) of total external revenue.

12. Segment information (continued)

Information about reportable segments

The following table presents revenue and result information regarding these segments for the half years ended 31 December 2018 and 31 December 2017.

	Consolidated		
	Australian Operations $'000	Overseas Operations $'000	Total $'000
31 December 2018			
Sales to external customers	38,541	11,534	50,075
Inter-segment sales	5,146	-	5,146
Total segment revenue	43,687	11,534	55,221
Inter-segment elimination			(5,146)
Revenue			50,075
Segment profit/(loss) after income tax	696	1,793	2,489
31 December 2017*			
Sales to external customers	31,338	8,603	39,941
Inter-segment sales	5,279	-	5,279
Total segment revenue	36,617	8,603	45,220
Inter-segment elimination			(5,279)
Revenue			39,941
Segment profit/(loss) after income tax	705	757	1,462

The following table presents revenue by performance obligations per each segment for the half year ended 31 December 2018.

	Consolidated		
	Australian Operations $'000	Overseas Operations $'000	Total $'000
31 December 2018			
Sale of steel plates	40,173	11,290	51,463
Shipping and handling	3,514	244	3,758
Total revenue	43,687	11,534	55,221

*The group has adopted AASB 9 under the prospective approach and AASB 15 under the modified retrospective approach, resulting in comparatives not being restated. Please refer to Note 14 for impact of these standards.

As at 31 December 2018, the unsatisfied performance obligations per each segment as presented below.

	Consolidated		
	Australian Operations $'000	Overseas Operations $'000	Total $'000
31 December 2018			
Shipping and handling	160	-	160
Total revenue	160	-	160

13. Income Tax

The income tax expense of $790K for the half year differs from what it would have been under the Group's statutory income tax rate of 30% ($984K) primarily due to 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 2018, except for the adoption of new standards effective as of 1 July 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. The Group has adopted AASB 9 under the prospective method and AASB 9 under the modified retrospective method of adoption with the date of initial application of 01 July 2018 for both standards. The cumulative effect of initially applying the two standards is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. As required by AASB 134, the nature and effect of these changes are disclosed below.

The effect of adopting AASB 9 and AASB 15 as at 01 July 2018 was, as follows:

	Amounts prepared under previous AASB $'000	Adjustments due to AASB 9 $'000	Adjustments due to AASB 15 $'000	Amounts prepared under AASB 9 & 15 $'000
Trade and Other Receivables	19,394	(90)	(301)	19,003
Current Assets	**47,089**	**(90)**	**(301)**	**46,698**
Total Assets	**68,493**	**(90)**	**(301)**	**68,102**
Trade and Other Payables	24,163	-	(301)	23,862
Current Liabilities	**29,596**	**-**	**(301)**	**29,295**
Deferred Tax Liability	1,485	(27)	-	1,458
Non-current liabilities	**8,359**	**(27)**	**-**	**8,332**
Total Liabilities	**37,955**	**(27)**	**(301)**	**37,627**
Net Assets	**30,538**	**(63)**	**-**	**30,475**
Accumulated profits	3,854	(63)	-	3,791
Parent Interests	**27,357**	**(38)**	**-**	**27,319**
Non-controlling interest	**3,181**	**(25)**	**-**	**3,156**
Total Equity	**30,538**	**(63)**	**-**	**30,475**

Set out below, are the amounts by which each financial statement line is affected as at and for the half year ended 31 December 2018 as a result of the adoption of AASB 9 and AASB 15. The adoption of AASB 9 and AASB 15 did not have a material impact on the Other Comprehensive Income or had no impact on the Group's operating, investing and financing cash flows. The first column shows amounts prepared under AASB 9 and AASB 15 and the fourth column shows what the amounts would have been had AASB 9 and AASB 15 not been adopted:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half year ended 31 December 2018

	Amounts prepared under AASB 9 & 15 $'000	Adjustments due to AASB 9 $'000	Adjustments due to AASB 15 $'000	Amounts prepared under previous AASB $'000
Revenue from contracts with customers	50,075	-	(50,075)	-
Sales of goods	-	-	50,235	50,235
Revenue	**50,075**	**-**	**160**	**50,235**
Gross Profit	**9,490**	**-**	**160**	**9,650**
Distribution Expenses	(1,019)	-	(160)	(1,179)
Administration Expenses	(3,271)	(24)	-	(3,295)
Operating Profit	**3,139**	**(24)**	**-**	**3,115**
Profit before income tax	**3,279**	**(24)**	**-**	**3,255**
Income tax	(790)	7	-	(783)
Profit after income tax	**2,489**	**(17)**	**-**	**2,472**
Attributable to:				
Non-controlling interest	383	(7)	-	376
Owners of the parent	2,106	(10)	-	2,096
Profit for the year	**2,489**	**(17)**	**-**	**2,472**
Total comprehensive income				
Attributable to:				
Non-controlling interest	545	(7)	-	538
Owners of the parent	2,586	(10)	-	2,576
Total comprehensive income	**3,131**	**(17)**	**-**	**3,114**

Earnings per share for profit attributable to ordinary equity holders of the parent for the half year ended 31 December 2018:

	Amounts prepared under AASB 9 & 15	Amount prepared under previous AASB
- Basic earnings/(loss) per share (cents per share)	4.7	4.7
- Diluted earnings/(loss) per share (cents per share)	4.6	4.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Amounts prepared under AASB 9 & 15 $'000	Adjustments due to AASB 9 $'000	Adjustments due to AASB 15 $'000	Amounts prepared under previous AASB $'000
Trade and Other Receivables	18,101	(24)	160	18,237
Current Assets	**50,077**	**(24)**	**160**	**50,213**
Total Assets	**71,949**	**(24)**	**160**	**72,085**
Trade and Other Payables	18,558	- -	160	18,718
Current Liabilities	**32,852**	**-**	**160**	**33,012**
Deferred Tax Liability	1,451	(7)	-	1,444
Non-current liabilities	**6,859**	**(7)**	**-**	**6,852**
Total Liabilities	**39,711**	**(7)**	**160**	**39,864**
Net Assets	**32,238**	**(17)**	**-**	**32,221**
Accumulated profits	12,102	(17)	-	12,085
Parent Interests	**28,538**	**(10)**	**-**	**28,528**
Non-controlling interest	**3,700**	**(7)**	**-**	**3,693**
Total Equity	**32,238**	**(17)**	**-**	**32,221**

(a) AASB 9 Financial Instruments – Impact of Adoption

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied AASB 9 prospectively, with the initial application date of 1 July 2018.

- Classification and measurement

The accounting for the Group's financial assets and liabilities are the same as it was under AASB 139. Detailed below is the measurement of the Group's financial assets.

Caption	AASB 139	AASB 9
Cash and Cash Equivalents	Fair Value	Fair Value
Trade and Other Receivables	Amortised Cost	Amortised Cost
Derivative Asset	Fair Value	Fair Value

- Impairment

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Each subsidiary has established a provision matrix that is based on the subsidiary's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in.

The adoption of the ECL requirements of AASB 9 has resulted in a change to the impairment allowances of the Group's debt financial assets as at 30 June 2018.

(b) AASB 15 Revenue Contracts with Customers – Impact of Adoption

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard has been applied to all contracts at the date of initial application.

The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The key changes to the Group's reporting as a result of AASB 15 has been the timing of revenue recognition with respect to the performance obligations relating to shipping and handling being satisfied.

Performance obligations

The Group's contracts with customers are for the sale of steel plates. In completing the sale of the steel plates, there are two performance obligations identified, being the provision of steel plates and the provision of shipping and handling. The Group has concluded that revenue from the provision of steel plates and revenue from shipping and handling should be recognised at the point in time of each performance obligation being satisfied.

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 2018 and of its performance for the half year 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

Greg Albert
Managing Director
25 February 2018

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Independent Auditor's Review Report to the Members of Bisalloy Steel Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bisalloy Steel Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial 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*.

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 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, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the half year financial report.

Ernst & Young

Ernst & Young

Glenn Maris
Partner
Sydney
25 February 2019