BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Six months ended 31 December 2019 ("HY19")
Results for announcement to the market

		Absolute Change		HY20 $'000	HY19 $'000
Profit/(Loss) attributable to members	**Down**	**3.0%**	**to**	**2,043**	**2,106**
Revenue	Up	12.7%	to	56,414	50,075
Profit before income tax from continuing operations	Down	10.9%	to	2,922	3,279
Profit after income tax	Down	12.7%	to	2,173	2,489

Dividends

No interim dividend will be paid

	HY20	HY19
Other		
Net tangible asset backing per share	70.6 cps	63.8cps

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 2019 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 2019

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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 2019 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**
Mr Phillip Cave AM	Non-Executive Chairman
Mr Kym Godson	Non-Executive Director
Mr Richard Grellman AM	Non-Executive Director
Mr Greg Albert	Chief Executive Officer and Managing Director

Review of Operations

This is the first set of the Group's financial statements in which AASB 16 Leases has been applied. Under the transition methods chosen, comparative information has not been restated. The 31 December 2019 results are therefore not directly comparable to prior years. Changes to significant accounting policies and the impact of applying the new standards are described in Note 14.

The operating results are summarised as follows:

	For the six months ended	
	31 Dec 2019	**31 Dec 2018**
	$'000	**$'000**
Revenue	56,414	50,075
Profit after income tax	2,173	2,489

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 remains committed to the wellbeing of our workers, visitors, and the communities associated with our business. This commitment is expressed through a new set of safety principles that were adopted this year:

- all injuries are avoidable;
- if you choose to work for the Group, you chose to work safely;
- management is accountable for safety;
- employees must be involved and trained; and
- all processes can be safeguarded.

Despite this a relatively minor incident led to a Lost Time injury due to a trip and fall causing a shoulder injury. The employee has since made a full recovery and returned to work. This incident caused us to renew our focus through the period, re-engaging the workforce to achieve improved housekeeping and smarter workplace layout.

Directors' Report

continued

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 six months ended 31 December 2019 Bisalloy utilised greenfeed steel supply mainly from neighbouring BlueScope Steel in Wollongong, complimented with selected supply from international greenfeed suppliers, including the CJV.

Results

Revenues of the Group in the period were $56,414k, up 12.7% from the corresponding period last year. Operating Profit was $2,994k, down 4.6% from prior corresponding period. Profit after tax decreased to $2,173k from $2,489k in the prior corresponding period.

Net operating cash inflow in the six months was $268k compared to the outflow of $5,531k in the previous corresponding period.

Net debt at 31 December 2019 totals $11.9m (31 December 2018 - $13.4m). Inventory levels comprising finished product and greenfeed have remained steady decreasing $166k in the six months to December 2019.

Dividend

No dividend will be paid in respect of the six months ended 31 December 2019.

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
28 February 2020

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 2019 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.

KPMG

KPMG

Warwick Shanks

Partner

Dated at Sydney this 28th day of February 2020.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the six months ended 31 Dec 2019 $'000	31 Dec 2018* $'000
Continuing operations			
Revenue from contracts with customers		56,414	50,075
Revenue		**56,414**	50,075
Cost of sales		(45,997)	(40,477)
Gross profit		**10,417**	9,598
Distribution expenses		(1,233)	(1,126)
Marketing expenses		(1,640)	(1,790)
Occupancy expenses		(379)	(338)
Administrative expenses		(4,143)	(3,271)
Other (expenses)/income		(28)	66
Operating profit		**2,994**	3,139
Finance costs	3(a)	(578)	(523)
Finance income	3(a)	2	21
Share of profit of joint venture	7	504	642
Profit before income tax from continuing operations		**2,922**	3,279
Income tax expense	13	(749)	(790)
Profit after income tax		**2,173**	2,489
Profit after income tax is attributable to:			
Non-controlling interests		130	383
Equity holders of the parent		2,043	2,106
Profit for the period		**2,173**	2,489
Other comprehensive income:			
Items that may be subsequently reclassified to net profit			
Foreign currency translation		256	642
Actuarial (losses)/gains		(3)	-
Other comprehensive income for the period, net of tax		**253**	642
Total comprehensive income for the period, net of tax		**2,426**	3,131
Total comprehensive income for the period is attributable to:			
Non-controlling interests		225	545
Equity holders of the parent		2,201	2,586
		2,426	3,131
Earnings per share for profit attributable to ordinary equity holders of the parent			
- Basic earnings per share (cents per share)	5	4.6	4.7
- Diluted earnings per share (cents per share)	5	4.4	4.6

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

Condensed Consolidated Statement of Financial Position

	Notes	31 Dec 2019 $'000	30 Jun 2019* $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	2,273	2,043
Trade and other receivables		22,416	17,803
Inventories		31,824	31,990
Other current assets		1,681	1,357
Income tax receivable		3	-
Contract assets		210	303
Total current assets		**58,407**	53,496
Non-current assets			
Investment in joint venture	7	5,407	4,982
Property, plant and equipment		18,937	18,144
Deferred tax asset		1,540	1,218
Total non-current assets		**25,884**	24,344
Total assets		**84,291**	77,840
LIABILITIES			
Current liabilities			
Trade and other payables		27,339	25,114
Interest bearing loans and borrowings	8	14,220	11,462
Employee benefit liabilities		1,857	2,038
Lease liabilities		281	-
Income tax payable		-	17
Contract liabilities		260	353
Total current liabilities		**43,957**	38,984
Non-current liabilities			
Employee benefit liabilities		1,213	1,040
Lease liabilities		364	-
Deferred tax liabilities		2,557	2,626
Total non-current liabilities		**4,134**	3,666
Total liabilities		**48,091**	42,650
NET ASSETS		**36,200**	35,190
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	12,318	12,000
Accumulated profits		13,812	13,536
Other reserves		5,922	5,505
Parent interests		**32,052**	31,041
Non-controlling interests		**4,148**	4,149
TOTAL EQUITY		**36,200**	35,190

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 31 Dec 2019 $'000	31 Dec 2018* $'000
Cash flows from operating activities			
Receipts from customers		55,941	50,956
Payments to suppliers and employees		(53,938)	(54,905)
Interest received		2	21
Borrowing costs		(578)	(523)
Income tax paid		(1,159)	(1,080)
Net cash from / (used in) operating activities		**268**	**(5,531)**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	6
Payments for property, plant and equipment		(971)	(600)
Net cash used in investing activities		**(971)**	**(594)**
Cash flows from financing activities			
Increase in borrowings		2,758	7,480
Dividend paid to non-controlling interests		(226)	-
Dividend paid to equity holders of the parent		(1,472)	(1,495)
Principal lease payments		(148)	-
Net cash from financing activities		**912**	**5,985**
Net increase / (decrease) in cash and cash equivalents		209	(140)
Net foreign exchange differences		21	93
Cash and cash equivalents at the beginning of period		2,043	2,585
Cash and cash equivalents the end of period	6	**2,273**	**2,538**

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

Condensed Consolidated Statement of Changes in Equity

	Issued capital $'000	Employee Equity Benefits Reserve $'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 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**
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	-	-	-	-	-	-	(206)	(206)	(25)	(231)
Restated total equity at the beginning of the financial year	**11,720**	**309**	**(514)**	**4,100**	**6**	**(47)**	**11,577**	**27,151**	**3,156**	**30,307**
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
Share based payments	-	127	-	-	-	-	-	127	-	127
At 31 December 2018	**12,000**	**436**	**(34)**	**4,075**	**6**	**(47)**	**11,933**	**28,369**	**3,701**	**32,070**

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

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 six months ended 31 December 2019 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 2019 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 2019 be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by the Company during the six months ended 31 December 2019 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 2019 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.

		For the six months ended 31 Dec 2019 $'000	31 Dec 2018* $'000
2.	**Dividends paid**		
	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 2019: 4.0 cents (2018: 4.0 cents)	1,790	1,775
3.	**Revenues and expenses**		
(a)	**Finance (income) and costs**		
	Bank loans and overdrafts	578	523
	Total finance costs	578	523
	Bank interest	(2)	(21)
	Total finance income	(2)	(21)
(b)	**Depreciation and cost of inventories included in the statement of profit or loss and other comprehensive income**		
	Depreciation and amortisation[1]	1,017	865
(c)	**Foreign exchange differences included in net profit**		
	Fair value loss / (gain) on derivatives	-	9
	Foreign exchange loss / (gain)	28	(78)
(d)	**Employee benefits expense**[1]		
	Wages and salaries	6,812	6,756
	Superannuation costs	544	524
	Share based payments	429	127
		7,785	7,407

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

[1] These costs are apportioned over several functions of the Group.

	31 Dec 2019 $'000	30 Jun 2019* $'000
4. Issued capital		
Ordinary shares Issued and fully paid	12,318	12,000

	No. of shares '000	$'000
Movement in ordinary shares on issue		
At 1 July 2019	44,752	12,000
Dividend Reinvestment Plan (i)	305	318
New issue of shares (ii)	361	-
At 31 Dec 2019	45,418	12,318

(i) The Group paid an ordinary fully franked dividend to equity holders for the year ended 30 June 2019 on 29 November 2019. 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 6 November 2019 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was $1.0431cps.

(ii) The Group issued new ordinary shares to executives whose share rights had vested.

	For the six months ended 31 Dec 2019 '$000	31 Dec 2018* '$000
5. Earnings per share		
Calculation of the following in accordance with AASB 133:		
Profit for the period	2,173	2,489
Profit attributable to non-controlling interests	130	383
Profit attributable to equity holders of the parent	2,043	2,106
	'000	'000
Weighted average number of ordinary shares for basic earnings per share	44,919	44,478
Potential dilution:		
Performance rights	1,938	1,718
Adjusted weighted average number of ordinary shares for diluted earnings per share	46,857	46,196

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

	31 Dec 2019 $'000	30 Jun 2019[*] $'000
6. Cash and cash equivalents		
Cash at bank and in hand	2,273	2,043

Non-cash financing activities

Dividend reinvestment plan
The number of shares issued under the dividend reinvestment plan during the six months ending 31 December 2019 was 305,355 (31 December 2018: 364,664).

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 $504k (2018: $642k).

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 $5.38m drawn, and reducing by $116,500 per quarter over the term, an invoice finance facility of up to $10m (drawn to $0m at 31 December 2019) and an export working capital facility of up to $6m (drawn to $5.1m at 31 December 2019 – facility increased from $2m to $6m on 22 October 2019). In January 2020, Bisalloy renewed the facility with Westpac, increasing the bank bill facility to $7m, the invoice finance facility to $12m and the export working capital facility to $9m.

The Group has IDR 1b and USD$3m revolver facilities (increased from USD$2m to USD$3m in August 2019) as well as a USD$500k Letter of Credit facility available to its Indonesian based subsidiary. These facilities are drawn to $AUD 3.74m and secured by a charge over the assets of the Indonesian subsidiary and mature on 30 June 2020.

The Group has a THB 3m bank overdraft facility available and unused to its Thailand based subsidiary as at 31 December 2019. These facilities are secured by a guarantee from Bisalloy Steel Group Limited.

[*] The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

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 2019 Assets measured at fair value	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Land and Buildings	10,726	-	-	10,726
30 June 2019 Assets measured at fair value				
Land and Buildings	10,726	-	-	10,726

At 30 June 2019 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 2019 the fair value of land, buildings and improvements for its Australian land and buildings was determined by reference to independent valuations performed in June 2017. For 31 December 2019, 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

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. 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 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 31% (2018: 28%), 14% (2018: 11%) and 13% (2018: 15%) of total external revenue.

12. Segment information (continued)

Information about reportable segments

For the six months ended 31 December 2019	Australia $'000	Overseas $'000	Total $'000
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 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)
Total consolidated revenue			50,075
Segment profit after income tax	1,201	1,058	2,259

	For the six months ended	
a) Segment profit after income tax reconciliation to the statement of profit or loss and other comprehensive income	**31 Dec 2019 $'000**	**31 Dec 2018*^ $'000**
Segment profit after income tax	2,556	2,259
Inter-segment elimination	(383)	230
Profit after tax per the statement of profit or loss and other comprehensive income	**2,173**	**2,489**

The following table presents revenue by performance obligations per each segment for the six months ended 31 December 2019.

For the six months ended 31 December 2019	Australia $'000	Overseas $'000	Total $'000
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
For the six months ended 31 December 2018*°			
Sale of steel plates	40,767	11,290	52,057
Shipping and handling	2,920	244	3,164
Total revenue	43,687	11,534	55,221

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

^ The Group has updated the reporting on the Australia and overseas classification as at and for the six months ending 31 December 2018. The allocation of corporate charges was previously allocated only to Australia, but from 30 June 2019 have been allocated across the two segments. This resulted in $641k of Corporate Costs being reallocated to the overseas segment.

° The Group has updated the reporting on the shipping and handling performance obligation as at and for the six months ending 31 December 2018 to most accurately reflect the obligations.

13. Income Tax

The income tax expense of $749k for the six months ended 31 December 2019 differs from what it would have been under the Group's statutory income tax rate of 30% ($850k) 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 2019, except for the adoption of new standards effective as of 1 July 2019. 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 16 Leases from 1 July 2019. The Group has adopted AASB 16 under the modified retrospective approach with the date of initial application of 1 July 2019. The cumulative effect of initially applying AASB 16 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.

AASB 16 replaces AASB 117 Leases and related interpretations. AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group as a lessee has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

- Definition of a Lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, the Group has elected for all leases in which it is a lessee, not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

- As a lessee

The Group leases assets, including properties, motor vehicles and IT equipment.

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets (items) or with a lease term of less than 12 months. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

14. Changes in accounting policies (continued)

- As a lessee (continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of the right-of-use assets are as below.

In thousands of dollars	Property, plant and equipment		Total
	Freehold land and buildings	**Plant and Equipment**	
Balance at 1 July 2019	-	375	375
Balance at 31 December 2019	-	638	638

The group presents lease liabilities in 'Lease liabilities' in the statement of financial position.

- Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes a renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amounts of lease liabilities and right-of-use assets recognised.

- Transition

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the subsidiaries incremental borrowing rate as at 1 July 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

14. Changes in accounting policies (continued)

- Transition (continued)

The Group leases one motor vehicle which was classified as a finance lease under AASB 117. For this finance lease, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

- Lessor

The Group does not lease out any assets and as such is not a lessor.

- Impact on financial statements

Impacts on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

In thousands of dollars	**1 July 2019**
Right-of-use assets presented in Property, plant and equipment	375
Lease liabilities	(385)
Trade and other payables	10
Retained Earnings	-

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.61%.

In thousands of dollars	**1 July 2019**
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	426
Early payment recognised in other current assets at 30 June 2019	19
Discounted using the incremental borrowing rate	(17)
Finance lease liabilities recognized at 30 June 2019	10
Less recognition exemption for leases with a lease term of 12 months or less	(53)
Less recognition exemption for leases of low value assets	-
Lease liabilities recognized at 1 July 2019	385

Impacts for the period
As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $638k of right-of-use assets and $638k of lease liabilities as at 31 December 2019. The lease liability at 31 December 2019 also includes an existing finance lease liability of $7k.

Also, in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised $151k of depreciation and $7k interest costs from these leases.

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 2019 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

Greg Albert
Managing Director
28 February 2020

Independent Auditor's Review Report

To the shareholders of Bisalloy Steel Group Limited

Report on the Half-year Financial Report

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 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 2019 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 2019
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on 31 December 2019.
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 1a to the Half Year Financial Report, which describes the basis of preparation.

The Half Year Financial Report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the Half Year Financial Report and this Auditor's Report for the review of the Half Year Financial Report may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

Our report is intended solely for the shareholders of Bisalloy Steel Group Limited and should not be used by parties other than the shareholders of Bisalloy Steel Group Limited. We disclaim any assumption of responsibility for any reliance on this report, or on the Half Year Financial Report to which it relates, to any person other than the shareholders of Bisalloy Steel Group Limited or for any other purpose than that for which it was prepared.

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 2019 and its performance for the half-year ended on 31 December 2019; 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

KPMG

Warwick Shanks
Partner
Dated at Sydney this 28th day of February 2020.